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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 2021

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 2021 together with its comparative figures for the immediate preceding financial year as follows:

#### FINANCIAL HIGHLIGHTS

	2021	2020	Change
<b>Results</b>			
Revenue (HK\$'000)	<b>3,966,415</b>	4,872,952	(18.6%)
– Commission and fee income	<b>1,626,079</b>	1,563,672	4.0%
– Interest income	<b>2,280,539</b>	2,652,075	(14.0%)
– Net trading and investment income	<b>59,797</b>	657,205	(90.9%)
Profit attributable to ordinary equity holders	<b>1,094,743</b>	1,562,587	(29.9%)
Dividend	<b>576,259</b>	815,270	(29.3%)
Dividend payment ratio	<b>53%</b>	52%	1p.p.
Return on equity (ROE)	<b>7.2%</b>	11.8%	(4.6p.p.)
<b>Per share</b>			
Basic earnings per share (HK cents)	<b>11.4</b>	16.9	(32.5%)
Diluted earnings per share (HK cents)	<b>11.4</b>	16.8	(32.1%)
Dividend per share (HK cents) (Note)	<b>6.0</b>	8.5	(29.4%)
<b>Financial position</b>			
Total assets (HK\$'000)	<b>106,288,093</b>	121,720,741	(12.7%)
Shareholders' equity (HK\$'000)	<b>15,307,361</b>	15,118,119	1.3%
Number of issued shares	<b>9,618,994,707</b>	9,617,228,644	–
Equity per ordinary share (HK\$) (Note)	<b>1.59</b>	1.58	0.6%

Note: Based on 9,618,994,707 shares in issue as at 31 December 2021 (2020: 9,598,741,244 shares, being 9,617,228,644 shares issued and fully paid less 18,487,400 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 2021*

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	3,966,415	4,872,952
Other income		<u>5,279</u>	<u>5,448</u>
Revenue and other income		3,971,694	4,878,400
Staff costs	5	(803,434)	(1,148,710)
Commission to account executives		(224,602)	(188,382)
Depreciation		(78,639)	(68,859)
Net loss allowance charge		(220,597)	(363,565)
Other operating expenses		<u>(581,913)</u>	<u>(463,949)</u>
Operating profit		2,062,509	2,644,935
Finance costs	6	<u>(774,863)</u>	<u>(830,256)</u>
Profit before tax	7	1,287,646	1,814,679
Income tax expense	8	<u>(184,373)</u>	<u>(246,907)</u>
<b>Profit for the year</b>		<b>1,103,273</b>	<b>1,567,772</b>
<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)		8,308	(7,255)
– Exchange difference on translation of foreign exchange		<u>38,684</u>	<u>(496)</u>
<b>Total comprehensive income for the year</b>		<b><u>1,150,265</u></b>	<b><u>1,560,021</u></b>
<b>Profit for the year attributable to:</b>			
Owners of the parent		1,094,743	1,562,587
Non-controlling interests		<u>8,530</u>	<u>5,185</u>
		<b><u>1,103,273</u></b>	<b><u>1,567,772</u></b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent		1,141,735	1,554,836
Non-controlling interests		<u>8,530</u>	<u>5,185</u>
		<b><u>1,150,265</u></b>	<b><u>1,560,021</u></b>
<b>Earnings per share attributable to ordinary equity holders of the parent</b>			
– Basic (in HK cents)	<i>10(a)</i>	<u>11.4</u>	<u>16.9</u>
– Diluted (in HK cents)	<i>10(b)</i>	<u>11.4</u>	<u>16.8</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		514,853	475,924
Goodwill and other intangible assets		22,886	22,886
Other assets		27,959	11,613
Deferred tax assets		157,631	150,880
Derivative financial instruments		12,325	108,172
Financial assets at fair value through profit or loss		17,368,819	16,976,561
– Financial assets held for trading and investments		6,153,930	6,805,621
– Financial products		11,214,889	10,170,940
<b>Total non-current assets</b>		<b>18,104,473</b>	<b>17,746,036</b>
<b>Current assets</b>			
Loans and advances to customers	<i>11</i>	15,854,687	15,604,244
Accounts receivable	<i>12</i>	6,559,681	5,638,797
Prepayments, deposits and other receivables		118,311	143,744
Financial assets at fair value through profit or loss		37,472,478	53,937,004
– Financial assets held for trading and investments		17,088,058	24,595,855
– Financial products		20,384,420	29,341,149
Financial assets at fair value through other comprehensive income		11,529	105,574
Derivative financial instruments		606,905	1,153,182
Receivable from reverse repurchase agreements		4,443,729	3,022,800
Tax recoverable		33,585	153,555
Client trust bank balances		17,804,841	18,707,026
Cash and cash equivalents		5,277,874	5,508,779
<b>Total current assets</b>		<b>88,183,620</b>	<b>103,974,705</b>

	<i>Notes</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Current liabilities</b>			
Accounts payable	<i>13</i>	<b>(20,587,166)</b>	(22,783,232)
Other payables and accrued liabilities		<b>(632,317)</b>	(930,801)
Derivative financial instruments		<b>(426,552)</b>	(528,184)
Interest bearing borrowings	<i>14</i>	<b>(5,334,661)</b>	(9,732,840)
Debt securities in issue		<b>(34,153,825)</b>	(36,076,779)
– At amortised cost		<b>(18,298,551)</b>	(13,798,151)
– Designated at fair value through profit or loss		<b>(15,855,274)</b>	(22,278,628)
Financial liabilities at fair value through profit or loss		<b>(8,772,805)</b>	(6,666,260)
Obligations under repurchase agreements		<b>(9,255,723)</b>	(17,396,163)
Tax payable		<b>(157,353)</b>	(165,492)
<b>Total current liabilities</b>		<b>(79,320,402)</b>	(94,279,751)
<b>Net current assets</b>		<b>8,863,218</b>	9,694,954
<b>Total assets less current liabilities</b>		<b>26,967,691</b>	27,440,990
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>(45,843)</b>	(17,928)
Interest bearing borrowings	<i>14</i>	<b>(40,542)</b>	(6,557)
Derivative financial instruments		<b>(106,409)</b>	(334,245)
Debt securities in issue		<b>(11,337,958)</b>	(11,843,093)
– At amortised cost		<b>(3,139,345)</b>	(1,549,563)
– Designated at fair value through profit or loss		<b>(8,198,613)</b>	(10,293,530)
		<b>(11,530,752)</b>	(12,201,823)
<b>Net assets</b>		<b>15,436,939</b>	15,239,167

	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<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>37,078</b>	(1,606)
Share-based compensation reserve	<b>27,429</b>	41,606
– Share option reserve	<b>27,429</b>	32,521
– Share award reserve	–	9,085
Shares held under the share award scheme	–	(30,672)
Investment revaluation reserve	<b>1,053</b>	(7,255)
Retained profits	<b>5,567,098</b>	5,443,757
Equity attributable to holders of the ordinary shares	<b>15,307,361</b>	15,118,119
Non-controlling interests	<b>129,578</b>	121,048
<b>Total equity</b>	<b>15,436,939</b>	15,239,167

## 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 Financial Holdings Limited incorporated in Hong Kong and Guotai Junan Securities Company Limited incorporated in the People’s Republic of China, respectively.

