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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 2021

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 2021 together with comparative figures for the corresponding period of last year as follows:

#### FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change
	2021	2020	
<b>Results</b>			
Revenue (HK\$'000)	<b>2,513,018</b>	1,797,789	40%
— Commission and fee income	<b>986,852</b>	618,481	60%
— Interest income	<b>1,270,311</b>	1,320,548	(4%)
— Net trading and investments income/(loss)	<b>255,855</b>	(141,240)	N/A
Profit attributable to ordinary equity holders	<b>937,604</b>	605,583	55%
Dividend	<b>480,069</b>	325,652	47%
Payout ratio	<b>51%</b>	54%	(3 p.p.)
Annualized return on equity (ROE)	<b>12.2%</b>	9.4%	2.8 p.p.
<b>Per share</b>			
Basic earnings per share (HK cents)	<b>9.77</b>	6.77	44%
Diluted earnings per share (HK cents)	<b>9.76</b>	6.76	44%
Dividend per share (HK cents) (Note)	<b>5.0</b>	3.4	47%
	<b>As at</b>	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>	
	<b>2021</b>	<b>2020</b>	<b>Change</b>
<b>Financial position</b>			
Total assets (HK\$'000)	<b>139,153,710</b>	121,720,741	14%
Shareholders' equity (HK\$'000)	<b>15,552,330</b>	15,118,119	3%
Number of issued shares	<b>9,618,994,707</b>	9,617,228,644	—
Equity per ordinary share (HK\$) (Note)	<b>1.62</b>	1.58	3%

Note: Based on 9,601,381,307 shares (30 June 2020: 9,578,002,956 shares) as at 30 June 2021, being 9,618,994,707 shares issued and fully paid less 17,613,400 shares held under the Company's share award scheme (30 June 2020: 9,614,892,536 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

	<i>Notes</i>	For the six months ended 30 June	
		2021	2020
		<i>Unaudited</i> <i>HK\$'000</i>	<i>Unaudited</i> <i>HK\$'000</i>
Revenue	4	2,513,018	1,797,789
Other income		<u>2,308</u>	<u>2,963</u>
Revenue and other income		2,515,326	1,800,752
Staff costs	5	(424,539)	(329,919)
Commission to account executives		(143,684)	(74,574)
Depreciation		(38,376)	(34,038)
Net loss allowance charge		(80,209)	(38,371)
Other operating expenses		<u>(271,504)</u>	<u>(186,767)</u>
Operating profit		1,557,014	1,137,083
Finance costs	6	<u>(449,929)</u>	<u>(432,741)</u>
Profit before taxation	7	1,107,085	704,342
Income tax expense	8	<u>(163,576)</u>	<u>(95,292)</u>
<b>Profit for the period</b>		<b>943,509</b>	<b>609,050</b>
<b>Other comprehensive income for the period, net of tax</b>			
Items that may be reclassified subsequently to profit or loss:			
— Investments at fair value through other comprehensive income (net movement in investment revaluation reserve)		(24,554)	(1,574)
— Exchange difference on translation of foreign exchange		<u>6,184</u>	<u>(3,951)</u>
<b>Total comprehensive income for the period</b>		<b><u>925,139</u></b>	<b><u>603,525</u></b>

		<b>For the six months ended 30 June</b>	
	<i>Notes</i>	<b>2021</b>	2020
		<b><i>Unaudited</i></b>	<b><i>Unaudited</i></b>
		<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>Profit for the period attributable to:</b>			
Owners of the parent			
— Holders of ordinary shares		<b>937,604</b>	605,583
Non-controlling interests		<b>5,905</b>	3,467
		<u><b>943,509</b></u>	<u>609,050</u>
<b>Total comprehensive income for the period attributable to:</b>			
Owners of the parent			
— Holders of ordinary shares		<b>919,234</b>	600,058
Non-controlling interests		<b>5,905</b>	3,467
		<u><b>925,139</b></u>	<u>603,525</u>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
Basic (in HK cents)	<i>10(a)</i>	<u><b>9.77</b></u>	<u>6.77</u>
Diluted (in HK cents)	<i>10(b)</i>	<u><b>9.76</b></u>	<u>6.76</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June 2021 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2020 <i>Audited</i> <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		470,841	475,924
Goodwill and other intangible assets		22,886	22,886
Deferred tax assets		131,740	150,880
Other assets		204,595	11,613
Derivative financial instruments		130,838	—
Financial assets at fair value through profit or loss		14,890,512	16,976,561
— Financial assets held for trading and investments		7,221,294	6,805,621
— Financial products		7,669,218	10,170,940
<b>Total non-current assets</b>		<b>15,851,412</b>	<b>17,637,864</b>
<b>Current assets</b>			
Loans and advances to customers	11	28,047,113	15,604,244
Receivables from reverse repurchase agreements		4,241,292	3,022,800
Accounts receivable	12	14,247,817	5,638,797
Prepayments, deposits and other receivables		263,321	143,744
Financial assets at fair value through profit or loss		49,289,412	53,937,004
— Financial assets held for trading and investments		23,497,463	24,595,855
— Financial products		25,791,949	29,341,149
Financial assets at fair value through other comprehensive income		43,476	105,574
Derivative financial instruments		2,605,082	1,261,354
Tax recoverable		54,100	153,555
Client trust bank balances		19,349,190	18,707,026
Cash and cash equivalents		5,161,495	5,508,779
<b>Total current assets</b>		<b>123,302,298</b>	<b>104,082,877</b>

		As at 30 June 2021 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2020 <i>Audited</i> <i>HK\$'000</i>
<b>Current liabilities</b>			
Accounts payable	13	(29,485,441)	(22,783,232)
Other payables and accrued liabilities		(662,153)	(930,801)
Derivative financial instruments		(2,316,985)	(862,429)
Interest-bearing borrowings	14	(18,094,629)	(9,732,840)
Debt securities in issue		(38,779,296)	(36,076,779)
— At amortised cost		(19,749,485)	(13,798,151)
— Designated at fair value through profit or loss		(19,029,811)	(22,278,628)
Financial liabilities at fair value through profit or loss		(8,617,594)	(6,666,260)
Obligations under repurchase agreements		(14,202,194)	(17,396,163)
Tax payable		(153,399)	(165,492)
<b>Total current liabilities</b>		<u>(112,311,691)</u>	<u>(94,613,996)</u>
<b>Net current assets</b>		<u>10,990,607</u>	<u>9,468,881</u>
<b>Total assets less current liabilities</b>		<u><u>26,842,019</u></u>	<u><u>27,106,745</u></u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		(34,888)	(17,928)
Interest-bearing borrowings	14	(17,776)	(6,557)
Derivative financial instruments		(363,300)	—
Debt securities in issue		(10,746,772)	(11,843,093)
— At amortised cost		(3,104,639)	(1,549,563)
— Designated at fair value through profit or loss		(7,642,133)	(10,293,530)
<b>Total non-current liabilities</b>		<u>(11,162,736)</u>	<u>(11,867,578)</u>
<b>Net assets</b>		<u><u>15,679,283</u></u>	<u><u>15,239,167</u></u>

	<b>As at 30 June 2021 <i>Unaudited</i> <i>HK\$'000</i></b>	<b>As at 31 December 2020 <i>Audited</i> <i>HK\$'000</i></b>
<b>Equity</b>		
Share capital	<b>10,911,163</b>	10,908,749
Other reserve	<b>(1,236,460)</b>	(1,236,460)
Currency translation reserve	<b>4,578</b>	(1,606)
Share-based compensation reserves	<b>38,198</b>	41,606
— Share option reserve	<b>28,301</b>	32,521
— Share award reserve	<b>9,897</b>	9,085
Shares held under the share award scheme	<b>(29,155)</b>	(30,672)
Investment revaluation reserve	<b>(31,809)</b>	(7,255)
Retained profits	<b>5,895,815</b>	5,443,757
Equity attributable to holders of the ordinary shares	<b>15,552,330</b>	15,118,119
Non-controlling interests	<b>126,953</b>	121,048
<b>Total equity</b>	<b>15,679,283</b>	15,239,167

## 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 23 August 2021.

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

The unaudited interim financial information for the six months ended 30 June 2021 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 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The financial information relating to the year ended 31 December 2020 that is included in the Interim Report 2021 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 2020 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 2020 disclosed in the 2020 annual report of the Company, except for the adoption of new standards effective as of 1 January 2021. 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 financial information relating to the year ended 31 December 2020 that is included in the Interim Report 2021 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 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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 2020, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs").

