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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 2022

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 2022 together with comparative figures for the corresponding period of last year as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Change
	2022	2021	
Results			
Revenue (HK\$'000)	1,088,506	2,451,549	(56%)
– Fee and commission income	451,312	986,852	(54%)
– Interest income	924,606	1,270,311	(27%)
– Net trading and investment (loss)/income	(287,412)	194,386	N/A
Profit attributable to ordinary equity holders	161,251	937,604	(83%)
Per share			
Basic earnings per share (HK cents)	1.68	9.77	(83%)
Diluted earnings per shares (HK cents)	1.68	9.76	(83%)
Interim dividend per share (HK cents)	1.0	5.0	(80%)
Payout ratio	60%	51%	9p.p.
Special dividend per share (HK cents)	3.0	–	N/A
Total dividend per share (HK cents)	4.0	5.0	(20%)
	As at	As at	
	30 June	31 December	
	2022	2021	Change
Financial position			
Total assets (HK\$'000)	111,528,906	106,288,093	5%
Shareholders' equity (HK\$'000)	15,279,119	15,307,361	–
Number of issued shares	9,587,755,707	9,618,994,707	–
Equity per ordinary share (HK\$) (Note)	1.59	1.59	–

Note: Based on 9,587,755,707 shares as at 30 June 2022 (30 June 2021: 9,601,381,307 shares, being 9,618,994,707 shares issued and fully paid less 17,613,400 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	
		2022	2021
		<i>Unaudited</i> <i>HK\$'000</i>	<i>Unaudited</i> <i>HK\$'000</i>
Revenue	4	1,088,506	2,451,549
Other income		1,892	2,308
Revenue and other income		1,090,398	2,453,857
Staff costs	5	(337,345)	(424,539)
Commission to account executives		(75,590)	(143,684)
Depreciation		(38,908)	(38,376)
Net loss allowance reversal/(charge)		2,697	(80,209)
Other operating expenses		(259,293)	(290,993)
Operating profit		381,959	1,476,056
Finance costs	6	(210,863)	(368,971)
Profit before taxation	7	171,096	1,107,085
Income tax expense	8	(7,613)	(163,576)
Profit for the period		163,483	943,509
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit or loss:			
– Changes in fair value of investments at fair value through other comprehensive income		(2,156)	(24,554)
– Exchange difference on translation of foreign exchange		(40,673)	6,184
Total comprehensive income for the period		120,654	925,139

		For the six months ended 30 June	
	<i>Notes</i>	2022	2021
		<i>Unaudited</i>	<i>Unaudited</i>
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period attributable to:			
Owners of the parent			
– Holders of ordinary shares		161,251	937,604
Non-controlling interests		<u>2,232</u>	<u>5,905</u>
		<u>163,483</u>	<u>943,509</u>
Total comprehensive income for the period attributable to:			
Owners of the parent			
– Holders of ordinary shares		118,422	919,234
Non-controlling interests		<u>2,232</u>	<u>5,905</u>
		<u>120,654</u>	<u>925,139</u>
Earnings per share attributable to ordinary equity holders of the parent			
Basic (in HK cents)	<i>10(a)</i>	<u>1.68</u>	<u>9.77</u>
Diluted (in HK cents)	<i>10(b)</i>	<u>1.68</u>	<u>9.76</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	As at 30 June <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December <i>Audited</i> <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		489,707	514,853
Goodwill and other intangible assets		22,886	22,886
Other assets		12,674	27,959
Deferred tax assets		196,387	157,631
Derivative financial instruments		296,956	12,325
Financial assets at fair value through profit or loss		20,860,357	17,368,819
– Financial assets held for trading and investments		1,896,904	6,153,930
– Financial products		18,963,453	11,214,889
Total non-current assets		21,878,967	18,104,473
Current assets			
Loans and advances to customers	<i>11</i>	10,476,454	15,854,687
Accounts receivable	<i>12</i>	10,928,121	6,559,681
Prepayments, deposits and other receivables		180,928	118,311
Financial assets at fair value through profit or loss		41,660,384	37,472,478
– Financial assets held for trading and investments		17,262,385	17,088,058
– Financial products		24,397,999	20,384,420
Financial assets at fair value through other comprehensive income		1,167	11,529
Derivative financial instruments		514,564	606,905
Receivables from reverse repurchase agreements		4,175,111	4,443,729
Tax recoverable		32,724	33,585
Client trust bank balances		16,719,656	17,804,841
Cash and cash equivalents		4,960,830	5,277,874
Total current assets		89,649,939	88,183,620