The unaudited financial information relating to the year ended 31 December 2021 and the financial information relating to the year ended 31 December 2020 included in this preliminary announcement of annual results for the year ended 31 December 2021 does not constitute the Company’s statutory annual consolidated financial statements for those years but, in respect of the year ended 31 December 2020, 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 2021 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 2020 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 2020. 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, financial assets at fair value through other comprehensive income, 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 conform 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.

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

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.

The amendments relating to interest rate benchmark reform do not have a significant impact on this financial information as the Group’s majority London Interbank Best Offering Rate (“LIBOR”) linked financial assets, liabilities and derivative contracts would mature after 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.

The institutional investor 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 home offices. In preparing the segment information for the year ended 31 December 2021, the executive directors considered that the business relating to wealth management, institutional investor services, corporate finance services, asset management and investments are considered a separate reportable segments. Certain comparative information has been re-presented to achieve a consistent presentation.

Details of each of the operating segments are as follows:

- (a) wealth management provides a comprehensive financial services and solutions to individual investors and small to medium-sized businesses and home offices including: brokerage, loans and financing and other wealth management services;
- (b) institutional investor services provide market making, investments, structured product solutions, lending and other services to corporations, governments and financial institutions;
- (c) corporate finance services provide advisory services, placing and underwriting services of debts and equity securities;
- (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 2021 and 2020 are as follows:

**Year ended 31 December 2021**

	<b>Wealth Management HK\$'000</b>	<b>Institutional Investor Services HK\$'000</b>	<b>Corporate Finance Services HK\$'000</b>	<b>Investment Management HK\$'000</b>	<b>Others HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue and other income:						
Commission and handling income	705,752	182,065	617,194	121,068	–	1,626,079
Interest and coupon income	752,032	1,349,303	–	179,204	–	2,280,539
Net trading and investment income/(losses)	371,662	87,718	–	(399,583)	–	59,797
Other income	–	–	–	–	5,279	5,279
<b>Total</b>	<b><u>1,829,446</u></b>	<b><u>1,619,086</u></b>	<b><u>617,194</u></b>	<b><u>(99,311)</u></b>	<b><u>5,279</u></b>	<b><u>3,971,694</u></b>
Segment results	611,929	732,520	317,504	(374,307)	–	1,287,646
Income tax expense						<u>(184,373)</u>
Profit for the year						<b><u>1,103,273</u></b>
Other segment information:						
Net loss allowance charge on loans and advances to customers	27,694	170,602	–	–	–	198,296
Net loss allowance charge/(reversal) on accounts receivable	495	4,124	12,853	(10)	–	17,462
Net loss allowance charge/(reversal) on other financial assets	(2,234)	(3,145)	–	8	–	(5,371)
Loss allowance charge on financial assets at fair value through other comprehensive income	–	10,210	–	–	–	10,210
Depreciation	54,331	5,686	9,953	8,669	–	78,639
Finance costs	<u>329,915</u>	<u>273,634</u>	<u>–</u>	<u>171,314</u>	<u>–</u>	<u>774,863</u>

Year ended 31 December 2020

	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	571,176	227,304	609,281	155,911	–	1,563,672
Interest and coupon income	651,218	1,804,418	–	196,439	–	2,652,075
Net trading and investment income	226,822	136,766	1,200	292,417	–	657,205
Other income	–	–	–	–	5,448	5,448
Total	<u>1,449,216</u>	<u>2,168,488</u>	<u>610,481</u>	<u>644,767</u>	<u>5,448</u>	<u>4,878,400</u>
Segment results	391,340	790,432	278,859	354,048	–	1,814,679
Income tax expense						<u>(246,907)</u>
Profit for the year						<u><u>1,567,772</u></u>
Other segment information:						
Net loss allowance charge on loans and advances to customers	56,917	295,567	–	–	–	352,484
Net loss allowance charge/(reversal) on accounts receivable	792	(1,228)	452	(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	51,775	3,145	8,394	5,545	–	68,859
Finance costs	<u>439,550</u>	<u>315,891</u>	<u>–</u>	<u>74,815</u>	<u>–</u>	<u>830,256</u>

#### 4. REVENUE

The Group's revenue is disaggregated as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fee and commission income <sup>(note (i))</sup>		
Brokerage	805,982	649,471
Corporate finance		
Placing, underwriting and sub-underwriting commission		
– Debt securities	402,848	461,737
– Equity securities	118,845	85,055
Consultancy and financial advisory fee income	76,058	45,080
Asset management fee and performance fee income	106,015	153,508
Handling income on financial products	116,331	168,821
	<u>1,626,079</u>	<u>1,563,672</u>
Interest income <sup>(note (ii))</sup>		
Interest income from customers and counterparty financing	744,990	757,477
Interest income from banks and others	125,269	250,178
Interest income from market making debt securities	506,595	819,032
Interest income from fixed income securities	582,768	529,282
Interest income from financial products	320,917	296,106
	<u>2,280,539</u>	<u>2,652,075</u>
Trading and investments income <sup>(note (ii))</sup>		
Net trading loss from debt securities market making	(71,280)	(50,832)
Net trading income from fixed income securities, unconsolidated investment funds, derivatives and equity investments	131,077	708,037
	<u>59,797</u>	<u>657,205</u>
	<u><u>3,966,415</u></u>	<u><u>4,872,952</u></u>

*Note (i):* Revenue arising from customer contracts under HKFRS15

*Note (ii):* Revenue arising from other sources

## 5. STAFF COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	782,661	1,112,330
Share-based compensation expense		
– Share option scheme	1,462	6,239
– Share award scheme	6,314	19,223
Pension scheme contributions	12,997	10,918
	<u>803,434</u>	<u>1,148,710</u>

## 6. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank borrowings and overdrafts	142,843	335,288
Debt securities in issue	355,507	280,078
Securities borrowing and lending	1,933	2,319
Repurchase agreements	61,497	148,218
Short selling of debt securities	208,806	61,637
Lease liabilities	1,292	1,353
Others	2,985	1,363
	<u>774,863</u>	<u>830,256</u>