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

Amendment to HKFRS 16	<i>Covid-19-related rent concessions beyond 30 June 2021</i>
Amendments to HKFRS 9	HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, <i>Interest rate benchmark reform — phase 2</i>

The Group has elected not to adopt and apply the practical expedient of amendments to HKFRS 16 as there is no Covid-19-related rent concessions granted to the Group during the reporting period.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform — phase 2*

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates ("IBOR reform").

The amendments do not have a significant impact on this interim financial report as the group's majority London Interbank Best Offering Rate ("LIBOR") linked financial assets, liabilities and derivative contracts would mature before LIBOR's cessation date on 30 June 2023.



### 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) corporate finance services provide advisory services, placing and underwriting services of debts and equity securities;
- (b) institutional investor services provide market making, investments, structured product solutions, lending and other services to government and financial institutions;
- (c) wealth management provides comprehensive financial services and solutions to individual investors, corporations and family offices, including brokerage, loans and financing and other wealth management services and products;
- (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.

### 3. OPERATING SEGMENT INFORMATION (continued)

The unaudited segment results of the Group for the six months ended 30 June 2021 are as follows:

	Wealth Management <i>HK\$'000</i>	Institutional Investor Services <i>HK\$'000</i>	Corporate Finance Services <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	396,419	130,597	384,255	75,581	—	986,852
Interest income	352,112	798,670	—	119,529	—	1,270,311
Net trading and investments income	245,659	(19,253)	—	29,449	—	255,855
Other income	—	—	—	—	2,308	2,308
Total	<u>994,190</u>	<u>910,014</u>	<u>384,255</u>	<u>224,559</u>	<u>2,308</u>	<u>2,515,326</u>
Segment results	400,332	445,079	247,327	14,347	—	1,107,085
Income tax expense						<u>(163,576)</u>
Profit for the period						<u>943,509</u>
Other segment information:						
Net loss allowance charge on loans and advances to customers	10,559	56,030	—	—	—	66,589
Net loss allowance charge/ (reversal) on accounts receivable	3,280	(24)	11,892	3,722	—	18,870
Net loss allowance charge/ (reversal) on other financial assets	(3,606)	51	—	(1,911)	—	(5,466)
Loss allowance charge on financial assets at fair value through other comprehensive income	—	—	—	216	—	216
Depreciation	28,221	1,483	5,170	3,502	—	38,376
Finance costs	<u>260,782</u>	<u>119,699</u>	<u>—</u>	<u>69,448</u>	<u>—</u>	<u>449,929</u>

### 3. OPERATING SEGMENT INFORMATION (continued)

The unaudited segment results of the Group for the six months ended 30 June 2020 are as follows:

	Wealth Management <i>HK\$'000</i>	Institutional Investor Services <i>HK\$'000</i>	Corporate Finance Services <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	252,438	76,481	251,132	38,430	—	618,481
Interest income	333,474	882,215	—	104,859	—	1,320,548
Net trading and investments income	81,810	(96,544)	—	(126,506)	—	(141,240)
Other income	—	—	—	—	2,963	2,963
<b>Total</b>	<b>667,722</b>	<b>862,152</b>	<b>251,132</b>	<b>16,783</b>	<b>2,963</b>	<b>1,800,752</b>
Segment results	261,189	490,158	159,423	(206,428)	—	704,342
Income tax expense						(95,292)
Profit for the period						<b>609,050</b>
Other segment information:						
Net loss allowance charge on loans and advances to customers	(998)	32,521	—	—	—	31,523
Net loss allowance charge/ (reversal) on accounts receivable	1,101	(512)	149	2,429	—	3,167
Net loss allowance charge/ (reversal) on other financial assets	5,671	—	—	(1,990)	—	3,681
Depreciation	26,176	963	4,319	2,580	—	34,038
Finance costs	209,179	170,823	—	52,739	—	432,741

#### 4. REVENUE

The Group's revenue is disaggregated as follows:

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<i><b>Unaudited</b></i>	<i><b>Unaudited</b></i>
	<i><b>HK\$'000</b></i>	<i><b>HK\$'000</b></i>
Fee and commission income <sup>1</sup>		
Brokerage commission	<b>463,086</b>	276,450
Corporate finance		
Placing, underwriting and sub-underwriting commission		
— Debt securities	<b>266,791</b>	204,764
— Equity securities	<b>70,477</b>	20,545
Consultancy and financial advisory fee income	<b>31,052</b>	17,470
Asset management fee and performance fee	<b>84,131</b>	23,935
Handling income on financial products	<b>71,315</b>	75,317
	<u><b>986,852</b></u>	<u>618,481</u>
Interest income <sup>2</sup>		
Interest income from customers and counterparty financing	<b>430,196</b>	356,767
Interest income from banks	<b>43,155</b>	161,508
Interest income from debt securities market making	<b>319,433</b>	455,000
Interest income from investment in fixed income securities	<b>305,495</b>	254,672
Interest income from financial products	<b>172,032</b>	92,601
	<u><b>1,270,311</b></u>	<u>1,320,548</u>
Net income from trading and investments <sup>2</sup>		
Net trading income from debt securities market making	<b>(69,556)</b>	(55,406)
Net trading income from investments in fixed income securities, unconsolidated investment funds, derivatives and equity	<b>325,411</b>	(85,834)
	<u><b>255,855</b></u>	<u>(141,240)</u>
	<u><b>2,513,018</b></u>	<u>1,797,789</u>

Notes: (1) Revenue arising from customer contracts under HKFRS 15  
(2) Revenue arising from other sources

## 5. STAFF COSTS

	For the six months ended 30 June	
	2021	2020
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	415,070	307,834
Share-based compensation expenses		
— Share option scheme	859	4,242
— Share award scheme	2,210	12,335
Pension scheme contributions	6,400	5,508
	<u>424,539</u>	<u>329,919</u>

## 6. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings and overdrafts	100,812	181,570
Debt securities in issue	191,585	117,147
Securities borrowing and lending	976	1,514
Short selling of debt securities	80,958	36,704
Repurchase agreements	73,902	94,802
Lease liabilities	485	767
Others	1,211	237
	<u>449,929</u>	<u>432,741</u>

## 7. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2021	2020
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Professional and consultancy fees	58,265	37,827
Information service expense	28,307	20,053
Repairs and maintenance (including system maintenance)	38,305	30,161
Marketing, advertising and promotion expenses	4,518	4,717
Foreign exchange difference, net	8,219	(27,515)
Other commission expenses	20,619	16,967
Net loss allowance charge on loans and advances to customers	66,589	31,523
Net loss allowance charge on accounts receivable	18,870	3,167
Net loss allowance (reversal)/charge on other financial assets and loan commitments	(5,466)	3,681
Loss allowance charge on financial assets at fair value through other comprehensive income	216	—

## 8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current, Hong Kong		
— Charge for the period	127,475	61,770
Deferred taxation	36,101	33,522
Total tax charge for the period	163,576	95,292

Hong Kong Profits Tax has been provided at the rate of 16.5% (2020: 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\$480,069,000 or HK\$0.05 per ordinary share (2020: HK\$325,652,000 or HK\$0.034 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\$881,000 (2020: HK\$1,254,000) for the six months ended 30 June 2021. The interim dividend proposed after the reporting date has not been recognised 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\$0.051 per ordinary share for the year ended 31 December 2020 on 23 March 2021 and paid the final dividend of approximately HK\$489,670,000 on 16 June 2021, as further adjusted to include the dividend for shares issued under the share option scheme and share award scheme amounting to HK\$134,000.