		As at 30 June 2022 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2021 <i>Audited</i> <i>HK\$'000</i>
Current liabilities			
Accounts payable	13	(23,312,296)	(20,587,166)
Other payables and accrued liabilities		(357,331)	(632,317)
Derivative financial instruments		(1,003,041)	(426,552)
Interest-bearing bank and other borrowings	14	(4,562,918)	(5,334,661)
Debt securities in issue		(35,318,708)	(34,153,825)
– At amortised cost		(13,865,353)	(18,298,551)
– Designated at fair value through profit or loss		(21,453,355)	(15,855,274)
Financial liabilities at fair value through profit or loss		(6,954,722)	(8,772,805)
Obligations under repurchase agreements		(8,447,879)	(9,255,723)
Tax payable		(136,281)	(157,353)
Total current liabilities		<u>(80,093,176)</u>	<u>(79,320,402)</u>
Net current assets		<u>9,556,763</u>	<u>8,863,218</u>
Total assets less current liabilities		<u><u>31,435,730</u></u>	<u><u>26,967,691</u></u>
Non-current liabilities			
Deferred tax liabilities		(56,856)	(45,843)
Interest-bearing bank and other borrowings	14	(26,794)	(40,542)
Derivative financial instruments		(14,476)	(106,409)
Debt securities in issue		(15,926,675)	(11,337,958)
– At amortised cost		(3,159,131)	(3,139,345)
– Designated at fair value through profit or loss		(12,767,544)	(8,198,613)
Total non-current liabilities		<u>(16,024,801)</u>	<u>(11,530,752)</u>
Net assets		<u><u>15,410,929</u></u>	<u><u>15,436,939</u></u>

	As at 30 June 2022 <i>Unaudited</i> HK\$'000	As at 31 December 2021 <i>Audited</i> HK\$'000
Equity		
Share capital	10,911,163	10,911,163
Other reserve	(1,236,460)	(1,236,460)
Currency translation reserve	(3,595)	37,078
Share-based compensation reserves	26,903	27,429
– Share option reserve	26,903	27,429
– Share award reserve	–	–
Shares held under the share award scheme	–	–
Investment revaluation reserve	(1,103)	1,053
Retained profits	5,582,211	5,567,098
Equity attributable to holders of the ordinary shares	15,279,119	15,307,361
Non-controlling interests	131,810	129,578
Total equity	15,410,929	15,436,939

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

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

This unaudited interim financial information was approved by the Board for issue on 25 August 2022.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements.

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the HKICPA.

Certain comparative figures have been adjusted to conform to the current period’s presentation.

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

- Amendments to HKAS 16, Property, plant and equipment: Proceeds before intended use
- Amendments to HKAS 37, Provisions, contingent liabilities and contingent assets: Onerous contracts — cost of fulfilling a contract

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are not material.

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) wealth management provides a suite of comprehensive financial services and solutions to individual investors and small to medium-sized businesses and family offices including: brokerage, loans and financing and other wealth management services;
- (b) institutional investor services provides market making, investments, structured product solutions, lending and other services to corporations, governments and financial institutions;
- (c) corporate finance services provides advisory services, placing and underwriting services of debt and equity securities;
- (d) investment management provides asset management and fund management services to institutions and individuals, and also includes investment in funds, debt 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 2022 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	234,984	51,207	146,263	18,858	–	451,312
Interest and coupon income	275,800	577,675	–	71,131	–	924,606
Net trading and investment (loss)/income	50,197	(39,250)	–	(298,359)	–	(287,412)
Other income	–	–	–	–	1,892	1,892
Total	<u>560,981</u>	<u>589,632</u>	<u>146,263</u>	<u>(208,370)</u>	<u>1,892</u>	<u>1,090,398</u>
Segment results	183,733	282,774	14,623	(310,034)	–	171,096
Income tax expense						<u>(7,613)</u>
Profit for the period						<u>163,483</u>
Other segment information:						
Net loss allowance charge on loans and advances to customers	–	4,095	–	–	–	4,095
Net loss allowance charge on accounts receivable	1,474	1,616	2,754	17	–	5,861
Net loss allowance reversal on other financial assets	(2,784)	(544)	–	–	–	(3,328)
Net loss allowance reversal on financial assets at fair value through other comprehensive income	–	(9,325)	–	–	–	(9,325)
Depreciation	26,035	1,159	5,517	6,197	–	38,908
Finance costs	<u>134,417</u>	<u>29,188</u>	<u>–</u>	<u>47,258</u>	<u>–</u>	<u>210,863</u>