## 7. PROFITS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditor's remuneration		
(i) audit services	2,280	2,325
(ii) interim review	1,010	1,008
(iii) tax and other consultancy services	2,348	3,016
Foreign exchange differences, net	6,750	(61,944)
Other commission expenses	64,961	45,371
Information services expenses	51,611	45,398
Marketing, advertising and promotion expenses	9,348	10,135
Professional and consultancy fee	107,233	137,118
Repair and maintenance (including system maintenance)	81,874	65,211
Net loss allowance charge on loans and advances to customers	198,296	352,484
Net loss allowance charge/(reversal) on accounts receivable	17,462	(522)
Net loss allowance (reversal)/charge on other financial assets	(5,371)	9,903
Loss allowance charge on financial assets at fair value through other comprehensive income	10,210	1,700
	<u>10,210</u>	<u>1,700</u>

## 8. INCOME TAX EXPENSE

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 year.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Hong Kong		
– Charge for the year	162,388	103,342
– Under provision in prior years	821	11,630
Deferred	<u>21,164</u>	<u>131,935</u>
Total tax charge for the year	<u><u>184,373</u></u>	<u><u>246,907</u></u>

## 9. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim, paid – HK\$0.05 (2020: HK\$0.034) per ordinary share	480,950	326,985
Less: Dividend for shares held under the Company's share award scheme	<u>(881)</u>	<u>(1,251)</u>
	----- 480,069	----- 325,734
Final, proposed – HK\$0.01 (2020: HK\$0.051) per ordinary share	96,190	490,479
Less: Dividend for shares held under the Company's share award scheme	<u>–</u>	<u>(943)</u>
	----- 96,190	----- 489,536*
	<u><u>576,259</u></u>	<u><u>815,270</u></u>

\* The Company paid a final dividend of approximately HK\$489,670,000 for the year ended 31 December 2020, as further adjusted to include the dividend for shares issued under the share option scheme and share award scheme amounting to HK\$134,000.

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:

	2021	2020
Profit attributable to ordinary equity holders of the parent (in HK\$'000)	<u>1,094,743</u>	<u>1,562,587</u>
Weighted average number of ordinary shares in issue less shares held for the share award scheme (in '000)	<u>9,604,635</u>	<u>9,268,622</u>
Basic earnings per share (in HK cents)	<u>11.4</u>	<u>16.9</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:

	2021	2020
Profit attributable to ordinary equity holders of the parent (in HK\$'000)	<u>1,094,743</u>	<u>1,562,587</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>9,604,635</u>	<u>9,268,622</u>
Effect of dilution – weighted average number of ordinary shares:		
Share options under the share option scheme (in '000)	799	1,297
Awarded shares under the share award scheme (in '000)	<u>4,777</u>	<u>15,603</u>
Number of ordinary shares for the purpose of the diluted earnings per share calculation (in '000)	<u>9,610,211</u>	<u>9,285,522</u>
Diluted earnings per share (in HK cents)	<u>11.4</u>	<u>16.8</u>

## 11. LOANS AND ADVANCES TO CUSTOMERS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Margin loans	16,644,045	15,522,931
Term loans to customers	1,245,143	488,418
IPO Loans	–	1,429,100
Less: Loss allowance	<u>(2,034,501)</u>	<u>(1,836,205)</u>
	<u><u>15,854,687</u></u>	<u><u>15,604,244</u></u>

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 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	<u>4,793</u>	<u>–</u>	<u>(356,701)</u>	<u>(351,908)</u>
ECL allowance as at				
31 December 2020 and 1 January 2021	(2,977)	–	(1,833,228)	(1,836,205)
New assets originated or purchased	–	–	(799)	(799)
Assets derecognised or repaid	1,756	–	7	1,763
Changes to risk parameters	<u>(774)</u>	<u>–</u>	<u>(198,486)</u>	<u>(199,260)</u>
ECL allowance as at				
31 December 2021	<u><u>(1,995)</u></u>	<u><u>–</u></u>	<u><u>(2,032,506)</u></u>	<u><u>(2,034,501)</u></u>

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 2021 (2020: nil).

## 12. ACCOUNTS RECEIVABLE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts receivable arising from brokerage		
– cash and custodian clients	64,814	110,705
– the Stock Exchange and other clearing houses	3,195,809	1,642,743
– brokers and dealers	2,786,524	2,800,396
Accounts receivable arising from insurance brokerage services		
– cash and custodian clients	4	5
Accounts receivable arising from securities borrowing and lending		
– brokers and dealers	419,506	720,545
Accounts receivable arising from corporate finance, asset management, financial products, market making and investments		
– corporate clients, investment funds and others	117,538	371,455
	<u>6,584,195</u>	<u>5,645,849</u>
Less: Loss allowance	<u>(24,514)</u>	<u>(7,052)</u>
	<u><u>6,559,681</u></u>	<u><u>5,638,797</u></u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
At 1 January	7,052	7,574
Loss allowance charged to profit or loss during the year	17,816	1,177
Loss allowance reversed during the year	<u>(354)</u>	<u>(1,699)</u>
At 31 December	<u><u>24,514</u></u>	<u><u>7,052</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 2021 (2020: nil).



### 13. ACCOUNTS PAYABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Accounts payable arising from brokerage		
– clients	16,986,206	17,961,145
– brokers and dealers	790,787	2,652,515
– the Stock Exchange and other clearing houses	2,212,759	1,365,299
Accounts payable arising from securities borrowing and lending	37,289	17,299
Accounts payable arising from corporate finance, asset management, financial products, market making, investments and others	559,622	785,658
Accounts payable arising from insurance brokerage services	503	1,316
	<u>20,587,166</u>	<u>22,783,232</u>

### 14. INTEREST BEARING BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current:		
Lease liabilities	40,542	6,557
Current:		
Lease liabilities	27,322	17,004
Unsecured bank borrowings	5,307,339	9,715,836
	<u>5,334,661</u>	<u>9,732,840</u>
Total interest bearing borrowings	<u>5,375,203</u>	<u>9,739,397</u>

### 15. CAPITAL COMMITMENTS AND OTHER COMMITMENTS

#### Capital commitments

The Group had capital commitments for system upgrade and renovation of premises of approximately HK\$16,034,000 which were contracted but not provided for as at 31 December 2021 (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 31 December 2021, the underwriting obligation was approximately HK\$145 million (2020: HK\$5 million).

## MANAGEMENT DISCUSSION AND ANALYSIS

### I. Capital Market Review

Uncertainty became the main theme of global capital markets in 2021 (the “Year”). Hong Kong stock market has been severely tested by the recurring impacts from the pandemic, the default risk of mainland real estate corporate (“mainland real estate corporate(s)”) bonds, the Federal Reserve’s announcement of reducing bond purchase and releasing expectations about interest rate hikes, as well as Hong Kong’s policy of raising stamp duty on stocks. As at the end of 2021, the Hang Seng Index (“HSI”) fell by 14% YOY to 23,397 points, posting the worst performance in the decade and lagging behind other global capital markets for the Year, whereas the average daily turnover of Hong Kong stock market increased by 29% YOY to HK\$166.7 billion. On the other hand, the US stock market delivered a strong performance in 2021, with the S&P 500 Index up 27%, the Dow Jones Industrial Average up 19% and the Nasdaq Composite up 21%.