## 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 2021 is based on the profit attributable to ordinary equity holders of the parent of HK\$937,604,000 (2020: HK\$605,583,000) and the weighted average number of ordinary shares in issue less shares held under the Company's share award scheme of 9,600,521,000 (2020: 8,951,074,000) 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	
	2021	2020
	<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>937,604</u>	<u>605,583</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)	9,600,521	8,951,074
Effect of dilution — weighted average number of ordinary shares:		
Share options under the share option scheme (in '000)	1,390	1,753
Awarded shares under the share award scheme (in '000)	<u>6,072</u>	<u>10,229</u>
Number of ordinary shares for the purpose of diluted earnings per share calculation (in '000)	<u>9,607,983</u>	<u>8,963,056</u>
Diluted earnings per share (in HK cents)	<u>9.76</u>	<u>6.76</u>

## 11. LOANS AND ADVANCES TO CUSTOMERS

	As at 30 June 2021 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2020 <i>Audited</i> <i>HK\$'000</i>
Margin loans	19,333,687	15,522,931
Term loans to customers	1,330,929	488,418
IPO loans	9,285,291	1,429,100
Less: loss allowance	<u>(1,902,794)</u>	<u>(1,836,205)</u>
	<u><b>28,047,113</b></u>	<u><b>15,604,244</b></u>

Analysis of the gross carrying amount as at 30 June 2021/31 December 2020 by the Group's internal credit rating and period end/year end classification:

Unaudited As at 30 June 2021 <i>Internal rating grade</i>	12-months ECL <i>(Stage 1)</i> <i>HK\$'000</i>	Lifetime ECL not credit- impaired <i>(Stage 2)</i> <i>HK\$'000</i>	Lifetime ECL credit-impaired <i>(Stage 3)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
<u>Performing</u>				
Excellent	27,763,927	—	—	27,763,927
Good	—	—	—	—
Fair	—	—	—	—
<u>Non-performing</u>				
Individually impaired	—	—	2,185,980	2,185,980
	<u><b>27,763,927</b></u>	<u><b>—</b></u>	<u><b>2,185,980</b></u>	<u><b>29,949,907</b></u>
Audited As at 31 December 2020 <i>Internal rating grade</i>	12-months ECL <i>(Stage 1)</i> <i>HK\$'000</i>	Lifetime ECL not credit- impaired <i>(Stage 2)</i> <i>HK\$'000</i>	Lifetime ECL credit-impaired <i>(Stage 3)</i> <i>HK\$'000</i>	Total <i>HK\$'000</i>
<u>Performing</u>				
Excellent	14,598,692	—	—	14,598,692
Good	698,159	—	—	698,159
Fair	—	—	—	—
<u>Non-performing</u>				
Individually impaired	—	—	2,143,598	2,143,598
	<u><b>15,296,851</b></u>	<u><b>—</b></u>	<u><b>2,143,598</b></u>	<u><b>17,440,449</b></u>



## 11. LOANS AND ADVANCES TO CUSTOMERS (continued)

Analysis of the gross carrying amount and the corresponding ECL allowance is as follows:

	12-months 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>
Gross carrying amount as at 1 January 2021	15,296,851	—	2,143,598	17,440,449
New assets originated, purchased or transferred	14,872,050	—	61,463	14,933,513
Assets derecognised or repaid	<u>(2,404,974)</u>	<u>—</u>	<u>(19,081)</u>	<u>(2,424,055)</u>
Gross carrying amount as at 30 June 2021	<u>27,763,927</u>	<u>—</u>	<u>2,185,980</u>	<u>29,949,907</u>
	12-months 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>
Gross carrying amount as at 1 January 2020	11,129,230	—	2,070,393	13,199,623
New assets originated, purchased	8,721,335	—	23,958	8,745,293
Assets derecognised or repaid	(4,407,906)	—	(96,561)	(4,504,467)
Transfer from stage 1 to stage 3	<u>(145,808)</u>	<u>—</u>	<u>145,808</u>	<u>—</u>
Gross carrying amount as at 31 December 2020	<u>15,296,851</u>	<u>—</u>	<u>2,143,598</u>	<u>17,440,449</u>

## 11. LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	12-months 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 2021	(2,977)	—	(1,833,228)	(1,836,205)
New assets originated or purchased	—	—	(3)	(3)
Assets derecognised or repaid	—	—	6	6
Changes of risk parameters	(2,590)	—	(64,002)	(66,592)
As at 30 June 2021	<u>(5,567)</u>	<u>—</u>	<u>(1,897,227)</u>	<u>(1,902,794)</u>
	12-months 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 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)
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:

	As at 30 June 2021 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2020 <i>Audited</i> <i>HK\$'000</i>
Accounts receivable arising from brokerage		
— cash and custodian clients	112,331	110,705
— the Stock Exchange and other clearing houses	4,466,811	1,642,743
— brokers and dealers	8,888,944	2,800,396
Accounts receivable arising from insurance brokerage services		
— cash and custodian clients	27	5
Accounts receivable arising from securities borrowing and lending		
— brokers and dealers	501,016	720,545
Accounts receivable arising from corporate finance, asset management, financial products, market making and investments		
— corporate clients, investment funds and others	<u>304,610</u>	<u>371,455</u>
	14,273,739	5,645,849
Less: loss allowance	<u>(25,922)</u>	<u>(7,052)</u>
	<u><u>14,247,817</u></u>	<u><u>5,638,797</u></u>

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

	2021 <i>Unaudited</i> <i>HK\$'000</i>	2020 <i>Audited</i> <i>HK\$'000</i>
At 1 January	7,052	7,574
Loss allowance charged to profit or loss during the period/year	19,392	1,177
Loss allowance reversed during the period/year	<u>(522)</u>	<u>(1,699)</u>
At 30 June 2021/31 December 2020	<u><u>25,922</u></u>	<u><u>7,052</u></u>

## 12. ACCOUNTS RECEIVABLE (continued)

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

### 30 June 2021 (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>
<b>Gross carrying amount</b>	112,331	4,466,811	9,389,960	304,610	27	14,273,739
Less: loss allowance						
— Stage 1	(56)	(2,156)	(6,922)	N/A	—	(9,134)
— Stage 2	(2)	—	—	N/A	—	(2)
— Stage 3	(427)	—	—	N/A	—	(427)
— Simplified approach	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>(16,359)</u>	<u>N/A</u>	<u>(16,359)</u>
	<u>111,846</u>	<u>4,464,655</u>	<u>9,383,038</u>	<u>288,251</u>	<u>27</u>	<u>14,247,817</u>

### 31 December 2020 (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>
<b>Gross carrying amount</b>	110,705	1,642,743	3,520,941	371,455	5	5,645,849
Less: loss allowance						
— Stage 1	(55)	(821)	(1,312)	N/A	—	(2,188)
— Stage 2	(2)	—	—	N/A	—	(2)
— Stage 3	(371)	—	—	N/A	—	(371)
— Simplified approach	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>(4,491)</u>	<u>N/A</u>	<u>(4,491)</u>
	<u>110,277</u>	<u>1,641,922</u>	<u>3,519,629</u>	<u>366,964</u>	<u>5</u>	<u>5,638,797</u>

### 13. ACCOUNTS PAYABLE

	As at 30 June 2021 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2020 <i>Audited</i> <i>HK\$'000</i>
Accounts payable arising from brokerage		
— clients	18,467,444	17,961,145
— brokers and dealers	863,488	2,652,515
— the Stock Exchange and other clearing houses	3,742,864	1,365,299
Accounts payable arising from securities borrowing and lending	306,510	17,299
Accounts payable arising from corporate finance, asset management, financial products, market making, investments and others	6,104,866	785,658
Accounts payable arising from insurance brokerage services	269	1,316
	<u>29,485,441</u>	<u>22,783,232</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 2021 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2020 <i>Audited</i> <i>HK\$'000</i>
Non-current:		
Lease liabilities	17,776	6,557
Current:		
Unsecured bank borrowings	18,082,106	9,715,836
Lease liabilities	12,523	17,004
	<u>18,094,629</u>	<u>9,732,840</u>
Total bank and other borrowings	<u>18,112,405</u>	<u>9,739,397</u>
Denominated in:		
HK\$	16,207,489	3,960,621
US\$	1,901,939	5,775,836
Other currencies	2,977	2,940
	<u>18,112,405</u>	<u>9,739,397</u>

#### **14. INTEREST-BEARING BORROWINGS (continued)**

The Group's bank borrowings bear interest at the Hong Kong Interbank Offered Rate plus an interest spread.

The carrying amounts of bank borrowings approximate to their fair values as the impact on discounting is not significant.

The Group' lease liabilities bear weighted average interest rate at 3.81% per annum (31 December 2020: 4.23% per annum).

#### **15. CAPITAL COMMITMENTS AND OTHER COMMITMENTS**

##### **Capital commitments**

The Group had capital commitments for system upgrade and renovation of premises of approximately HK\$13,588,000 which were contracted but not provided for as at 30 June 2020 (31 December 2020: HK\$17,772,000).

##### **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 2021, the underwriting and financial obligations were approximately HK\$720 million and nil respectively (31 December 2020: HK\$5 million and nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. Capital Market Review

In the first half of 2021, with the progress of global COVID-19 vaccination programme, the economy of major countries and regions such as China and the United States (U.S.) began to recover gradually. During the six months ended 30 June 2021 (the “Period”), although the market has been affected by a series of regulatory and economic events, including the policy introduced by the HKSAR Government to increase stamp duty on stock transactions, the uncertainty of relations between China and the U.S., forced liquidation of large hedge funds position, the rise in U.S. inflation expectation and the increase of the 10-year U.S. treasury bond yield etc., with supports from the economic data and loose monetary policy, the overall performance of the stock markets in Hong Kong and the U.S. remained stable. The Hang Seng Index rose by 6% to 28,828 points during the Period, with an average daily turnover of HK\$188.2 billion, representing an increase of 60% as compared with the corresponding period of last year (“YOY”). On the other hand, the U.S. stock market continued to deliver strong performance. The S&P 500 Index rose by 14%, the Dow Jones Industrial Average rose by 13%, and the Nasdaq Composite Index rose by 13% during the Period.