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 and coupon income	352,112	798,670	–	119,529	–	1,270,311
Net trading and investment (loss)/ income	245,659	(100,210)	–	48,937	–	194,386
Other income	–	–	–	–	2,308	2,308
Total	<u>994,190</u>	<u>829,057</u>	<u>384,255</u>	<u>244,047</u>	<u>2,308</u>	<u>2,453,857</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)
Net 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>38,741</u>	<u>–</u>	<u>69,448</u>	<u>–</u>	<u>368,971</u>

4. REVENUE

The Group's revenue is disaggregated as follows:

	For the six months ended 30 June	
	2022	2021
	<i>Unaudited</i> <i>HK\$'000</i>	<i>Unaudited</i> <i>HK\$'000</i>
Fee and commission income		
Brokerage	264,426	463,086
Corporate finance		
Placing, underwriting and sub-underwriting	106,116	337,268
Consultancy and financial advisory	25,530	31,052
Asset management	13,239	84,131
Handling income on financial products	42,001	71,315
	<u>451,312</u>	<u>986,852</u>
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Interest income		
Interest and handling income from customers and counterparty financing	290,519	430,196
Interest income from banks	77,439	43,155
Interest income from market making debt securities	127,294	319,433
Interest income from fixed income securities	230,243	305,495
Interest income from financial products	199,111	172,032
	<u>924,606</u>	<u>1,270,311</u>
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Net trading and investment (loss)/income		
Net trading loss from market making debt securities	(323,411)	(150,514)
Net trading income from fixed income securities, unconsolidated investment funds, derivatives and equities	35,999	344,900
	<u>(287,412)</u>	<u>194,386</u>
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	<u><u>1,088,506</u></u>	<u><u>2,451,549</u></u>

5. STAFF COSTS

	For the six months ended 30 June	
	2022	2021
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, bonuses and allowances	329,951	415,070
Share-based compensation expenses		
– Share option scheme	285	859
– Share award scheme	–	2,210
Pension scheme contributions	7,109	6,400
	<u>337,345</u>	<u>424,539</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings and overdrafts	29,857	100,812
Debt securities in issue	117,233	191,585
Securities borrowing and lending	938	976
Repurchase agreements	60,523	73,902
Lease liabilities	731	485
Others	1,581	1,211
	<u>210,863</u>	<u>368,971</u>

7. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2022	2021
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Professional and consultancy fees	43,006	58,265
Information service expenses	27,009	28,307
Repairs and maintenance (including system maintenance)	41,065	38,305
Marketing, advertising and promotion expenses	2,993	4,518
Foreign exchange difference, net	13,533	27,708
Other commission expenses	10,369	20,619
Net loss allowance charge on loans and advances to customers	4,095	66,589
Net loss allowance charge on accounts receivable	5,861	18,870
Net loss allowance reversal on other financial assets and loan commitments	(3,328)	(5,466)
Net loss allowance (reversal)/charge on financial assets at fair value through other comprehensive income	(9,325)	216

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax	35,356	127,475
Deferred tax	(27,743)	36,101
	7,613	163,576

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\$95,878,000 or HK\$0.01 per ordinary share (2021: HK\$480,069,000 or HK\$0.05 per ordinary share). The Board also has declared a special dividend of approximately HK\$287,633,000 or HK\$0.03 per ordinary share (2021: nil).

The declared interim dividend for the six months ended 30 June 2021 was 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.

The Board recommended a final dividend of HK\$0.01 per ordinary share for the year ended 31 December 2021 on 28 March 2022 and paid the final dividend of approximately HK\$95,878,000 on 24 June 2022, as further adjusted to exclude the dividend for shares bought back by the Company before ex-dividend date 2 June 2022 amounting to HK\$312,000.