In terms of the primary stock market, Hong Kong initial public offering(s) (“IPO(s)”) market showed a lackluster result, especially in the second half of the Year where the increase in the amount of funds raised slowed down significantly. The scale of IPO financing fell by 18% YOY to HK\$328.9 billion for the Year, the funds raised mainly came from the mega IPOs dominated by new-economy companies with a weighted voting rights structure.

In terms of bonds, in 2021, the primary issuance market of Chinese-issued US dollar-denominated bonds declined at first but then rose again, while the secondary trading market was extremely volatile. According to data from Bloomberg, the total amount of bonds issued in Asian (ex-Japan) G3 currencies (US dollar, euro and yen) decreased by 0.5% YOY to US\$346.9 billion during the Year. In terms of the trading market, investors’ risk appetite diverged, with significant yield disparities across bonds with different credit ratings. Amidst the ongoing oscillation of the ten-year US treasury bond rates to the upside and the occurrence of defaults by mainland real estate corporates, the price index of investment grade and high yield grade Chinese-issued US dollar-denominated bonds from ICE Bank of America Merrill Lynch fell by 3.4% and 38.1%, respectively, showing a retracement range rarely seen in recent years.

### II. Business Operation Review

#### (I) Staying positive to the pandemic while maintaining high quality services

During the Year, facing the menace brought by the variants of COVID-19, the Group implemented numerous virus preventive measures to actively respond. In 2021, the Company comprehensively strengthened its online client service capabilities and continued to provide high-quality digitalized services and solutions. Meanwhile, to protect the life, health and safety of employees, the arrangements for group rotation and the “minimum-scale office model” were timely implemented. The Group properly arranged division of labour and cooperation to ensure efficient and stable work. The Information Technology Department strongly supported remote work, while the Administration Department maintained the safety of the office, regularly disinfected and distributed anti-pandemic supplies to minimize the risk of infection for employees. During the Year, the COVID-19 did not cause material impact on the Group’s operations.

**(II) Holding risk management as core competitive edge to build a strong balance sheet**

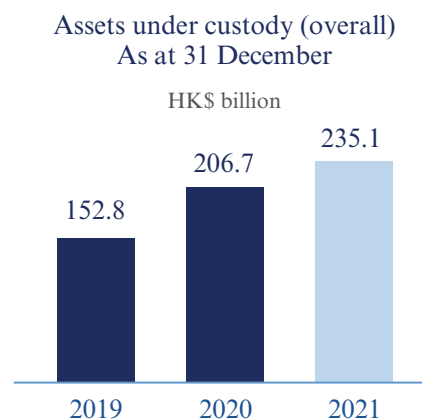
The Group firmly believes that risk management is the core competitive edge of a financial institution. In the recent years, the Company has established a comprehensive and effective risk management and internal control system and has been putting in efforts to build a solid balance sheet which could respond to challenges and opportunities that may arise at any time in a steady and reliable manner. In 2021, facing a series of ongoing credit and market risks, the Group timely optimized its business portfolio and financial structure. Firstly the Group devised strategies to modify its risk appetite, following which it began to reduce risk exposures in high-risk industries and increase its risk hedging position. As a result, the Group avoided significant losses before risk events occurred.

During the Year, the Group actively identified the economic risks arising from climate change in its operations and business following the “Action Plan for Implementing Carbon Emission Peak and Carbon Neutrality of Guotai Junan” launched by the parent company, Guotai Junan Securities Company Limited (“Guotai Junan Securities”). According to a third-party assessment, the Group’s climate change-related physical and transitional risks in its operations are both “low”. In terms of business, the Group has incorporated environmental, social and governance (“ESG”) risk factors into its risk framework and the scope of credit risk assessment during the Year to further improve the comprehensive risk management system. In the future, the Group will refer to ESG rating reports on clients and investment targets issued by third-party authoritative rating agencies to assess and avoid the ESG risk arising from clients and investment targets.

As at the end of 2021, the Group maintained a long-term issuer rating of BBB+ by S&P and Baa2 by Moody’s, the international credit rating agencies, with the outlook being “stable”, ranking in par with first-tier global investment banks, staying in a leading position among its peers in Hong Kong.

**(III) Wealth management transformation progressed steadily, while assets under custody increased despite negative market sentiment**

During the Year, the Group seized the opportunities in the wealth management market, adhered to the client-centric concept for its services, focused on digitalization and financial product empowerment, and ultimately enlarged its client base and actual satisfaction, achieving important milestones in its transformation. As at the end of 2021, the market share of the Group’s brokerage business in Hong Kong stock market doubled as compared with that of 2018, and the rank has climbed for two consecutive years, while the total client assets under custody of the Group increased YOY by 14% to HK\$235.1 billion.



On the other hand, during the Year, the Group has been promoting digital transformation in full swing. Taking into account the needs of clients and management efficiency, the Company has been increasing its investment in financial technology to empower overall business development. During the Year, the Group launched several digital services, including “eDDA Express Deposit” service, which enables fund transfers in as quick as five minutes, “Flexi-Money” (聚財寶), a cash management tool for professional investors, remote account opening application and customer service chatbot, facilitating clients with every investment opportunity instantly. The existing trading functions of “Rich Easy” (富易港股通) platform were continuously upgraded to provide clients with more convenient online financial services.

**(IV) Record scale of green bond business, guiding ESG investments to support sustainable economy**

During the Year, the Group actively responded to the business philosophy of the parent company, Guotai Junan Securities, “Finance for the Good” and “Finance for the People”, by guiding global capital allocation to high-quality, sustainable Chinese enterprises through businesses such as corporate finance, asset management and private equity, to meet the needs of corporate and institutional clients to transform to low-carbon and sustainable development. During the Year, the amount of funds raised by the Group’s green and sustainability bond business increased by 271% YOY to HK\$70.1 billion, while funds raised by green IPO projects increased by 11.41 times YOY to HK\$33.1 billion, both at record-breaking levels.

**(V) Private equity business boosts China’s new economy, driving business synergies within the Group**

During the Year, the Group’s private equity business continued to gain a foothold in high quality companies in the primary market of China by tapping into industries such as artificial intelligence, new energy development, high-end manufacturing, consumer upgrading, biotechnology, etc. In 2021, the Group completed new quality investments including Innovusion (an image LIDAR manufacturer), VSPN (an e-sports operator), Plus (a heavy truck autonomous driving company), Miotech (ESG data service provider), among other quality projects. As at 31 December 2021, assets under management of private equity business amounted to approximately HK\$2,000 million. The Group was awarded “Top 10 Emerging Private Equity Investment Institutions in China 2020” (投中2020年度中國新銳私募股權投資機構十強) and “Best Private Equity Firm in Guangdong, Hong Kong and Macao Greater Bay Area in 2021” (投中2021年度粵港澳大灣區最佳私募股權投資機構) by China Venture Institute, a renowned investment consulting firm.