In the primary stock market, driven by the new issuance of the secondary listing of a number of sizeable China concept stocks and stocks with dual class shares structure, the total funds raised through the Stock Exchange in the first half of the year surged by 127% YOY to HK\$210.4 billion, surpassing the record high reached in the same period in 2011.

Regarding the bond issuance, the issuance scale of the Chinese-issued U.S. dollar-denominated bonds in the primary market rebounded steadily, while the performance of the secondary market trading index was relatively volatile. According to Bloomberg data, the total amount of bonds issued in Asian (ex-Japan) G3 currencies (U.S. dollar, euro and yen) increased by 20% YOY to US\$203.6 billion during the Period. In the secondary market, the continuous scale-up of the U.S. stimulus measure has resulted in the continual rise in inflation indicators, together with the factors of the relatively volatile U.S. bond yields and frequent credit events from corporates in Mainland China, making investors more cautious in setting their risk appetite. During the Period, the price index of investment-grade and high-yield bonds fell by 3.8% and 6.9%, respectively.

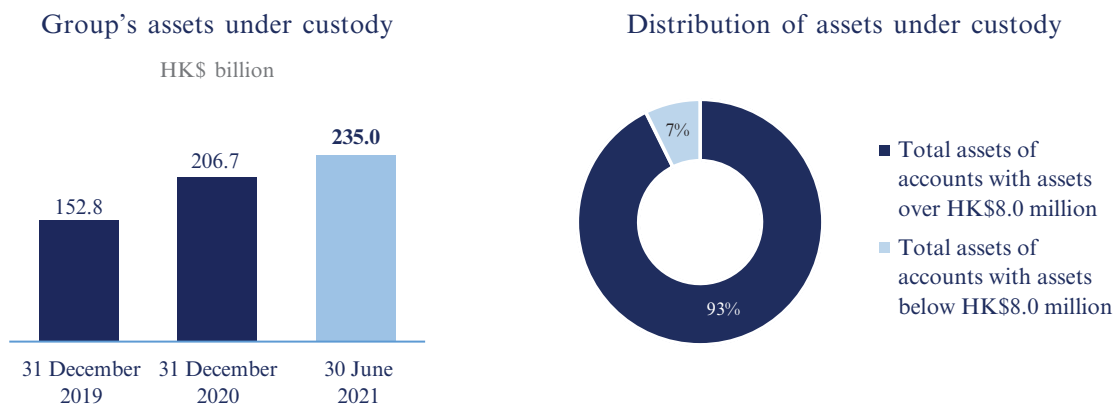
## II. Business Operation Review

### (I) *Holding risk management as core competitive edge, maintaining leading credit rating*

The Company firmly believes that comprehensive and pragmatic risk management is the core competitive edge of a financial institution. During the Period, the Group maintained global credit ratings at S&P BBB+ and Moody's Baa2 long-term issuer rating with the outlook being "stable", ranking in par with first-tier global investment banks.

### (II) *Fast growing wealth management business driving brokerage market share and asset under custody to rise steadily*

During the Period, the Group continued to upgrade its wealth management business and successfully attracted new high-net-worth clients. The wealth management platform provided high-net-worth clients with not only information on the latest capital market trends, but also structured products linked to fixed income and equity securities, derivatives, mutual funds and other products, assisting clients in adjusting investment portfolio according to their own risk preferences, while executing investment strategies efficiently and safely. The market share of the brokerage business of the Group in the Hong Kong stock market has increased consecutively in past two years. Meanwhile, the Group's total assets under custody increased by 14% to HK\$235.0 billion, in which clients with assets under custody above HK\$8.0 million accounted for 93%.





***(III) Established Fin-tech team to facilitate digitalization of financial services***

During the Period, the Group established the financial technology (“Fin-tech”) business development department to enhance its firm-wide capabilities in technological innovation, data management and analysis, as well as to facilitate its quality development in core businesses including wealth management. The Group will not only promote the digitalized, scenario-based and intelligent development in integrated financial services by leveraging on Fin-tech, but also study and introduce regulatory technology (Reg-tech) to ensure effective support for compliance supervision and risk management. On the other hand, the Group is continuously optimizing the existing data platform, applying mature and cutting-edge technologies such as cloud, artificial intelligence and open source technologies to improve internal big data management standards and data sharing.

***(IV) Strong synergy between private equity and corporate finance business offering clients comprehensive value coverage***

During the Period, the Group’s private equity business continued to expand its deployment in quality companies from China’s primary market, and explored deeper into high-end manufacturing, new energy development, consumption upgrades, biotechnology, artificial intelligence and other industries. Meanwhile, the Group continued to offer the post-investment services, and investee companies in the investment portfolio have successively either initiated or launched listing in the capital market. In May, Plus, which is invested by the Group, announced its initial public offering (“IPO”) plan on the New York Stock Exchange. In June, ATRenew (RERE.US), known as “the first environmental, social and governance (ESG)-related China concept stock” in the Group’s investment portfolio, was successfully listed on the New York Stock Exchange. In the listing process, the Group provided underwriting services which demonstrated its capabilities in all-round business synergy. During the Period, the Group was awarded “Top 10 Emerging Private Equity Investment Institutions in China 2020” by China Venture Institute (投中2020年度中國新銳私募股權投資機構十強), a renowned investment consulting firm. The Group expects to share quality development of China’s new economy with wealth management clients by extending their investment in the Group’s private equity products in future.

**(V) “Guotai Junan” brand highly recognized by international media**

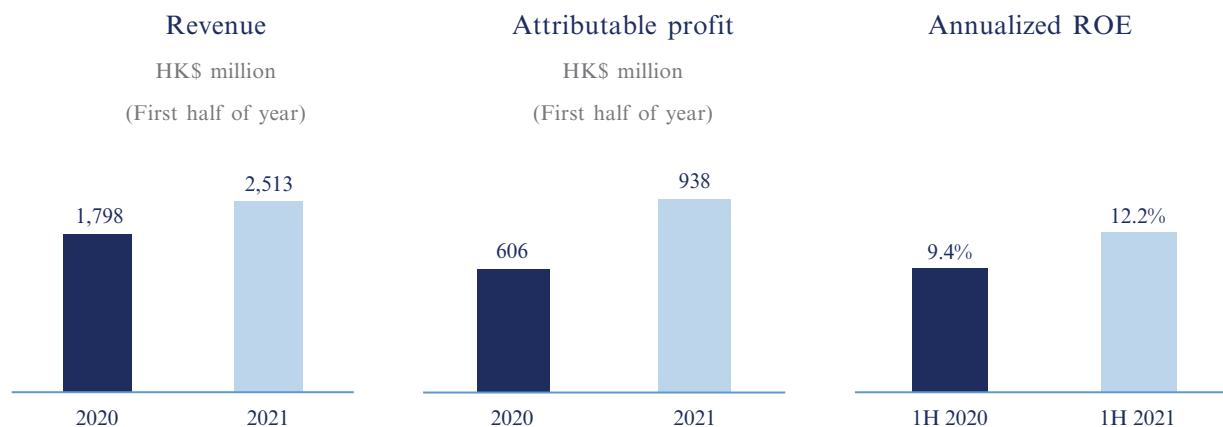
Since the beginning of 2021, the Company has received more than 13 honors and awards from seven prestigious Chinese and international medias, including “Institutional Investor”, “Asiamoney”, “Bloomberg Businessweek”, “Insights and Mandate” and “Zhitong Caijing”, covering not only fast-growing businesses such as wealth management, private equity, asset management, but also the comprehensive corporate management areas such as risk management and investor relations which are also acclaimed by the global investment and media communities, demonstrating the Company’s strength and medium to long-term competitive advantage as a financial service platform.