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 six months ended 30 June 2022 is based on the profit attributable to ordinary equity holders of the parent of HK\$161,251,000 (2021: HK\$937,604,000) and the weighted average number of ordinary shares in issue less shares held under the Company's share award scheme of 9,603,856,707 (2021: 9,600,521,000) 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.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2022 in respect of a dilution as the impact of the share option outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

For the six months ended 30 June 2021, the calculation of diluted earnings per share is as follows:

	For the six months ended 30 June 2021 <i>Unaudited</i> <i>HK\$'000</i>
Profit attributable to ordinary equity holders of the parent (in HK\$'000)	<u>937,604</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
Effect of dilution — weighted average number of ordinary shares:	
Share options under the share option scheme (in '000)	1,390
Awarded shares under the share award scheme (in '000)	<u>6,072</u>
Number of ordinary shares for the purpose of diluted earnings per share calculation (in '000)	<u>9,607,983</u>
Diluted earnings per share (in HK cents)	<u>9.76</u>

11. LOANS AND ADVANCES TO CUSTOMERS

	As at 30 June 2022 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2021 <i>Audited</i> <i>HK\$'000</i>
Margin loans	12,039,669	16,644,045
Term loans	467,662	1,245,143
IPO loans	7,719	–
Less: loss allowance	<u>(2,038,596)</u>	<u>(2,034,501)</u>
	<u>10,476,454</u>	<u>15,854,687</u>

12. ACCOUNTS RECEIVABLE

	As at 30 June 2022 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2021 <i>Audited</i> <i>HK\$'000</i>
Accounts receivable arising from brokerage		
– cash and custodian clients	115,539	64,814
– the Stock Exchange and other clearing houses	5,246,544	3,195,809
– brokers and dealers	4,710,743	2,786,524
Accounts receivable arising from insurance brokerage services		
– cash and custodian clients	–	4
Accounts receivable arising from securities borrowing and lending		
– brokers and dealers	623,411	419,506
Accounts receivable arising from corporate finance, asset management, financial products, market making and investments		
– corporate clients, investment funds and others	<u>262,257</u>	<u>117,538</u>
	10,958,494	6,584,195
Less: loss allowance	<u>(30,373)</u>	<u>(24,514)</u>
	<u>10,928,121</u>	<u>6,559,681</u>

13. ACCOUNTS PAYABLE

	As at 30 June 2022 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2021 <i>Audited</i> <i>HK\$'000</i>
Accounts payable arising from brokerage		
– clients	16,740,707	16,986,206
– brokers and dealers	1,269,581	790,787
– the Stock Exchange and other clearing houses	3,225,752	2,212,759
Accounts payable arising from securities borrowing and lending	48,604	37,289
Accounts payable arising from corporate finance, asset management, financial products, market making, investments and others	2,027,527	559,622
Accounts payable arising from insurance brokerage services	125	503
	<u>23,312,296</u>	<u>20,587,166</u>

14. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2022 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2021 <i>Audited</i> <i>HK\$'000</i>
Non-current:		
Lease liabilities	26,794	40,542
Current:		
Unsecured bank borrowings	4,535,955	5,307,339
Lease liabilities	26,963	27,322
	<u>4,562,918</u>	<u>5,334,661</u>
	<u>4,589,712</u>	<u>5,375,203</u>

15. CAPITAL COMMITMENTS AND OTHER COMMITMENTS

Capital commitments

The Group had capital commitments for system upgrades and renovation of premises of approximately HK\$14,607,000 which were contracted but not provided for as at 30 June 2022 (31 December 2021: HK\$16,034,000).

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 2022, the underwriting obligations was approximately HK\$847 million (31 December 2021: HK\$145 million).

MANAGEMENT DISCUSSION AND ANALYSIS

I. Results Review

For the six months ended 30 June 2022 (the “Period”), affected by multiple factors such as the COVID-19 pandemic, the default of mainland real estate corporate bonds and the Federal Reserve’s interest rate hike and balance sheet reduction, risk events in global capital markets occurred frequently, and the market conditions were extremely weak. In the secondary market, the Hang Seng Index hit a decade low and reached 21,860 points at the end of June, representing a decrease of 7% in the first half of 2022, whereas the average daily trading volume of the Hong Kong stock market decreased by 27% as compared with the corresponding period of last year (“YOY”) to HK\$138.3 billion. In the bond market, the relevant price index of high-yield and investment-grade US dollar-denominated bonds issued by the Chinese corporates fell by approximately 41% and 10% respectively in the first half of 2022, representing a YOY adjustment of 60% and 11% respectively, and according to Bloomberg data, the total amount of bonds issued in Asian (ex-Japan) G3 currencies (US dollar, Euro and Yen) decreased by 20% YOY to US\$163.3 billion. In the primary market, the total funds raised from initial public offerings in the Hong Kong stock market decreased by 91% YOY to approximately HK\$19.7 billion.

