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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 2023

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 2023 together with comparative figures for the corresponding period of last year as follows:

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2023	2022	Change
Results			
Revenue (HK\$'000)	1,543,055	1,207,792	28%
– Commission and fee income	341,975	451,312	(24%)
– Interest income	1,189,534	924,606	29%
– Net trading and investment income/(loss)	11,546	(168,126)	N/A
Profit attributable to ordinary equity holders (HK\$'000)	119,420	161,251	(26%)
Interim dividend (HK\$'000)	95,540	95,608*	–
Payout ratio	80%	59%*	21p.p
Return on equity (ROE) (annualised)	1.6%	2.1%	(0.5p.p)
Per share			
Basic earnings per share (HK cents)	1.25	1.68	(26%)
Diluted earnings per shares (HK cents)	1.25	1.68	(26%)
Interim dividend per share (HK cents)	1.0	1.0*	–
	As at	As at	
	30 June	31 December	
	2023	2022	Change
Financial position			
Total assets (HK\$'000)	102,803,973	94,455,086	9%
Shareholders' equity (HK\$'000)	14,843,111	14,806,699	–
Number of issued shares	9,553,994,707	9,553,994,707	–
Equity per ordinary share (HK\$)	1.55	1.55	–

* The dividends shown for the 2022 interim period did not include the special dividend paid of approximately HK\$286,552,000 or HK\$0.03 per ordinary share of the Company. If special dividend is included in the calculation of payout ratio, the payout ratio for the six months ended 30 June 2022 is 237%.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		For the six months ended 30 June	
	Notes	2023 <i>Unaudited</i> <i>HK\$'000</i>	2022 <i>Unaudited</i> <i>HK\$'000</i>
Revenue	4	1,543,055	1,207,792
Other income		4,235	1,892
Revenue and other income		1,547,290	1,209,684
Staff costs	5	(371,535)	(337,345)
Commission to account executives		(65,548)	(75,590)
Depreciation		(40,753)	(38,908)
Net impairment (charge)/reversal		(25,390)	2,697
Other operating expenses		(219,770)	(259,293)
Operating profit		824,294	501,245
Finance costs	6	(712,145)	(330,149)
Profit before taxation	7	112,149	171,096
Income tax	8	10,028	(7,613)
Profit for the period		122,177	163,483
Other comprehensive income for the period, net of tax			
Items that may be reclassified subsequently to profit and loss:			
– Investments at fair value through other comprehensive income		–	(2,156)
– Exchange difference on translation of foreign exchange		1,418	(40,673)
		1,418	(42,829)
Item that will not be reclassified to profit and loss:			
– Investments at fair value through other comprehensive income		12,023	–
		12,023	–
Total comprehensive income for the period		135,618	120,654

		For the six months ended 30 June	
	<i>Notes</i>	2023	2022
		<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		119,420	161,251
Non-controlling interests		<u>2,757</u>	<u>2,232</u>
		<u>122,177</u>	<u>163,483</u>
Total comprehensive income for the period attributable to:			
Owners of the parent			
– Holders of ordinary shares		131,952	118,422
Non-controlling interests		<u>3,666</u>	<u>2,232</u>
		<u>135,618</u>	<u>120,654</u>
Earnings per share attributable to ordinary equity holders of the parent			
– Basic (in HK cents)	<i>10(a)</i>	<u>1.25</u>	<u>1.68</u>
– Diluted (in HK cents)	<i>10(b)</i>	<u>1.25</u>	<u>1.68</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		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		448,861	478,689
Goodwill and other intangible assets		22,886	22,886
Other assets		20,835	13,680
Deferred tax assets		265,476	244,068
Derivative financial instruments		552,652	577,055
Financial assets at fair value through profit or loss		16,159,145	15,445,877
– Financial assets held for trading and investments		1,778,497	1,769,013
– Financial products		14,380,648	13,676,864
Total non-current assets		17,469,855	16,782,255
Current assets			
Loans and advances to customers	11	6,445,445	6,391,369
Accounts receivable	12	8,606,453	5,641,386
Prepayments, deposits and other receivables		234,095	212,984
Financial assets at fair value through profit or loss		42,275,858	41,928,120
– Financial assets held for trading and investments		6,368,848	9,666,306
– Financial products		35,907,010	32,261,814
Financial assets at fair value through other comprehensive income		79,762	82,304
Derivative financial instruments		1,797,266	1,527,458
Receivables from reverse repurchase agreements		681,871	586,845
Tax recoverable		249,591	198,764
Client trust bank balances		12,992,849	13,347,021
Cash and cash equivalents		11,970,928	7,756,580
Total current assets		85,334,118	77,672,831