### **III. Results Summary**

During the Period, the Group has recorded a robust interim business result as follows:

- Revenue reached approximately HK\$2,513 million (same period in 2020: HK\$1,798 million), which represented an increase of 40% YOY, setting a new high;
- Profit attributable to ordinary equity holders of the Company (“Attributable Profit”) reached approximately HK\$938 million (same period in 2020: HK\$606 million), which represented a significant increase of 55% YOY, setting a new high;
- By the nature of revenue, fee and commission income rose by 60% YOY to HK\$987 million (accounting for 39% of revenue), setting a new high, interest income decreased by 4% YOY to HK\$1,270 million (accounting for 51% of revenue), net trading and investments income amounted to HK\$256 million (accounting for 10% of revenue, the same period of 2020: loss of HK\$141 million);
- Regarding the segment revenue, the Group’s revenue growth mainly came from: 1) wealth management segment income increased by 49% YOY to HK\$994 million; 2) investment management income segment increased by 12 times to HK\$225 million; and 3) corporate financing services segment income increased by 53% YOY to HK\$384 million;
- Regarding the revenue from different business lines, the Group’s revenue growth mainly came from: 1) brokerage business income increased by 68% YOY to HK\$463 million; 2) corporate finance business income increased by 52% YOY to HK\$368 million; 3) asset management business income surged by 251% YOY to HK\$84.13 million; and 4) financial products, market making and investments business income increased by 53% YOY to HK\$1,124 million;

- Cost-to-income ratio was lowered by 5 percentage points YOY to 56%, mainly benefited from the scale effect generated from the increase in revenue; and
- Annualized return on shareholder’s equity (“ROE”, Attributable Profit during the year divided by average equity attributable to holders of the ordinary shares during the period) was 12.2%, representing an increase of 2.8 percentage points YOY over the annualized ROE.



#### IV. Income Statement Analysis

##### (I) Summary

	For the six months ended 30 June		Change
	2021	2020	
	HK\$'000	HK\$'000	
<b>Revenue</b>	<b>2,513,018</b>	1,797,789	40%
— Fee and commission income	<b>986,852</b>	618,481	60%
— Interest income	<b>1,270,311</b>	1,320,548	(4%)
— Net trading and investments income/(loss)	<b>255,855</b>	(141,240)	N/A
Other income	<b>2,308</b>	2,963	(22%)
Total revenue	<b>2,515,326</b>	1,800,752	40%
Total costs (exclude tax)	<b>1,408,241</b>	1,096,410	28%
Attributable profit	<b>937,604</b>	605,583	55%

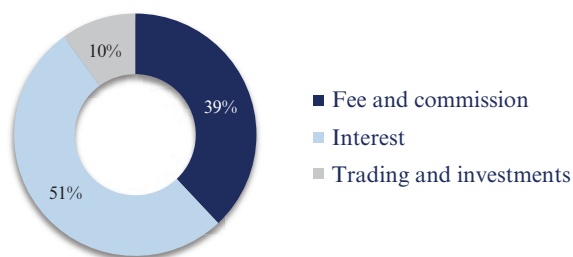
## **(II) Revenue structure (by nature)**

During the Period, the Group's revenue increased by 40% YOY to HK\$2,513 million, in which fee and commission income, interest income and net trading and investments income accounted for 39%, 51% and 10%, respectively.

- Fee and commission income amounted to HK\$987 million, representing an increase of 60% YOY, mainly attributable to the significant increase in brokerage, corporate finance and asset management revenue. The Group believes that, the increase of fee and commission income during the Period has significantly driven the Company's business growth and elasticity in the bull market, optimizing the quality of the Group's revenue more effectively;
- Interest income amounted to HK\$1,270 million, representing a decrease of 4% YOY, mainly attributable to a substantial decrease in market interest rate during the Period as compared to the same period last year. The quality of collaterals for loans and financing business continuously improved. As a result, the effective interest rate charged on these loans has been adjusted to reflect the improvement in quality of the collaterals. The Group believes the interest income which represented the highest proportion during the Period stabilized the Group's revenue and profitability during the market cycle; and
- Net trading and investments income turned into gain to HK\$256 million, mainly due to the increase arising from financial derivative instruments provided to wealth management clients and private equity business. During the Period, the Group's net trading and investments income represented relatively low proportion. The Group conducted tradings and investments with a purpose mainly for supporting development in wealth management, corporate finance and asset management, and creating business eco-system running on a virtuous circle. In particular, the Group's investment position focused mainly on fixed income securities and warrant derivatives, on which the impact from market performance and fluctuations is relatively limited, and coupon interests are expected to be recorded regularly to enhance income stability.

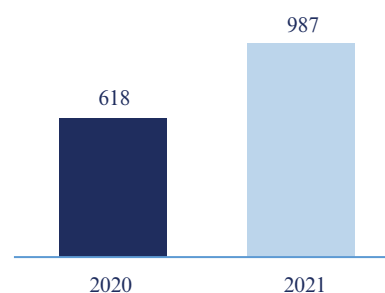
Based on the sound risk management system and measures, the Group believes that in the current balance sheet, the quality of loans assets that generated interest income and financial assets that generate trading and investment income are relatively high, while their credit risks and market risks are under control.

Revenue by nature



Fee and commission income

HK\$ million  
(First half of year)



## 1. Fee and Commission

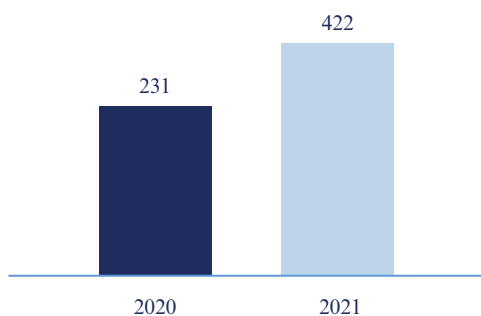
### 1.1 Brokerage

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

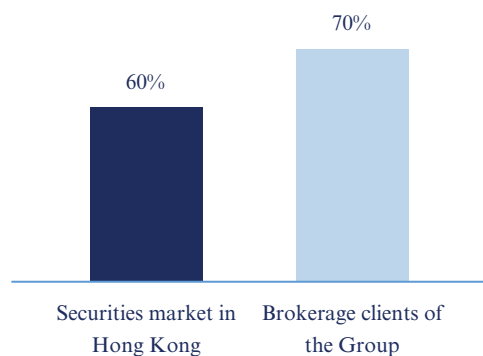
During the Period, the Group's income from brokerage services significantly increased by 68% YOY to HK\$463 million (same period in 2020: HK\$276 million), in which commission income from securities trading significantly increased by 83% YOY to HK\$422 million, contributed mainly by Hong Kong and U.S. stock markets trading, representing 46% and 19% of the income respectively. During the Period, thanks to development of wealth management business, together with new products and services launched by the Group that broadened investment channels and the participation of high-net-worth clients, the overall turnover of clients of the Group largely increased by 70% YOY, higher than the increase of 60% YOY in Hong Kong stock market during the same period.

Brokerage income from securities trading

HK\$ million  
(First half of year)



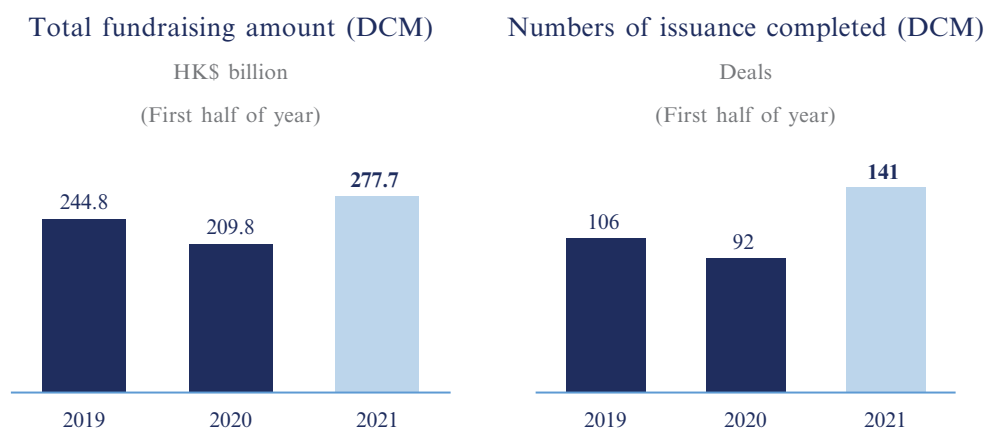
Turnover YOY increase in 1H 2021



## 1.2 Corporate finance

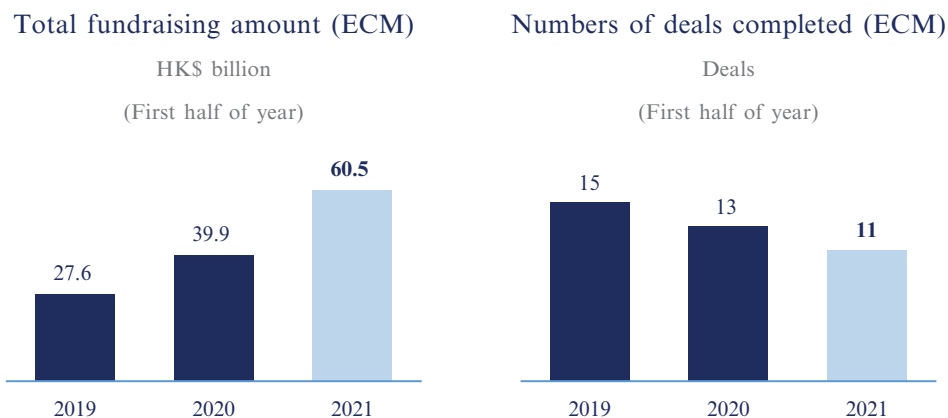
The Group provides professional services in debt capital market (“DCM”), equity capital market (“ECM”), consultancy and financial advisory to corporate clients and issuers. During the Period, underwriting commission income from the corporate finance business rose by 52% YOY to HK\$368 million (same period in 2020: HK\$243 million), mainly due to the large increase in DCM, ECM, consultancy and financial advisory business.