In the first half of 2022, despite the extremely sluggish Hong Kong stock market in the face of unfavorable factors such as tightening global monetary policy, geopolitics and repeated epidemics, the Group still demonstrated strong resilience and strategic determination, fully activated its cross-border service capabilities, and decisively executed efficient risk control measures. The profit attributable to shareholders of the Company (“Shareholder(s)”) increased by 3% to HK\$161 million as compared with the second half of 2021 (“HOH”). Although profit has declined to a certain extent as compared with the record high in the same period of the previous year, the Group maintains its profitability and its financial position remains stable.

Hong Kong has suffered from five outbreaks of the pandemic since 2020, which caused adverse impacts to most industries. During this special time, the Company declared a special dividend in addition to its interim dividend to uphold the spirit of “overcoming difficulties together” and actively responded to the long-term recognition and support of investors and the capital markets.

The interim results for 2022 are summarized as follows (during the Period or as at 30 June 2022):

- Under the extremely challenging market and business environment, the Group’s revenue for the Period amounted to HK\$1.09 billion (corresponding period in 2021: HK\$2.45 billion) and the profit attributable to Shareholders decreased by 83% to HK\$161 million (corresponding period in 2021: HK\$938 million), but increased by 3% HOH (second half in 2021: HK\$157 million)
- Benefiting from the substantial growth in business demand for cross-border financial products, interest income from financial products increased by 16% YOY to HK\$199 million

- Interim dividend of HK\$0.01 per share of the Company (“Share(s)”) (payout ratio of 60%), and together with a special dividend of HK\$0.03 per Share, the total dividend amounted to HK\$0.04 per Share, increased by 3 times HOH as compared with the final dividend of HK\$0.01 per Share in 2021
- Financing costs decreased by 43% YOY to HK\$211 million, mainly due to effectively controlled funding costs as well as the reduction of high-risk asset exposures which resulted in a corresponding decrease in financing scale
- Total assets increased by 5% to HK\$111.5 billion, mainly due to the increase in customer demand-driven related assets (such as financial products held on behalf of customers) by 37% to HK\$43.4 billion, while financial assets held for trading and investments decreased by 18% to HK\$19.2 billion, which continued to reduce the impact of market price fluctuations on the Group’s income statement
- Excluding the financial assets from the financial products held on behalf of the clients, the leverage ratio was lowered to 3.34 times (as at the end of 2021: 3.74 times)

II. Business and Operation Review

(I) The safety of employees and business operations was guaranteed in the face of challenges brought by COVID-19 pandemic

During the Period, with the outbreak of fifth wave of COVID-19 pandemic in Hong Kong, the Group continuously paid close attention to the development of the pandemic, implemented the arrangements for group rotation and the “minimum-scale office model” in a timely manner. Meanwhile, the Group vigorously encouraged employees who met vaccination conditions to receive vaccination, with an overall employee vaccination rate of 98% as of 30 June, effectively building an immunity shelter. At the same time, the Group distributed surgical masks and rapid antigen test kits to employees to effectively reduce the infection rate. The Group also continuously strengthened its online customer service capabilities to ensure efficient operation of customer service and sustainable business development under the pandemic situation.

(II) Risk management made contributions in high-intensity market challenges

The Group firmly believes that risk management is the core competitive edge of a financial institution and pursues a robust risk and compliance culture to accurately identify and effectively manage risks through a sound, scientific risk management model and system and advanced risk management tools.

During the Period, the Group maintained its strong strategic determination in the highly volatile financial market environment and resolutely implemented effective risk management measures. In response to high-risk events such as rising interest rates of US treasury bonds and default of mainland real estate corporate bonds, the Group adopted dynamic risk hedging to avoid significant loss. The Group also continued to reduce high-risk exposure. The impact of market risk and financial asset price fluctuations on the balance sheet was mitigated, and the value-at-risk and various risk sensitivity indicators decreased significantly in the first half of the year. On the other hand, the Group strategically increased the proportion of customer-driven business and improved the Group's balance sheet structure and overall risk-adjusted return rate. During the Period, 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", staying in a leading position among its peers in Hong Kong.