		As at 30 June 2023 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2022 <i>Audited</i> <i>HK\$'000</i>
Current liabilities			
Accounts payable	13	(20,455,966)	(16,726,328)
Other payables and accrued liabilities		(366,480)	(602,958)
Derivative financial instruments		(1,470,150)	(1,297,531)
Interest bearing borrowings	14	(7,432,149)	(9,333,620)
Debt securities in issue		(34,292,775)	(28,719,537)
– At amortised cost		(7,411,289)	(3,784,775)
– Designated at fair value through profit or loss		(26,881,486)	(24,934,762)
Financial liabilities at fair value through profit or loss		(2,261,958)	(2,108,386)
Obligations under repurchase agreements		(8,283,450)	(7,695,073)
Tax payable		(9,783)	(8,917)
Total current liabilities		<u>(74,572,711)</u>	<u>(66,492,350)</u>
Net current assets		<u>10,761,407</u>	<u>11,180,481</u>
Total assets less current liabilities		<u>28,231,262</u>	<u>27,962,736</u>
Non-current liabilities			
Deferred tax liabilities		(8,566)	(10,736)
Interest bearing borrowings	14	(4,141)	(15,387)
Derivative financial instruments		(474,498)	(231,686)
Debt securities in issue		(12,767,783)	(12,768,731)
– At amortised cost		(3,155,747)	(3,138,860)
– Designated at fair value through profit or loss		(9,612,036)	(9,629,871)
Total non-current liabilities		<u>(13,254,988)</u>	<u>(13,026,540)</u>
Net assets		<u>14,976,274</u>	<u>14,936,196</u>

	As at	As at
<i>Notes</i>	30 June	31 December
	2023	2022
	<i>Unaudited</i>	<i>Audited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Equity		
Share capital	10,911,163	10,911,163
Other reserve	(1,236,460)	(1,236,460)
Currency translation reserve	(2,815)	(3,324)
Share option reserve	24,663	26,132
Investment revaluation reserve	2,891	(4,998)
Retained profits	5,143,669	5,114,186
	<hr/>	<hr/>
Equity attributable to holders of the ordinary shares	14,843,111	14,806,699
Non-controlling interests	133,163	129,497
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Total equity	14,976,274	14,936,196
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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 interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated.

This interim financial information was approved by the Board for issue on 25 August 2023.

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 2022 annual financial statements of the Company and its subsidiaries (“the Group”), except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of any changes in accounting policies are set out below.

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.

The financial information relating to the year ended 31 December 2022 that is included in the interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap.622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

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

Certain comparative figures have been reclassified 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:

- HKFRS 17, Insurance contracts
- Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction
- Amendments to HKAS 12, Income taxes: International tax reform – Pillar Two model rules