In terms of DCM, the income from underwriting service during the Period increased by 30% YOY to HK\$267 million (same period in 2020: HK\$205 million). The Group assisted corporate clients in raising funds of HK\$277.7 billion (same period in 2020: HK\$209.8 billion), representing an increase of 32% YOY, and completed a total of 141 bond underwriting projects (same period in 2020: 92), both setting a record high. The Group ranked the first 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 the number of bond issuances completed.



In terms of ECM, consultancy and financial advisory, the Group’s income from underwriting service of ECM significantly increased by 243% YOY to HK\$70.48 million (same period in 2020: HK\$20.55 million) during the Period, the income from consultancy and financial advisory increased by 78% YOY to HK\$31.05 million (same period in 2020: HK\$17.47 million). During the Period, the Group completed a total of 11 underwriting projects (same period of 2020: 13) in the Hong Kong market, assisted corporations in raising funds of HK\$60.5 billion with a significant increase of 52% YOY (same period in 2020: HK\$39.9 billion), and hit a record high. The projects completed include large-scale IPOs in Hong Kong stock market and U.S. stock market such as JD Logistics (2618.HK), Bilibili (9626.HK), ATRenew (RERE.

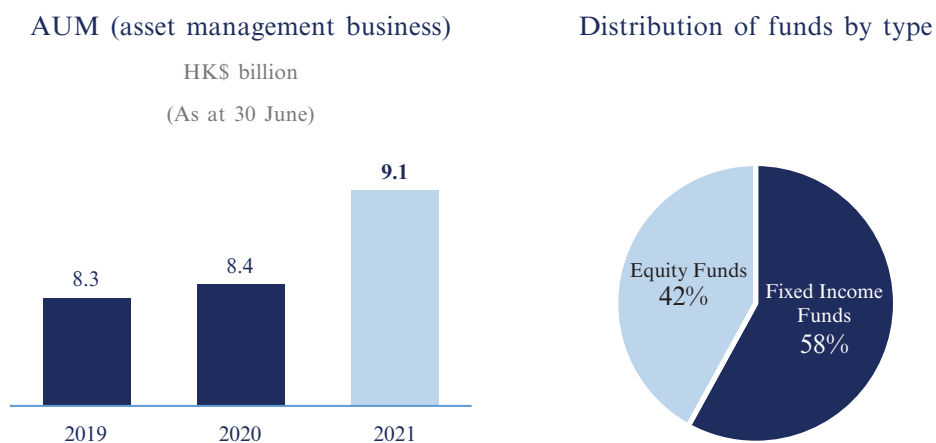
US), etc. On the other hand, during the Period, with the increase of clients from compliance and financial advisers, the relevant financial advisory fees of the Group also significantly increased by 78% to HK\$31.05 million.



### 1.3 Asset management

The Group provides a full range of asset management services to corporates, institutions and individual investors based on their risk appetite and return needs while striving to achieve ideal risk-adjusted return on investment.

During the Period, the management fee and performance fee income significantly increased 2.5 times to HK\$84.13 million (same period of 2020: HK\$23.94 million), in which the performance fee significantly increased by 319% to HK\$69.00 million. Although certain key events, including uncertain Sino-U.S. relations and the rising 10-year U.S. Treasury bond yield, continued to affect global equity and fixed income securities market, forced liquidation of certain large-scale hedge funds' position also led to the short-term fluctuations of the global market, with the capabilities of good management of investment portfolios and risk control, the funds managed by the Group performed robustly and performance fee increased significantly. As at 30 June 2021, the assets under management (AUM) from asset management business of the Group increased by 8% YOY to HK\$9.1 billion, among which the scale of fixed income funds and equity funds amounted to HK\$5.3 billion and HK\$3.8 billion, respectively.



#### 1.4 Handling fee income from financial products

The Group provides diversified financial products and solutions to institutional, corporate and wealth management clients. During the Period, the handling fee income from financial products decreased by 5% YOY to HK\$71.32 million, mainly due to maturity of certain financial product projects. In the future, the Group will further leverage cross-selling capabilities between the two major business lines of Structured Solutions and Derivatives and Wealth Management, further assisting high-net-worth clients in enriching their investment portfolios and channels.

### 2. Interest Income

#### 2.1 Interest income from customers and counterparty financing

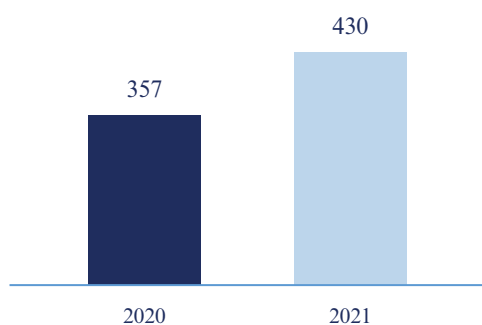
The Group provides wealth management clients, institutional and other clients with loans and financing services such as margin financing and IPO financing. Due to active trading in the Hong Kong and U.S. stock markets during the Period, the overall clients' financing needs were strong, and new clients in wealth management segment also brought new business increments. The revenue of the Group's loans and financing from customers and counterparties (including margin loans, IPO loans and other financing products) increased by 21% YOY to HK\$430 million. As at 30 June 2021, the balance of loans and advances to customers of the Group increased by 80% YOY to HK\$28.0 billion. As collaterals in the Group's margin business continued to diversify and asset quality continued to improve, the effective interest rate charged adjusted accordingly.

#### 2.2 Interest income from banks

Under the global low interest rate environment, as the London Interbank Offered Rate (LIBOR) and the Hong Kong Interbank Offered Rate (HIBOR) dropped largely YOY, the Group's interest income from banks decreased significantly by 73% to HK\$43.16 million.

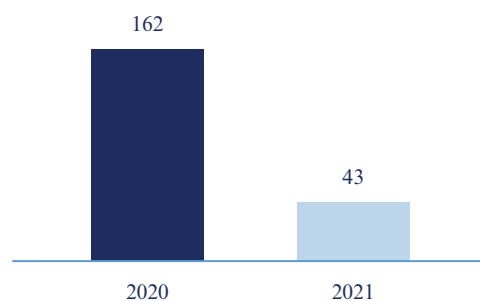
Interest income from loans and financing  
from customers and counterparties

HK\$ million  
(First half of year)



Interest income from banks

HK\$ million  
(First half of year)





### 2.3 Interest income from financial products

The Group provides diversified financial products and solutions to institutional, corporate and wealth management clients, primarily including total return swap, leveraged notes, participation notes and other products, to assist clients in achieving their own investment and risk objectives. During the Period, interest income from financial products increased by 86% YOY to HK\$172 million, benefited from the business restructuring and integration of Structured Solutions and Derivatives team by the Group last year. The synergy of different product lines within the new team has been further deepened this year and the number of incremental projects has increased YOY.

### 2.4 Interest income from investments in fixed income securities

The Group's investments in fixed income securities include seed funding in asset management, structured financing products and other products. During the Period, the interest from fixed income securities of the Group increased by 20% YOY to HK\$305 million, mainly benefited from the increase in business such as structured financing notes.

### 2.5 Interest income from market making business

The Group provides bond market making services to institutional clients to support the development of its DCM business in the long term. During the Period, the Group's bond coupon income from market making business decreased by 30% YOY to HK\$319 million. During the Period, property companies in the mainland have been urged to decrease its leverage ratio by the government, some corporates have faced negative publicity and debt defaults due to liquidity issues, which led to increased market credit risks. Based on the consistent and prudent risk management measures, the Group strategically adjusted its bond holdings for market making purposes during the Period to optimize and control the risks relating to the market making business.