In the future, the Group will continue to promote a low-risk client-demand driven business model, vigorously develop wealth management, corporate finance, cross-border financial products and other businesses, and comprehensively enhance its integrated financial service capabilities. Meanwhile, the Group will continue to reduce its own market risk on a large scale, consolidate its balance sheet and improve the risk-adjusted return on investment for Shareholders.

(III) Full operation of cross-border business platform to seize strategic opportunities in Guangdong-Hong Kong-Macao Greater Bay Area

During the Period, the Group seized opportunities of the burgeoning cross-border investments and financing market to strengthen the in-depth integration with resources in the Mainland China in the five areas of institutional trading, corporate finance, wealth management, research services and asset management, and has met the demand for various cross-border trading products under different types of assets. The cross-border business enabled the Group to provide innovative financial products, tools and services for overseas and domestic investors to meet their respective needs of "investing in the Mainland China" and "investing overseas", laying a solid foundation for the high-quality development of over-the-counter derivatives business.

During the Period, the Group also implemented the national development strategy of Guangdong-Hong Kong-Macao Greater Bay Area and the “One Belt, One Road” Initiative. At the end of June, the China Securities Regulatory Commission officially issued a no-objection reply on the establishment of the Group’s subsidiary in Macao, marking a key step for the Group to improve its layout in the Guangdong-Hong Kong-Macao Greater Bay Area. At the same time, the Group’s accelerated deployment in the Southeast Asian market, the revenue of the Group’s subsidiaries in Vietnam and Singapore increased steadily on a YOY basis.

(IV) “Guotai Junan” brand highly recognized, with market capitalization leading among listed Hong Kong stock brokers

During the Period, the Group received 19 awards from media and professional institutions such as “Institutional Investor”, Zhitongcaijing.com, “The Asset”, “Bloomberg Businessweek”, Chinese Asset Management Association of Hong Kong, “Insights and Mandate” and the Stock Exchange, representing a YOY increase of 46%. Meanwhile, although most of the major stock markets around the world were under pressure in the first half of the year, the Company’s market capitalization remained relatively stable and maintained a leading position among the listed brokers in Hong Kong.

III. Income Statement Analysis

(I) Revenue analysis

By nature: 1) fee and commission income decreased by 54% YOY to HK\$451 million (corresponding period in 2021: HK\$987 million). During the Period, the fundraising amount in the Hong Kong initial public offering market decreased by 91% YOY and the trading volume of stocks decreased by 27% YOY, resulting in a YOY decrease in the Group’s fee and commission income from corporate finance and asset management; 2) interest income decreased by 27% YOY to HK\$925 million (the corresponding period in 2021: HK\$1,270 million), mainly due to weak market conditions in Hong Kong, which led to less investor demand for financing YOY. On the other hand, the Group continued to adjust its bond holdings for market making purpose in response to the deepening default risk of bonds issued by mainland real estate corporates, resulting in a YOY decrease in coupon income from bonds; and 3) net trading and investment income showed a turn from profit to loss of HK\$287 million (corresponding period in 2021: profit of HK\$194 million). The Group conducted trading and investment business with a purpose mainly for supporting the development of wealth management, corporate finance and asset management, etc. During the Period, as the global stock market and the Chinese-issued US dollar-denominated bond market continued to undergo in-depth adjustments, the Group recorded a loss on mark-to-market adjustments in trading and investment income during the Period.

By segment: 1) institutional investor services segment income decreased by 29% YOY to HK\$590 million, mainly due to the decrease in handling fees of financial products and the change from profit to loss of related fixed income securities investment income; 2) wealth management segment income decreased by 44% YOY to HK\$561 million, mainly due to the YOY decrease in brokerage commission and income from margin financing provided to wealth management clients and the issuance of derivative instruments; 3) corporate financing services segment income decreased by 62% YOY to HK\$146 million, mainly due to the significant decrease in corporate clients' willingness to issue shares, which affected the income from equity and debt underwriting and issuance; and 4) investment management segment income showed a turn from gain to loss of HK\$208 million, mainly due to the significant decrease in related interest income as a result of the significant reduction of the Group's position in high-risk Chinese-issued US dollar-denominated bonds, and the mark-to-market losses recorded from the outstanding investment positions.