## (VI) “Guotai Junan” brand highly recognized by international media

During the Year, the Group received a record high of 34 professional awards from 15 authoritative domestic and international media platforms, including “Institutional Investor”, “Bloomberg Businessweek”, “Asiamoney”, “Corporate Governance Asia”, “The Asset” and “Insights and Mandate”, etc. Such awards not only covered the fast-growing business of wealth management, fixed income, private equity and asset management, but also gave high recognition and commendation to the Group’s overall governance in terms of ESG, risk management and investor relations.

## III. Results Summary

In 2021, the capital market in Hong Kong has experienced a volatile fluctuation both in stock and bond markets. Throughout the Year, HSI dropped by 14%, fundraising amount in the Hong Kong IPO market dropped by 18% and the price index of Chinese-issued high-yield US dollar-denominated bond dropped by 38%. Despite an extremely challenging market environment, leveraging on diversified business development strategies and sound risk management capabilities, the Group made achievement in wealth management transformation and promoted the development of capital intermediary business. Meanwhile, the Group prevented occurrence of risk events in advance, which minimised the effects brought by the unfavourable market factors to its performance. The overall performance of the Group continued to remain at the forefront of Chinese peers in Hong Kong. The summary of the Group’s annual results is as follows for the Year / as at 31 December 2021:

- Revenue and other income (total revenue) decreased by 19% YOY to HK\$3,972 million (2020: HK\$4,878 million), mainly due to YOY impact on the Group’s trading and investment income and interest income from the significant pullback in market indices and the low interest rate environment during the Year;
  - By nature of revenue: 1) Fee and commission income increased by 4% YOY to HK\$1,626 million (accounted for 41% of revenue), setting a new high for three consecutive years; 2) Interest income decreased by 14% YOY to HK\$2,281 million (accounted for 57% of revenue); and 3) Net trading and investment income decreased by 91% YOY to HK\$59.8 million (accounted for 2% of revenue); and
  - By business segment: 1) Wealth management segment income increased by 26% YOY to HK\$1,829 million (accounted for 46% of revenue), setting a new high for three consecutive years; 2) Institutional investor services segment income decreased by 25% YOY to HK\$1,619 million (accounted for 41% of revenue); 3) Corporate financing services segment income increased by 1% YOY to HK\$617 million (accounted for 16% of revenue); and 4) Investment management segment income showed a turn from gain to loss of HK\$99.3 million (accounted for -3% of revenue);
- Profit attributable to ordinary equity holders of the Company (“Attributable Profit”) decreased by 30% YOY to HK\$1,095 million;
- Basic earnings per ordinary share of the Company (“Share(s)”) decreased by 33% YOY to HK11.4 cents;

- Equity per Share increased by 1% YOY to HK\$1.59;
- A final dividend of HK\$0.010 per Share was proposed. Together with the interim dividend, dividend per Share for the Year decreased by 29% YOY to HK\$0.060 (2020: HK\$0.085) with a payout ratio increased by 1 percentage point YOY to 53%;
- Return on shareholder's equity (ROE) <sup>(Note)</sup> decreased by 4.6 percentage points YOY to 7.2%;
- Total assets decreased by 13% YOY to HK\$106.3 billion. Total liabilities decreased by 15% YOY to HK\$90.9 billion; The nominal leverage ratio was 5.78 times (end of 2020: 6.81 times);
- Assets under custody increased by 14% YOY to HK\$235.1 billion;
- Total size of sustainable finance exceeded HK\$106 billion. Among them, the total issuance amount under green bond business during the Year increased by 271% YOY to HK\$70.1 billion, while the size of green IPO projects increased 11.41 times YOY to HK\$33.1 billion, both breaking historical records.

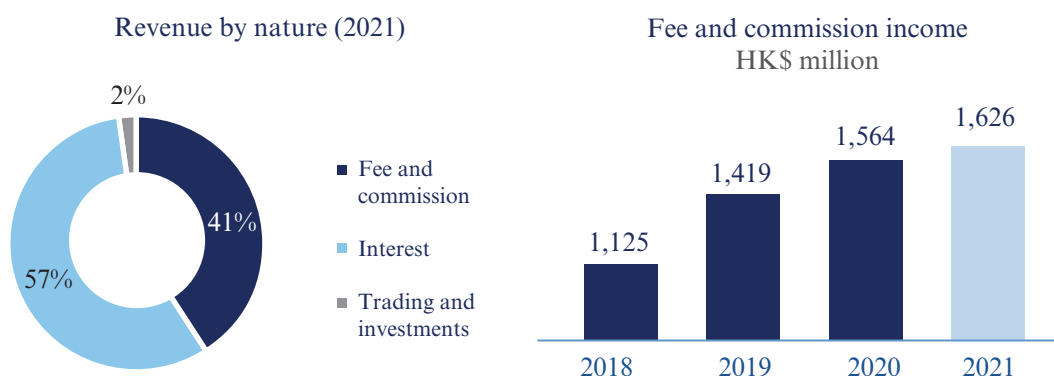
**(I) Revenue structure (by nature)**

During the Year, the Group's revenue from fee and commission income, interest income and net trading and investment income accounted for 41%, 57% and 2%, respectively.

- **Fee and commission** income increased by 4% YOY to HK\$1,626 million (2020: HK\$1,564 million), which was mainly driven by the growth in brokerage and corporate financing businesses. The Group believes that the steady increase in fee and commission income during the Year has strengthened the elasticity and quality of income;
- **Interest** income amounted to HK\$2,281 million (2020: HK\$2,652 million), representing a decrease of 14% YOY, mainly due to 1) a substantial decrease in market interest rate during the Year as compared to last year; 2) in the face of the default risk of mainland real estate corporate bonds, the Group strategically adjusted its bond positions for market-making purposes, resulting in lower coupon income of bonds; and 3) the quality of collaterals for the loan business continuously improved and the effective interest rate charged on the loans has been adjusted. The Group believes that the interest income, which represented the highest proportion in the Group's revenue, stabilized the Group's revenue and profitability during the market cycle; and

Note: Attributable Profit during the Year divided by average equity attributable to holders of Shares during the Year

- **Net trading and investment** income decreased to HK\$59.8 million (2020: HK\$657 million), mainly due to the significant pullback in the Hong Kong stock market and Chinese-issued US dollar-denominated bond market during the Year. The Group conducted trading and investment business with a purpose mainly for supporting development of wealth management, corporate finance and asset management, etc., and creating business eco-system running on a virtuous circle. As at the end of 2021, the Group's investment position mainly comprised fixed income securities and warrant derivatives, and risk hedging was applied based on market conditions.