## 3. *Trading and Investments*

### 3.1 Market making business (mark-to-market)

During the Period, the Group made a loss of HK\$69.56 million (same period in 2020: loss of HK\$55.41 million) from the market making, mainly due to the index fluctuation of the Chinese-issued U.S. dollar-denominated bond secondary market.

### 3.2 Securities investments (mark-to-market)

Securities investments of the Group include investments in asset management as seed funds, private equity funds, the issuance and market making of financial derivatives and over-the-counter (OTC) products for wealth management clients, and other equity securities. During the Period, due to the good performance of financial derivatives and private equity funds, the income from securities investments turned into a gain of HK\$325 million (same period in 2020: loss of HK\$85.83 million).

#### **(III) Revenue structure (by segment)**

	For the six months ended 30 June				Change in	
	2021		2020		amount	Change in
	HK\$'000	%	HK\$'000	%	YOY	%
Wealth management	994,190	39.6%	667,722	37.1%	48.9%	2.5 p.p
Institutional investor services	910,014	36.2%	862,152	48.0%	5.6%	(11.8 p.p)
Corporate finance services	384,255	15.3%	251,132	14.0%	53.0%	1.3 p.p
Investment management	224,559	8.9%	16,783	0.9%	1,238.0%	8 p.p
Total	<u>2,513,018</u>	<u>100.0%</u>	<u>1,797,789</u>	<u>100.0%</u>	39.8%	

For a better understanding of the Group's development strategies and direction, the Group presents its segment revenue in four categories as follows:

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

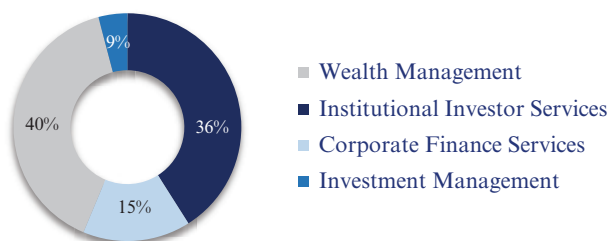
During the Period, the Group’s revenue increased by 40% YOY to HK\$2,513 million, among which the segment revenues from wealth management, institutional investor, corporate finance and investment management accounted for 40%, 36%, 15% and 9%, respectively.

*Major growth driver analysis*

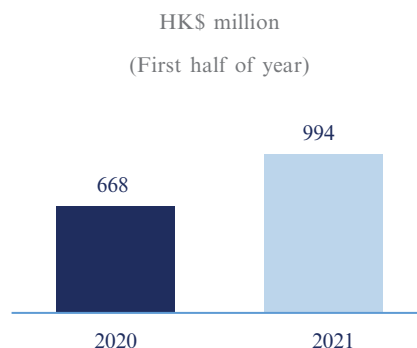
In terms of revenue growth, the segment revenue from wealth management increased by 49% YOY to HK\$994 million, becoming a key growth driver of the Group. During the Period, driven by the positive investment sentiment of the market, the robust demands on trading, financing and derivatives from wealth management clients emerged.

Since 2018, the Group has shifted from traditional brokerage business to wealth management model targeted at high-net-worth clients. Through abundant product lines and highly customized services, the Group strengthened its premium pricing capabilities of wealth management business, thus gradually bears its fruits. During the Period, the average revenue per paying user (ARPU) of the Group’s wealth management clients has increased significantly as compared to the previous traditional brokerage model, which has a positive impact on the anti-market-cycle capability of the Group’s revenue and profitability and the risk-adjusted investment returns to shareholders of the Company (“Shareholders”), etc.

Revenue by segment



Wealth management segment income



#### (IV) Cost structure

	For the six months ended 30 June				Change in	
	2021		2020		amount	Change in
	HK\$'000	%	HK\$'000	%	YOY	%
Staff costs	424,539	30.1%	329,919	30.1%	28.7%	—
Commission to account executives	143,684	10.2%	74,574	6.8%	92.7%	3.4 p.p
Depreciation	38,376	2.7%	34,038	3.1%	12.7%	(0.4 p.p)
Other commission expenses	20,619	1.5%	16,967	1.5%	21.5%	—
Net loss allowance charge	80,209	5.7%	38,371	3.5%	109.0%	2.2 p.p
Other operating expenses	250,885	17.8%	169,800	15.5%	47.8%	2.3 p.p
Finance costs	449,929	32.0%	432,741	39.5%	4.0%	(7.5 p.p)
Total costs	<u>1,408,241</u>	<u>100.0%</u>	<u>1,096,410</u>	<u>100.0%</u>	28.4%	

During the Period, total costs increased by 28% YOY to HK\$1,408 million, mainly due to the increased commission to account executives from robust client trading of the Group. Meanwhile, the Group has further accelerated the provision for high-risk assets of the loans and financing business under the consistently prudent risk management. Thanks to the scale effect resulted from the Group's large increase in its total revenue, during the Period, the Group's cost-to-income ratio fell by 5 percentage points YOY to 56%. The Group believes the costs and expenses during the Period were generally within expectation and conducive to the medium to long-term sustainable business development.

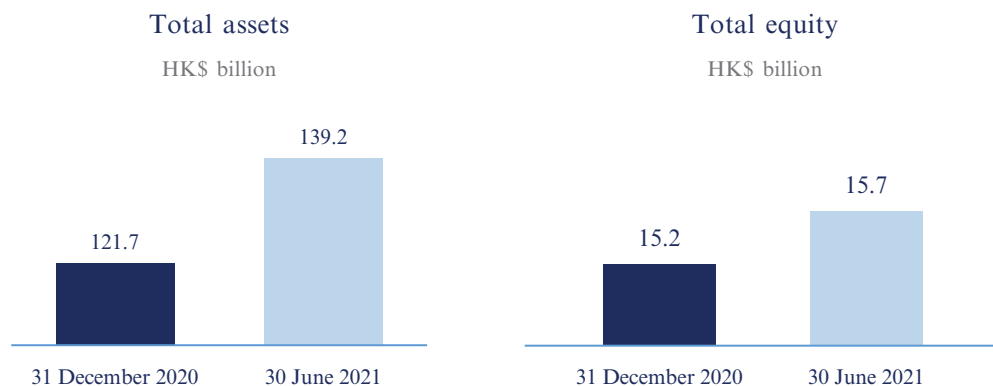
#### V. Financial Positions Analysis

##### (I) Balance sheet summary

###### 1. General

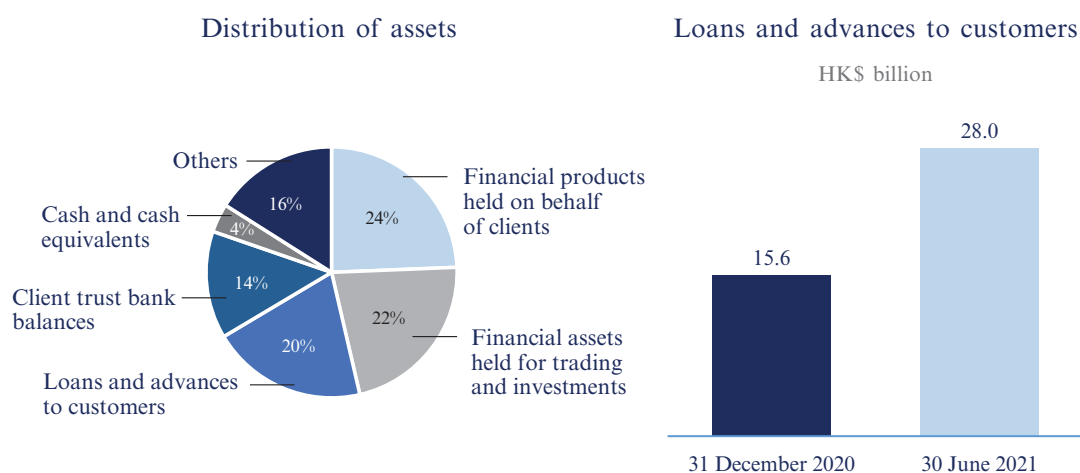
As at 30 June 2021, total assets of the Group were HK\$139.2 billion, representing an increase of 14% as compared to that of 31 December 2020, while total liabilities of the Group were HK\$123.5 billion, representing an increase of 16% as compared to that of 31 December 2020. The total equity amounted to HK\$15.7 billion, representing an increase of 3% as compared to that of 31 December 2020.

In the past four years, the Group has been devoting every effort to optimizing the loans and financing business structure, adjusting the proportion of margin financing with collateral of small and mid-cap stocks and making provisions for high-risk assets. As a result, the Group's assets are of high quality and sound liquidity with reasonable structure.