(II) Cost analysis

During the Period, total costs decreased by 32% YOY to HK\$919 million, mainly due to the significant YOY improvement in finance costs and impairment provision. During the Period, the Group's financing costs decreased by 43% YOY to HK\$211 million, due to the fact that it continued to rationally allocate and optimise the structure of assets and liabilities, effectively controlled funding costs, and reduced the exposure of relevant high-risk assets, resulting in a corresponding decrease in financing scale. On the other hand, the Group has a reversal of impairment provision of HK\$2.7 million during the Period as it has increased its efforts in risk management in recent years, and quality of relevant assets has been constantly refined. The Group believes the costs and expenses were generally within expectation and conducive to the medium to long-term sustainable development during the Period.

IV. Financial Positions Analysis

(I) Balance sheet summary

1. General

As at 30 June 2022, total assets of the Group were HK\$111.5 billion, representing an increase of 5% as compared to that as at the end of 2021, while total liabilities of the Group were HK\$96.1 billion, representing an increase of 6% as compared to that as at the end of 2021. The total equity amounted to HK\$15.4 billion, which was basically in line with the end of 2021.

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 30 June 2022, the Group's total assets increased by 5% as compared to that as at the end of 2021 to HK\$111.5 billion (as at the end of 2021: HK\$106.3 billion), mainly due to the increase of financial assets at fair value through profit or loss, in which the financial assets from the financial products held on behalf of the clients increased by 37% as compared to that as at the end of 2021 to HK\$43.4 billion (accounted for 39% of the total assets). On the other hand, the financial assets held for trading and investments decreased by 18% as compared to that as at the end of 2021 to HK\$19.2 billion (accounted for 17% of the total assets), mainly due to the fact that the Group managed the risks prudently by reducing its risk exposures in financial assets held for trading and investments. Loans and advances to customers decreased by 34% as compared to that as at the end of 2021 to HK\$10.5 billion (accounted for 9% of the total assets), and the trust bank balances held on behalf of the clients decreased by 6% as compared to that as at the end of 2021 to HK\$16.7 billion (accounted for 15% of the total assets).

3. *Liabilities*

As at 30 June 2022, the Group's total liabilities increased by 6% as compared to that as at the end of 2021 to HK\$96.1 billion (as at the end of 2021: HK\$90.9 billion), mainly due to the increase in debt securities in issue. As at 30 June 2022, debt securities in issue of the Group increased by 13% to HK\$51.2 billion (accounted for 53% of the total liabilities (as at the end of 2021: HK\$45.5 billion)), mainly due to the increase of structured notes issued to the clients attributable by increase of client-driven business.

4. *Financial ratios*

As at 30 June 2022, the nominal leverage ratio (defined as total assets less accounts payable to clients divided by total equity) was 6.15 times (as at the end of 2021: 5.78 times). If excluding the financial assets from the financial products held on behalf of the clients, the leverage ratio was 3.34 times (as at the end of 2021: 3.74 times). The gearing ratio (defined as the sum of bank borrowings and debt securities in issue at amortised cost divided by total equity) was 1.40 times (as at the end of 2021: 1.73 times). The Group's current ratio was 1.12 times (as at the end of 2021: 1.11 times).

(II) **Charges on the Group's assets**

No asset of the Group was subject to any charge as at 30 June 2022 and 31 December 2021, 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 financial information. The Group did not have any contingent liabilities as at 30 June 2022.

(IV) Liquidity and financial resources

As at 30 June 2022, the current assets of the Group were HK\$89.6 billion, increased by 2% as compared to that as at the end of 2021. The balance of cash and cash equivalents of the Group was HK\$4,961 million (as at the end of 2021: HK\$5,278 million). Net cash outflow of the Group was HK\$317 million (the first half of 2021: outflow of HK\$347 million).

The Company maintained a Medium Term Note Programme of up to HK\$35.0 billion for financing purposes, under which listed and unlisted notes denominated in any currency may be issued from time to time. On 18 July 2022, the Company successfully renewed the Medium Term Note Programme of up to HK\$35.0 billion with a period of 12 months. 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 30 June 2022, the medium term notes and structured notes issued and outstanding amounted to HK\$15.1 billion (as at the end of 2021: HK\$19.1 billion) and US\$5.0 billion (as at the end of 2021: US\$4.0 billion), respectively.

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 2022, 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 investments with a value greater than 5% of its total assets as at 30 June 2022.

(VII) Capital structure and regulatory capital

For the six months ended 30 June 2022, the Company bought back a total of 58,409,000 Shares on the Stock Exchange, among which, 31,239,000 Shares were cancelled in June. Please refer to the section headed “Purchase, Sale or Redemption of the Company’s Listed Securities” for details. As at 30 June 2022, there were 9,587,755,707 Shares in issue.