## 1. *Fee and Commission*

### 1.1 *Brokerage*

The Group provides comprehensive brokerage services across multiple securities markets around the globe to clients. During the Year, the Group's income from brokerage services increased by 24% YOY to HK\$806 million (2020: HK\$649 million), in which commission income from stock trading increased by 28% YOY to HK\$708 million, contributed mainly by Hong Kong stock market and over-the-counter market trading, representing 49% and 25% of the income respectively (net income contribution).

### 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 Year, underwriting commission income from the corporate finance business remained stable, up 1% YOY to HK\$598 million (2020: HK\$592 million).

In terms of DCM, income from underwriting service during the Year decreased by 13% YOY to HK\$403 million (2020: HK\$462 million). In 2021, the Group assisted corporate clients in raising funds of HK\$495.3 billion (2020: HK\$464.3 billion), representing an increase of 7% YOY, and completed a total of 247 bond underwriting projects (2020: 221), of which the amount of green bond underwriting increased by 271% YOY to HK\$70.1 billion, both setting a record high.



In terms of ECM, the Group's income from underwriting service significantly increased by 40% YOY to HK\$119 million (2020: HK\$85.1 million) during the Year. In 2021, the Group completed a total of 20 underwriting projects (2020: 32) on the capital market, assisted corporations in raising funds of HK\$106.8 billion (2020: HK\$124.3 billion). The projects completed included large-scale IPOs in Hong Kong stock market and US stock market such as JD Logistics (2618.HK), Bilibili (9626.HK), ATRenew (RERE.US), etc.

Income from consultancy and financial advisory services increased significantly by 69% YOY to HK\$76.1 million (2020: HK\$45.1 million). During the Year, the continued weakness of the Hong Kong stock market led to a decrease in the number of IPO projects. The Group completed three listing sponsorship projects (2020: four), including Conant Optical (2276.HK), Tam Jai International (2217.HK), etc.

### **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 expectations.

During the Year, the management fee and performance fee income from the relevant funds under the Group's asset management business amounted to HK\$106 million (2020: HK\$154 million), showing a decrease as compared with last year, mainly due to the YOY decrease in fund performance fees caused by the volatile market. As at 31 December 2021, the assets under management from its relevant asset management business of the Group increased by 9% YOY to HK\$10.1 billion (2020: HK\$9.3 billion).

### **1.4 *Handling fee from financial products***

The Group provides diversified financial products and solutions to institutional, corporate and wealth management clients. During the Year, the handling fee income from financial products decreased by 31% YOY to HK\$116 million (2020: HK\$169 million), mainly due to certain financial products issued to clients have matured during the Year.

## **2. *Interest Income***

### **2.1 *Interest income from clients and counterparty financing***

The Group provides wealth management clients, institutional and other clients with various loans and financing services. During the Year, the low interest rate environment continued, resulting in a 2% decline in the Group's interest income to HK\$745 million. Nevertheless, as the Group's wealth management business grew, interest income from clients' margin loans and financing increased by 17% YOY to HK\$674 million. As at the end of 2021, the balance of loans and advances to customers of the Group increased by 2% YOY to HK\$15.9 billion (2020: HK\$15.6 billion). As collaterals from the Group's margin business continued to diversify and asset quality continued to improve, the effective interest rate charged on margin financing was further adjusted accordingly. On the other hand, low IPO financing activity has led to a 37% decrease in interest income to HK\$71 million.



## **2.2 *Interest income from banks***

Under the global low interest rate environment, during the Year, as the London Interbank Offered Rate (LIBOR) and the Hong Kong Interbank Offered Rate (HIBOR) dropped largely, the Group's interest income from banks decreased significantly by 62% YOY to HK\$91.06 million.

## **2.3 *Interest income from financial products***

The Group provides diversified financial products and solutions to institutional, corporate and wealth management clients, including total return swap, leveraged notes, participation notes and other products. During the Year, Hong Kong capital market was sluggish, however, interest income from financial products increased by 8% YOY to HK\$321 million (2020: HK\$296 million), mainly due to the Group's ability to seize the market opportunities and made cross-border products a new business growth area.

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

The Group's investments in fixed income securities included seed funding in asset management, structured financing products and other products. During the Year, the interest from fixed income securities of the Group increased by 10% YOY to HK\$583 million (2020: HK\$529 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 DCM business. During the Year, the Group's bond coupon income from market making business decreased by 38% YOY to HK\$507 million (2020: HK\$819 million). In 2021, mainland real estate corporates have faced problems of negative publicity and debt defaults due to liquidity issues. Based on the consistent and prudent risk management principles, the Group strategically reduced its bond holdings for market making purposes during the Year to minimize and control the risks relating to the market making business.

# **3. *Trading and Investments***

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

During the Year, the Group suffered a loss of HK\$71.3 million (2020: loss of HK\$50.8 million) from the market making, mainly due to the impact of the significant fluctuation of the Chinese-issued US dollar-denominated bond secondary market.

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

Securities investments of the Group included investments in asset management as seed funds, private equity funds, the issuance and market making of financial derivatives and over-the-counter products for wealth management clients, and other equity securities. During the Year, thanks to the sound risk management and diversified portfolio strategies, the effects of the unfavourable market factors to the Group's performance have been effectively relieved, the income from securities investments amounted to HK\$131 million (2020: HK\$708 million).

#### (II) Revenue structure (by segment)

The Group's revenue is divided into four categories as follows:

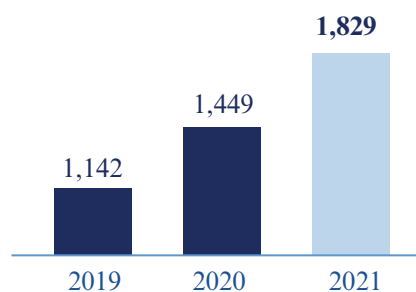
- Revenue from wealth management mainly arises from: 1) brokerage (wealth management); 2) loans and financing (wealth management); and 3) financial products (wealth management);
- Revenue from institutional investor services mainly arises from: 1) financial products (institutions); 2) market making;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

	2021		2020		Changes	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>Change in amount</i>	<i>Change in %</i>
Wealth management	<b>1,829,446</b>	<b>46%</b>	1,449,216	30%	26%	16 p.p
Institutional investor services	<b>1,619,086</b>	<b>41%</b>	2,168,488	45%	(25%)	(4 p.p)
Corporate finance services	<b>617,194</b>	<b>16%</b>	610,481	12%	1%	4 p.p
Investment management	<b>(99,311)</b>	<b>(3%)</b>	644,767	13%	Turn from profit to loss	(16 p.p)
Total	<b><u>3,966,415</u></b>	<b><u>100%</u></b>	<b><u>4,872,952</u></b>	<b><u>100%</u></b>	<b><u>(19%)</u></b>	

During the Year, the Group's revenue from wealth management, institutional investor services, corporate finance services and investment management segments accounted for approximately 46%, 41%, 16% and (3%), respectively, with the wealth management segment accounted for an increase of 16 percentage points, being the Group's top revenue generator.