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 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 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) "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 2023 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	203,526	46,427	87,899	4,123	–	341,975
Interest and coupon income	662,256	525,748	–	1,530	–	1,189,534
Net trading and investment income/ (loss)	27,469	(44,977)	–	29,054	–	11,546
Other income	–	–	–	–	4,235	4,235
Total	<u>893,251</u>	<u>527,198</u>	<u>87,899</u>	<u>34,707</u>	<u>4,235</u>	<u>1,547,290</u>
Profit before taxation	349,910	64,856	(146,162)	(156,455)	–	112,149
Income tax						<u>10,028</u>
Profit for the period						<u>122,177</u>
Other segment information:						
Net impairment charge on loans and advances to customers	19,292	–	–	–	–	19,292
Net impairment charge on accounts receivable	855	2,117	1,409	856	–	5,237
Net impairment charge/ (reversal) on other financial assets	1,321	(600)	126	14	–	861
Net impairment charge/ (reversal) on financial assets at fair value through other comprehensive income	–	–	–	–	–	–
Depreciation	30,787	2,462	3,180	4,324	–	40,753
Finance costs	<u>334,478</u>	<u>253,005</u>	<u>–</u>	<u>124,662</u>	<u>–</u>	<u>712,145</u>

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 income/ (loss)	50,197	80,036	–	(298,359)	–	(168,126)
Other income	–	–	–	–	1,892	1,892
Total	<u>560,981</u>	<u>708,918</u>	<u>146,263</u>	<u>(208,370)</u>	<u>1,892</u>	<u>1,209,684</u>
Profit before taxation	183,733	282,774	14,623	(310,034)	–	171,096
Income tax						<u>(7,613)</u>
Profit for the period						<u>163,483</u>
Other segment information:						
Net impairment charge on loans and advances to customers	–	4,095	–	–	–	4,095
Net impairment charge on accounts receivable	1,474	1,616	2,754	17	–	5,861
Net impairment reversal on other financial assets	(2,784)	(544)	–	–	–	(3,328)
Net impairment 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>148,474</u>	<u>–</u>	<u>47,258</u>	<u>–</u>	<u>330,149</u>

4. REVENUE

The Group's revenue is disaggregated as follows:

	For the six months ended 30 June	
	2023	2022
	<i>Unaudited</i> HK\$'000	<i>Unaudited</i> HK\$'000
Commission and fee income (Note (1))		
Brokerage (Note (3))	225,957	264,426
Corporate finance		
Placing, underwriting and sub-underwriting commission (Note (3))	65,814	106,116
Consultancy and financial advisory fee income (Note (4))	18,199	25,530
Asset management fee and performance fee income (Note (4))	4,111	13,239
Handling income on financial products (Note (3))	27,894	42,001
	<u>341,975</u>	<u>451,312</u>
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Interest income (Note (2))		
Interest income from customers and counterparty financing (Note (5))	222,164	290,519
Interest income from banks and others (Note (5))	522,452	77,439
Interest income from market making debt securities	29,394	127,294
Interest income from fixed income securities	66,068	230,243
Interest income from financial products	349,456	199,111
	<u>1,189,534</u>	<u>924,606</u>
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Net trading and investment income/(loss) (Note (2))		
Net trading income/(loss) from debt securities market making	23,474	(323,411)
Net trading (loss)/income from fixed income securities, unconsolidated investment funds, derivatives and equities investment	(11,928)	155,285
	<u>11,546</u>	<u>(168,126)</u>
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	<u><u>1,543,055</u></u>	<u><u>1,207,792</u></u>

Note (1) Revenue arising from customer contracts under HKFRS15

Note (2) Revenue arising from other sources

Note (3) Commission and fee income arising from 1) brokerage, 2) placing, underwriting and sub-underwriting commission, 3) handling income on financial products are recognized at a point in time

Note (4) Commission and fee income arising from 1) consultancy and financial advisory fee income, 2) asset management fee and performance fee income are recognized over time

Note (5) Interest income from customers and counterparty financing and interest income from banks and others are calculated using effective interest method

5. STAFF COSTS

	For the six months ended 30 June	
	2023	2022
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, bonuses and allowances	364,664	329,951
Share-based compensation expenses		
– Share option scheme	–	285
Pension scheme contributions	6,871	7,109
	<u>371,535</u>	<u>337,345</u>

6. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	<i>Unaudited</i>	<i>Unaudited</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings and overdrafts	237,479	29,857
Debt securities in issue	208,463	117,233
Securities borrowing and lending	893	938
Repurchase agreements	181,106	60,523
Financial liabilities	48,686	119,286
Lease liabilities	593	731
Accounts payable to clients	26,914	1,249
Others	8,011	332
	<u>712,145</u>	<u>330,149</u>

7. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2023	2022
	<i>Unaudited</i> <i>HK\$'000</i>	<i>Unaudited</i> <i>HK\$'000</i>
Professional and consultancy fees	32,826	43,006
Information service expenses	22,866	27,009
Repairs and maintenance (including system maintenance)	44,152	41,065
Marketing, advertising and promotion expenses	1,309	2,993
Net foreign exchange (gain)/ loss	(18,056)	13,533
Other commission expenses	22,025	10,369
Net impairment charge on loans and advances to customers	19,292	4,095
Net impairment charge on accounts receivable	5,237	5,861
Net impairment charge/(reversal) on other financial assets and loan commitments	861	(3,328)
Net impairment reversal on financial assets at fair value through other comprehensive income	–	(9,325)
	<u> </u>	<u> </u>

8. INCOME TAX

	For the six months ended 30 June	
	2023	2022
	<i>Unaudited</i> <i>HK\$'000</i>	<i>Unaudited</i> <i>HK\$'000</i>
Current tax	14,121	35,356
Deferred tax	(24,149)	(27,743)
	<u> </u>	<u> </u>
	<u>(10,028)</u>	<u>7,613</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

9. PROPOSED INTERIM/FINAL DIVIDEND

For the period ended 30 June 2023, the Board has declared an interim dividend of approximately HK\$95,540,000 or HK\$0.01 per ordinary share (2022: HK\$95,878,000 or HK\$0.01 per ordinary share). For the period ended 30 June 2022, the Board has declared a special dividend of approximately HK\$287,633,000 or HK\$0.03 per ordinary share. The interim dividend proposed after the reporting date has not been recognized as liabilities in the interim financial information at the end of the reporting period.

The Board recommended a final dividend of HK\$0.01 per ordinary share for the year ended 31 December 2022 on 27 March 2023 and paid the final dividend of approximately HK\$95,540,000 on 16 June 2023.

The Company paid a final dividend of approximately HK\$95,878,000 for the year ended 31 December 2021, as further adjusted to exclude the dividend for shares bought back by the Company before ex-dividend date on 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 period ended 30 June 2023 is based on the profit attributable to ordinary equity holders of the parent of HK\$119,420,000 (2022: HK\$161,251,000) and the weighted average number of ordinary shares in issue of 9,553,994,707 (2022: 9,603,856,707) 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 2023 and 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.

11. LOANS AND ADVANCES TO CUSTOMERS

	As at 30 June 2023 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2022 <i>Audited</i> <i>HK\$'000</i>
Margin loans	8,310,190	8,120,943
Term loans to customers	235,365	467,662
Less: Impairment provision	<u>(2,100,110)</u>	<u>(2,197,236)</u>
	<u>6,445,445</u>	<u>6,391,369</u>

12. ACCOUNTS RECEIVABLE

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

	As at 30 June 2023 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2022 <i>Audited</i> <i>HK\$'000</i>
Accounts receivable arising from brokerage		
– cash and custodian clients	156,956	9,911
– the Stock Exchange and other clearing houses	1,406,940	1,200,995
– brokers and dealers	6,675,123	3,630,107
Accounts receivable arising from insurance brokerage services		
– cash and custodian clients	–	–
Accounts receivable arising from securities borrowing and lending		
– brokers and dealers	180,887	725,668
Accounts receivable arising from corporate finance, asset management, financial products, market making and investments		
– corporate clients, investment funds and others	224,515	107,461
	<u>8,644,421</u>	<u>5,674,142</u>
Less: Impairment provision	<u>(37,968)</u>	<u>(32,756)</u>
	<u><u>8,606,453</u></u>	<u><u>5,641,386</u></u>

(a) Accounts receivable from cash and custodian clients

Accounts receivable from cash and custodian clients represent unsettled client trades on various securities exchanges transacted on the last two to three business days prior to the end of the reporting period. When cash and custodian clients fail to settle on the settlement date, the Group has the right to force-sell the collateral underlying the securities transactions. The collateral held against these receivables is publicly traded securities. The expected credit losses (“ECL”) allowance is made after taking into consideration the recoverability from the collateral. No ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value in view of the nature of these accounts receivable.