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 Period.

(VIII) Foreign exchange risk

The Group’s principal operations are transacted and recorded in Hong Kong dollar, US dollar and Renminbi. The Group is not exposed to material foreign exchange risk because Hong Kong dollar is pegged with US dollar. The Group also conducts appropriate hedging activities when it is exposed to material exchange risk in Renminbi. Other foreign currency exposure is relatively minimal to its total assets and liabilities. The foreign exchange risk is daily managed and monitored by the Group, and as a result, it is considered that foreign exchange risk exposure is manageable. For the leveraged foreign exchange brokerage business, the Group hedges the majority of the client positions through back-to-back transactions with external counterparties, as the Group adopts a stringent control over its positions, it is considered that foreign exchange risk exposure is manageable.

V. Prospects

In the second half of 2022, in the face of highly uncertain inflation, interest rates and economic growth prospects, the global financial markets will inevitably see more volatile market conditions and the challenges brought by the end of the “loose monetary” era. On the other hand, despite the short-term pressure on economic growth brought by negative factors such as the weak real estate market, the long-term positive fundamentals of China’s economy remain unchanged due to its large economic volume and strong resilience in the internal circulation market.

Under the complex external environment, guided by “three three-years in three steps”, the development strategy of its parent company, Guotai Junan Securities Co., Ltd., the Group will continue to leverage on its sound risk management capabilities, accelerate digital transformation, actively deploy fintech technology applications, and 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 and cross-border businesses.

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.

DIVIDEND POLICY UPDATE

Pursuant to the Dividend Policy of the Company, the Company sets its annual dividend target of approximately 30% to 50% of net profit after tax of the Company. In order to better reflect the Company's dividend target, while retaining flexibility in determining the actual dividend payout ratio by the Board based on the market conditions and the Company's performance, on 25 August 2022, the Board has approved to amend its annual dividend target of not less than 30% of profit attributable to Shareholders by removing the upper payout limit of 50%.

DIVIDEND

The Board has declared an interim dividend of HK\$0.01 per Share for the six months ended 30 June 2022 ("Interim Dividend") (2021: an interim dividend of HK\$0.05 per Share) and a special dividend of HK\$0.03 per Share ("Special Dividend") (2021: nil) to the Shareholders whose names appear on the register of members of the Company on Friday, 9 September 2022. The Interim Dividend and Special Dividend will be payable on Monday, 26 September 2022.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Friday, 9 September 2022 for ascertaining Shareholders' entitlement to the Interim Dividend and the Special Dividend. No transfer of Shares will be registered on that day. In order to qualify for the Interim Dividend and the Special 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 Thursday, 8 September 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2022, the Company bought back a total of 58,409,000 Shares on the Stock Exchange at an aggregate consideration of HK\$51,089,093.05 (inclusive all expenses). Among the Shares bought back during the Period, 31,239,000 Shares were cancelled in June and the remaining Shares were cancelled in July.

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

Month	Number of Shares bought back	Price paid per Share		Aggregate consideration (inclusive transaction costs)
		Highest	Lowest	HK\$
		HK\$	HK\$	
April 2022	1,180,000	0.84	0.80	976,415.36
May 2022	30,059,000	0.87	0.81	25,468,775.25
June 2022	27,170,000	0.97	0.85	24,643,902.44

On 14 January 2022, the Company redeemed all of its outstanding 4.25% notes due 2022 with an aggregate principal amount of US\$200,000,000, the redemption price equals to 100% of the principal amount plus accrued and unpaid interest.

Saved as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted all principles and code provisions set out in the Corporate Governance Code contained in Appendix 14 ("Corporate Governance Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. The Company has complied with all the code provisions set out in the Corporate Governance Code throughout the period from 1 January 2022 to 30 June 2022.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in the Appendix 10 of the Listing Rules regarding securities transactions by its directors. On specific enquiries made by the Company, all directors confirmed that they have fully complied with the required standard set out in the Model Code throughout the period from 1 January 2022 to 30 June 2022.

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 2022.

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 three independent non-executive directors, being Dr. FU Tingmei, Mr. TSANG Yiu Keung and Professor CHAN Ka Keung Ceajer.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2022 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement of interim results for the six months ended 30 June 2022 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 2022 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, 25 August 2022