## Revenue from wealth management

HK\$ million



### 1. *Wealth Management*

During the Year, revenue from the wealth management segment increased by 26% YOY to HK\$1,829 million (2020: HK\$1,449 million), mainly due to the Group's timely launch of diversified trading products and services in different market environments, with client demand for products and services such as trading, financing and derivatives remaining robust. The wealth management segment was the main driver of the Group's revenue growth and demonstrated a better revenue generating capacity than the traditional brokerage business in the past.

### 2. *Institutional Investor Services*

During the Year, revenue from the institutional investor services segment decreased by 25% YOY to HK\$1,619 million (2020: HK\$2,168 million), mainly due to the Group's strategical reduction of its bond positions for market-making purposes to effectively minimize the risks associated.

### 3. *Corporate Finance Services*

During the Year, revenue from the corporate finance services segment increased by 1% YOY to HK\$617 million (2020: HK\$610 million). The Group's corporate finance team seized the market window such as the return of Chinese concept stocks to Hong Kong stock market and provided high-quality capital market and financial advisory services to clients, supporting the development of China's real economy.

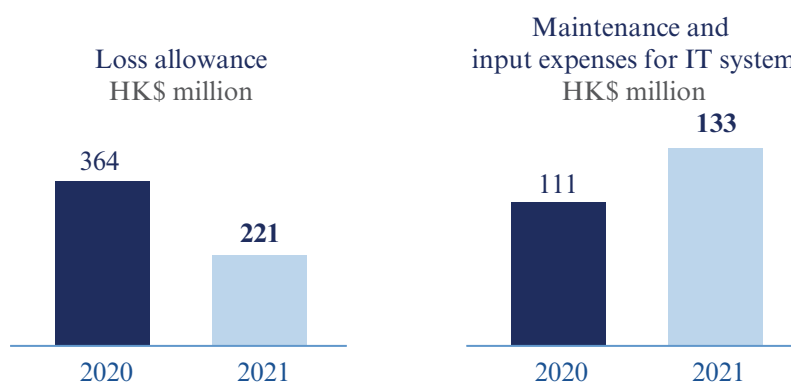
### 4. *Investment Management*

During the Year, loss from the investment management segment was HK\$99.3 million (2020: HK\$645 million profit), mainly due to the significant pullback in the Hong Kong capital market in the Year, the Group recorded a mark-to-market loss on seed funding investment.

### (III) Cost structure

	2021		2020		Changes	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>Change in amount</i>	<i>Change in %</i>
Staff costs	<b>803,434</b>	<b>31%</b>	1,148,710	38%	(30%)	(7p.p)
Commission to account executives	<b>224,602</b>	<b>8%</b>	188,382	6%	19%	2p.p
Other commission expenses	<b>64,961</b>	<b>2%</b>	45,371	1%	43%	1p.p
Depreciation	<b>78,639</b>	<b>3%</b>	68,859	2%	14%	1p.p
Loss allowance	<b>220,597</b>	<b>8%</b>	363,565	12%	(39%)	(4p.p)
Other operating expenses	<b>516,952</b>	<b>19%</b>	418,578	14%	24%	5p.p
Finance costs	<b>774,863</b>	<b>29%</b>	830,256	27%	(7%)	2p.p
Total costs	<b><u>2,684,048</u></b>	<b><u>100%</u></b>	<b><u>3,063,721</u></b>	<b><u>100%</u></b>	<b><u>(12%)</u></b>	

During the Year, the Group's total costs decreased by 12% YOY to HK\$2,684 million (2020: HK\$3,064 million), mainly due to lower loss allowance and finance costs YOY. The Group's cost-to-income ratio increased by 5 percentage points YOY to 68%, mainly due to 1) the Group's revenue adjustments; 2) other operating expenses increased (including issuance costs of wealth management derivatives, information system maintenance and input expenses, etc.); and 3) other factors including extra finance costs incurred during the Year from issuing medium-long term debt securities. The Group's staff costs decreased by 30% YOY to HK\$803 million, mainly due to the volatile market during the Year, which led to an adjustment in the Company's performance and its corresponding bonus expenses. The Group believes the costs and expenses during the Year were generally within expectation and conducive to the medium to long-term sustainable development.



## IV. Financial Positions Analysis

### (I) Balance sheet summary

#### 1. General

As at 31 December 2021, total assets of the Group were HK\$106.3 billion, representing a decrease of 13% as compared to that as at the end of 2020, while total liabilities of the Group were HK\$90.9 billion, representing a decrease of 15% as compared to that as at the end of 2020. The total equity amounted to HK\$15.4 billion, representing an increase of 1% as compared to that as at the end of 2020.

The Group has been devoting every effort in 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 31 December 2021, the Group's total assets decreased by 13% YOY to HK\$106.3 billion (as at the end of 2020: HK\$121.7 billion), mainly due to the decrease of financial assets held for trading and investment as well as the financial products held for clients. Specifically, the financial assets from the financial products held on behalf of the clients decreased by 20% as compared to that as at the end of 2020 to HK\$31.6 billion (accounted for 30% of the total assets), while financial assets held for trading and investments decreased by 26% as compared to that as at the end of 2020 to HK\$23.2 billion (accounted for 22% of the total assets), mainly due to the fact that as Chinese-issued US dollar-denominated bond market experienced a certain degree of volatility during the Year, the Group managed the risk prudently by reducing its financing risk exposure in financial products as well as positions in bond market making business. On the other hand, loans and advances to customers increased by 2% as compared to that as at the end of 2020 to HK\$15.9 billion (accounted for 15% of the total assets), mainly driven by the growth of wealth management business and clients' demand. In addition, the trust bank balances held on behalf of the clients decreased by 5% as compared to that as at the end of 2020 to HK\$17.8 billion (accounted for 17% of the total assets). Accounts receivable increased by 16% to HK\$6,560 million.

### **3. Liabilities**

As at 31 December 2021, the Group's total liabilities decreased by 15% YOY to HK\$90.9 billion (end of 2020: HK\$106.5 billion), mainly due to the decrease of liabilities under repurchase agreements, interest-bearing borrowings and debt securities in issue. Obligations under repurchase agreements decreased by 47% YOY to HK\$9,256 million (accounted for 10% of the total liabilities (end of 2020: HK\$17.4 billion)), mainly due to the fact that the Group strategically divested from risky assets in market during the Year, and its corresponding funding requirement decreased accordingly. Interest bearing borrowings from banks decreased by 45% YOY to HK\$5,375 million (accounted for 6% of the total liabilities (end of 2020: HK\$9,739 million)) mainly due to the fact that the Group managed to replace part of its short term interest-bearing borrowing with longer term liabilities, which further enhanced its management on the balance sheet. As at 31 December 2021, debt securities in issue of the Group decreased by 5% YOY to HK\$45.5 billion (accounted for 50% of the total liabilities (end of 2020: HK\$47.9 billion)), mainly due to the maturity of financial product notes issued to the clients.