(b) Accounts receivable from the Stock Exchange, clearing houses, brokers and dealers

For accounts receivable from the Stock Exchange and other clearing houses, brokers and dealers, and insurance brokerage, no ageing analysis is disclosed as, in the opinion of the directors, an ageing analysis does not give additional value in view of the nature of these accounts receivable. There was no transfer of ECL allowance to different stages during the six-month period ended 30 June 2023 and the year ended 31 December 2022.

12. ACCOUNTS RECEIVABLE (continued)

(c) Accounts receivable from corporate clients and investment funds

Accounts receivable from corporate clients and investment funds are arising from asset management, corporate finance, investment holding and market making which have not yet been settled by clients after the Group's normal credit period.

The ageing analysis of relevant accounts receivable at the date of consolidated statement of financial position based on invoice date and before ECL allowance is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet past due	155,721	44,232
Past due less than 1 month	3,085	187
Past due between 1 to 3 months	860	56
Past due over 3 months	<u>64,849</u>	<u>62,986</u>
Total	<u><u>224,515</u></u>	<u><u>107,461</u></u>

Accounts receivable from corporate clients and investment funds arising from asset management, corporate finance, investment holding and market making using a provision matrix under simplified approach. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, services type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

13. ACCOUNTS PAYABLE

	As at 30 June 2023 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2022 <i>Audited</i> <i>HK\$'000</i>
Accounts payable arising from brokerage		
– clients	12,711,111	13,136,472
– brokers and dealers	5,345,556	1,675,062
– the Stock Exchange and other clearing houses	885,723	1,288,615
Accounts payable arising from securities borrowing and lending	5,329	42,254
Accounts payable arising from corporate finance, asset management, financial products, market making, investments and others	1,508,247	583,839
Accounts payable arising from insurance brokerage services	<u>–</u>	<u>86</u>
	<u>20,455,966</u>	<u>16,726,328</u>

The majority of the accounts payable are repayable on demand except for certain accounts payable to clients which represent margin deposits received from clients for their trading activities in the normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

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

14. INTEREST BEARING BORROWINGS

	As at 30 June 2023 <i>Unaudited</i> <i>HK\$'000</i>	As at 31 December 2022 <i>Audited</i> <i>HK\$'000</i>
Non-current:		
Lease liabilities	4,141	15,387
Current:		
Lease liabilities	26,900	27,845
Unsecured bank borrowings	7,405,249	9,305,775
	<u>7,432,149</u>	<u>9,333,620</u>
	<u>7,436,290</u>	<u>9,349,007</u>
Denominated in:		
HK dollar	1,024,068	3,494,029
US dollar	6,388,622	5,262,975
Other currencies	23,600	592,003
	<u>7,436,290</u>	<u>9,349,007</u>

15. CAPITAL COMMITMENTS AND OTHER COMMITMENTS

Capital commitments

The Group had capital commitments for system upgrades and renovation of premises of approximately HK\$10,285,000 which were contracted but not provided for as at 30 June 2023 (31 December 2022: HK\$9,798,000).

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 2023, the underwriting obligations was approximately HK\$553 million (31 December 2022: HK\$1,755 million).