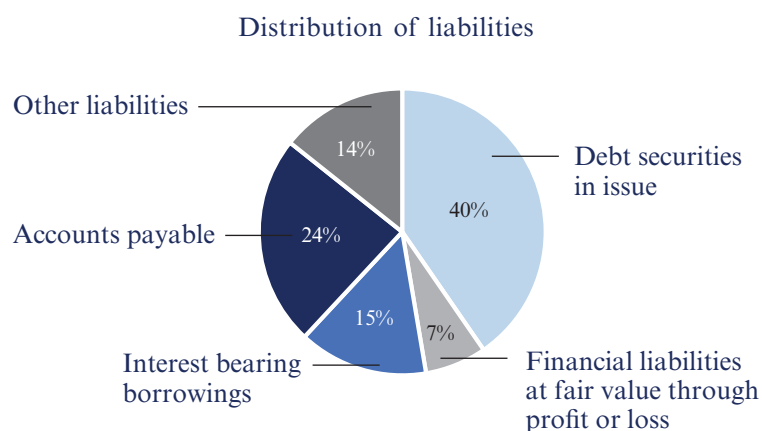
## 2. Assets

As at 30 June 2021, the financial assets from the financial products held on behalf of the clients decreased by 15% as compared to that of 31 December 2020 to HK\$33.5 billion, (accounting for 24% of the total assets), while financial assets held for trading and investments decreased by 2% as compared to that of 31 December 2020 to HK\$30.7 billion, (accounting for 22% of the total assets), mainly due to the Chinese-issued U.S. dollar-denominated bond market experienced a certain degree of volatility during the Period, the Group well managed the risk by reducing positions in bond market making business. On the other hand, loans and advances to customers increased significantly by 80% as compared to that of 31 December 2020 to HK\$28.0 billion (accounting for 20% of the total assets), the trust bank balances held on behalf of the clients increased by 3% as compared to that of 31 December 2020 to HK\$19.3 billion (accounting for 14% of the total assets), both were mainly driven by the growth of wealth management business and clients' demand. Also, accounts receivable increased by 54% to HK\$14.2 billion, which was mainly driven by the increase in receivables from brokers and dealers as a result of increase in IPO activities at the end of the Period.



### 3. Liabilities

As at 30 June 2021, debt securities in issue of the Group increased by 3% as compared to that of 31 December 2020 to HK\$49.5 billion (accounting for 40% of the total liabilities), mainly due to the increased issuance of the medium term notes by the Group to support business development and optimize its liability structures. Meanwhile, the Group's accounts payable increased by 29% as compared to that of 31 December 2020 to HK\$29.5 billion (accounting for 24% of the total liabilities), mainly due to increase in payables to clients on new security issuance. Interest bearing borrowings from banks increased by 86% as compared to that of 31 December 2020 to HK\$18.1 billion (accounting for 15% of the total liabilities) to support development of wealth management business and meet clients' strong demand for loans and financing, including HK\$9.3 billion of IPO loans to clients at the end of the Period. Obligations under repurchase agreements decreased by 18% as compared to that of 31 December 2020 to HK\$14.2 billion (accounting for 12% of the total liabilities).



### 4. Financial ratios

As at 30 June 2021, the leverage ratio (defined as total assets less accounts payable to clients divided by total equity) was 7.70 times (as at the end of 2020: 6.81 times). If excluding the financial assets from the financial products held on behalf of the clients, the leverage ratio was 5.56 times (as at the end of 2020: 4.22 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 2.61 times (as at the end of 2020: 1.64 times). The increase in gearing ratio was mainly attributable to increase in bank borrowings to finance the IPO loans at the end of the Period. The Group's current ratio was 1.10 times (as at the end of 2020: 1.10 times).

#### **(II) Charges on the Group's Assets**

No asset of the Group was subject to any charge as at 30 June 2021 and 31 December 2020, respectively.

***(III) Capital commitments, other commitments and contingent liabilities***

Details of capital commitments and other commitments of the Group are set out in note 15 to the interim financial information. The Group did not have any contingent liabilities as at 30 June 2021.

***(IV) Liquidity and financial resources***

As at 30 June 2021, the current assets of the Group were HK\$123.3 billion, increased by 18% as compared to that of 31 December 2020. The balance of cash and cash equivalents of the Group was HK\$5.2 billion (31 December 2020: HK\$5.5 billion). Net cash outflow of the Group was HK\$347 million (30 June 2020: outflow of HK\$228 million).

The Company maintained a Medium Term Note Programme for financing purposes, under which listed and unlisted notes denominated in any currency may be issued from time to time. On 18 February 2021, the cap amount of the Medium Term Note Programme increased from HK\$15.0 billion to HK\$25.0 billion. On 15 July 2021, the Company successfully renewed the Medium Term Note Programme with the period of 12 months, and the cap amount of HK\$25.0 billion further increased to HK\$35.0 billion. The Company, through its subsidiaries, also maintained a US\$15.0 billion Guaranteed Structured Note Programme, under which unlisted notes denominated in any currency may be issued from time to time. As at 30 June 2021, the medium term notes and structured notes issued and outstanding amounted to HK\$22.8 billion (31 December 2020: HK\$17.1 billion) and US\$3.6 billion (31 December 2020: US\$3.9 billion), respectively.

On 3 March 2021, the Company issued US\$400 million 2% listed medium term note due 2026 under the Medium Term Note Programme.

Save as disclosed above, there were no other debt instruments issued by the Group during the Period.

Taking into account the position of liquidity and financial resources of the Group, the Group believes that its operating cash flow is adequate and sufficient to finance the recurring working capital requirements and meet any investment opportunities that may arise in the future.

***(V) Material acquisitions and disposals***

For the six months ended 30 June 2021, the Group had no material acquisition and disposal of subsidiaries, associated companies and joint ventures.

***(VI) Significant investments held***

The Group did not hold any significant investment with a value greater than 5% of its total assets as at 30 June 2021.

## ***(VII) Share capital structure***

For the six months ended 30 June 2021, a total of 1,766,063 Shares were allotted and issued by the Company in respect of share options exercised under the share option scheme of the Company.

As at 30 June 2021, there were 9,618,994,707 Shares in issue. Save as disclosed above, there was no other movement in the number of issued Shares during the Period.

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.

## **VI. Prospects**

In the future, the macro environment and capital market will still face uncertainty. In the second half of the year, as the economic fundamentals of Mainland China remain healthy as a whole, the full-year gross domestic product (GDP) is expected to record reasonable growth. Meanwhile, as the Mainland's monetary policy is relatively stable, the liquidity in Mainland China is expected to remain comparatively loose. On the other hand, if the U.S. Federal Reserve gradually reduces the scale of bond purchases and raise interest rates based on the pace of economic recovery, it is expected to have a certain degree of impact on the performance of high-value assets. The potential new global pandemic caused by mutant viruses may also affect the economic recovery process across various countries and regions to a large extent, causing fluctuations in the global capital market.

Under the prudent and continuous risk management system and principles, the Group will give full play to its core competence, consolidate the existing products and services, improve service accuracy and depth with support of Fin-tech, attract more quality wealth management clients and provide them with abundant products.

In the second half of the year, the Group's focuses of development include:

- To strengthen core competence by leveraging on Fin-tech, and to timely expand Fin-tech and information technology teams to enhance customers' trading experience and loyalty;
- To constantly enhance products and services for wealth management business as well as investment channels for clients. Meanwhile, synergy among wealth management, private equity, asset management, corporate finance and other businesses will be deepened;
- To strengthen globalization and deployment in Guangdong-Hong Kong-Macao Greater Bay Area for the new growth driver of revenue and profit. Specifically, the Group will take the Belt and Road Initiative as an opportunity to expedite its pace in exploring the southeast Asian markets through its subsidiaries in Singapore and Vietnam;



- To accelerate development of green finance, assisting clients to meet their sustainable goals and opening up new business areas and opportunities for the Group, at the same time fulfilling the Group's commitments as a responsible company; and
- To enhance cooperation with the controlling shareholder, Guotai Junan Securities, so that the Group can explore new opportunities in the cross-border financial market.

## **INTERIM DIVIDEND**

The Board has declared an interim dividend of HK\$0.05 per Share for the six months ended 30 June 2021 (the "Interim Dividend") (2020: an interim dividend of HK\$0.034 per Share) to the Shareholders whose names appear on the register of members of the Company on Tuesday, 7 September 2021. The Interim Dividend will be payable on Thursday, 23 September 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed on Tuesday, 7 September 2021 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, 6 September 2021.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021 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 (the "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 2021 to 30 June 2021.

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 the 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 2021 to 30 June 2021.

## **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 2021.

## **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 2021 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement of interim results for the six months ended 30 June 2021 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 2021 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, 23 August 2021