### **4. Financial ratios**

As at 31 December 2021, the nominal leverage ratio (defined as total assets less accounts payable to clients divided by total equity) was 5.78 times (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 3.74 times (end of 2020: 4.22 times). The gearing ratio (defined as the sum of bank borrowings and debt securities in issue at amortised cost divided by total equity) was 1.73 times (end of 2020: 1.64 times). The Group's current ratio was 1.11 times (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 31 December 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 financial information. The Group did not have any contingent liabilities as at 31 December 2021.

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

As at 31 December 2021, the current assets of the Group were HK\$88.2 billion, decreased by 15% as compared to that as at the end of 2020. The balance of cash and cash equivalents of the Group was HK\$5,278 million (end of 2020: HK\$5,509 million). Net cash outflow of the Group was HK\$231 million (end of 2020: outflow of HK\$1,709 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 a period of 12 months, and the cap amount of HK\$25.0 billion further increased to HK\$35.0 billion. The Company, through its subsidiary, 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 31 December 2021, the medium term notes and structured notes issued and outstanding amounted to HK\$19.1 billion (end of 2020: HK\$17.1 billion) and US\$4.0 billion (end of 2020: US\$4.0 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 Year.

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 year ended 31 December 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 31 December 2021.

**(VII) Capital structure and regulatory capital**

For the year ended 31 December 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 31 December 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 Year.

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 needs of new business. All licensed corporations within the Group have complied with their respective liquid capital requirements during the Year.

## V. Prospects

Global financial markets will face more uncertainties in 2022. Not only the global economy will continue to be disrupted by the rapid spread of the variants of COVID-19, but the prolonged supply-side tensions will lead to the continued de-anchoring of global inflation expectations, which will ultimately affect the economic growth and financial market stability. Meanwhile, the economic development of the Mainland China is facing the triple pressure from demand contraction, supply shock and weakening expectations. While the short-term objectives will still focus on stable growth, it is believed that after certain adjustments, the Chinese economy will be of great investment value to global investors. On the other hand, the US economy showed signs of overheating in early 2022, with inflation remaining at historically high level. The Federal Reserve's plan to start a rate hike cycle and tighten monetary policy in March 2022 is becoming clear, and these factors, coupled with the increasingly complex geopolitical landscape, will pose challenges to the capital market.

In 2022, under the complex external environment, guided by “three three-years in three steps”, the development strategy of its parent company, Guotai Junan Securities, the Group will continue to leverage on its sound risk management capabilities, optimise its cross-border business development, seize the opportunities arising from the development of “One Belt, One Road” and the Greater Bay Area of Guangdong, Hong Kong and Macao, and further promote wealth management business. At the same time, the Group will adhere to the following development directions:

- To strengthen and further promote the transformation and upgrading of wealth management business and expand products, services and investment channels for clients. Meanwhile, synergy among wealth management, private equity, asset management, corporate finance and other businesses will be deepened;
- To accelerate digital transformation and actively deploy fintech applications to enhance client transaction experience and loyalty;
- To strengthen globalization and deployment in Guangdong, Hong Kong and Macao Greater Bay Area for the new growth driver of revenue and profit. 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 respond to national policies, adhere to the concept of green finance and guide the flow of global capital to green industries through high-quality financial services and products, fully implementing the ESG and sustainability concept in business development; and
- To enhance cooperation with the parent company, Guotai Junan Securities, to explore new opportunities in the cross-border financial market.

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 the 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 assets with steady and solid compound growth to reward the investors for their continuous supports.



## **FINAL DIVIDEND**

The Board recommends the payment of a final dividend of HK\$0.010 per Share for the year ended 31 December 2021 (the “Proposed Final Dividend”) (2020: a final dividend of HK\$0.051 per Share), subject to the approval by shareholders of the Company (“Shareholder(s)”) at the annual general meeting of the Company (the “AGM”), which is expected to be held on Tuesday, 31 May 2022, and will be payable on Friday, 24 June 2022 to Shareholders whose names appear on the register of members of the Company on Tuesday, 7 June 2022. Together with the interim dividend of HK\$0.050 per Share which was paid on 23 September 2021, the total dividends for the year ended 31 December 2021 will amount to HK\$0.060 per Share (2020: HK\$0.085 per Share).

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 25 May 2022 to Tuesday, 31 May 2022 (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 Tuesday, 24 May 2022.

The register of members of the Company will be closed on Tuesday, 7 June 2022 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 Monday, 6 June 2022.

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

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 2021 other than acted as an agent for the trustee of the share award scheme of the Company.

## **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 2021.

The roles of chairman of the Board (the “Chairman”) and the chief executive officer of the Company (the “Chief Executive Officer”) were performed by Dr. YIM Fung since 24 August 2012 until his re-designation as the Chairman and the re-designation of Ms. QI Haiying as the Chief Executive Officer on 14 December 2021. Following the re-designations, the Company has complied with code provision A.2.1 of the Corporate Governance Code which states that the roles of chairman and chief executive should be separate and performed by different individuals.

## **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 (“Director(s)”) confirmed that they have fully complied with the required standard set out in the Model Code throughout the year of 2021.

## **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 annual results announcement and the consolidated financial statements of the Group for the year ended 31 December 2021.

The figures in respect of the announcement of the Group’s results for the year ended 31 December 2021 have been agreed with KPMG, the external auditor of the Company. 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 two executive Directors, being Dr. YIM Fung (Chairman) and Ms. QI Haiying; three non-executive Directors, being Mr. YU Jian, Dr. HU Xupeng and Ms. YU Xuping; and four independent non-executive Directors, being Dr. FU Tingmei, Dr. SONG Ming, Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer.

## **RETIREMENT OF DIRECTOR**

In accordance with Articles 99(A) of the articles of association of the Company, Dr. SONG Ming will retire by rotation at the AGM. Dr. SONG Ming has notified the Company that he will not seek for re-election as an independent non-executive Director at the AGM as he would like to focus on and devote more time to his other business and personal commitments. Dr. SONG Ming has confirmed that he had no disagreement with the Board and he was not aware of any matter in relation to his retirement that needed to be brought to the attention of the Shareholders.

Upon the retirement of Dr. SONG Ming as an independent non-executive Director at the AGM, the Board will have three independent non-executive Directors, being not less than one-third of the Board members.

## **APPRECIATION**

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

## **PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2021 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement of final results for the year ended 31 December 2021 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 2021 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, 28 March 2022