MANAGEMENT DISCUSSION AND ANALYSIS

I. Market Review

In the first half of 2023 (the “period”), the Hong Kong stock market experienced volatility due to geopolitical tensions and the worldwide high interest rates. The Hang Seng Index dropped by 4% in the first half while daily turnover of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) decreased by 16% to HK\$115.50 billion as compared with the corresponding period of last year (“YOY”). Meanwhile, the total funds raised from initial public offerings in the Hong Kong stock market amounted to HK\$17.80 billion, representing a decrease of 10% YOY, while the total amount raised from the Hong Kong primary and secondary stock market decreased by 35% YOY to HK\$74.39 billion. On the other hand, the primary bond issuance market remained sluggish, with the total amount of bonds issued in Asian (ex-Japan) G3 currencies (US dollar, Euro and Yen) decreased by 27% YOY to approximately US\$119.80 billion. During the period, the performance of the investment grade and high-yield segment in the secondary bond trading market diverged, with the high-yield price return index falling about 16% and the investment-grade price return index rising about 1% according to the Bank of America Merrill Lynch Chinese-issued US dollar-denominated bond indices.

II. Results Review

During the period, facing volatile capital market and high financing costs, the Group actively seized market opportunities while strictly controlling various types of risks. In particular, the financial product business, driven by client demand, and equity capital market underwriting business performed exceptionally well in terms of income. Meanwhile, the interest income from banks also increased steadily as a result of the continuous optimization of the Group’s funds management capabilities. Despite the relative challenging environment, the Group was able to achieve continuous profitability since its listing in 2010. At the same time, the Group’s balance sheet remained stable. With sufficient cash and liquidity reserves, the balance of risk assets continued to be controlled and decreased, indicating effective risk management capabilities. The scale of client funds under custody remained relatively stable, also reflecting a stable client base. In view of the sound financial and operating position, the Company maintained a high dividend payout ratio as a response to the long-term recognition and support from investors.

The interim results for 2023 (during the period or as at 30 June 2023) are summarized as follows:

- Under the challenging market and business environment, the Group's revenue for the period increased by 28% YOY to HK\$1,543 million and profit attributable to ordinary equity holders amounted to HK\$119 million (corresponding period in 2022: HK\$161 million)
 - By nature of income: interest income from financial products increased by 76% YOY to HK\$349 million, benefiting from rising global interest rates and increasing client demand for financial products; underwriting commission income from equity capital markets increased by 89% YOY to HK\$33.17 million; and interest income from banks and others increased significantly by 575% YOY to HK\$522 million, mainly due to the continuous increase in global interest rates and the Group's sound funds management capabilities
 - By business segment: income from wealth management segment increased by 59% YOY to HK\$893 million, mainly due to the increase in related interest income; and the income of investment management segment showed a turn from loss to gain YOY, with a gain of HK\$35 million, reflecting the Group's effective risk management capabilities in its investment portfolio during the period
- Interim dividend of HK\$0.01 per share of the Company (the "Share") (payout ratio of approximately 80%)
- Total assets increased by 9% to HK\$102.80 billion as compared to that as at the end of 2022, of which:
 - The Group vigorously developed its financial product business. The balance of the financial assets – financial products increased by 9% to HK\$50.29 billion as compared to that as at the end of 2022
 - Cash and cash equivalents increased by 54% to HK\$11.97 billion, reflecting the Group's strong liquidity and sound financial position as compared to that as at the end of 2022

III. Operation Development

(I) Each core business closely followed the market with innovation, and continuously became the “first batch” of the industry

Facing the market environment with high interest rates, during the period, the Group closely kept pace with the market and continued to enrich its products and services based on client needs, which not only achieved rapid growth in terms of the scale of cross-border financial products for institutional clients, but also diversified wealth management business products, and it also successively obtained the “first batch” qualification of the industry among the highly competitive market. During the period, the Group has become one of the first batch overseas qualified participants of “Swap Connect” (the “Swap Connect”) and has successfully traded relevant products since the first day of the launch of the Swap Connect. In addition, the Group has become one of the first batch qualified market makers under the “HKD-RMB Dual Counter Model” (the “Dual Counter Model”) for Hong Kong stocks, and has started to provide high-quality market making services to institutional clients since the first day of the launch of the Dual Counter Model. The Group has also provided clients with brokerage services under the Dual Counter Model, and launched relevant products with competitive financing rates, which effectively expanding clients’ investment channels in the offshore RMB market.

(II) Enhancing digital financial services and promoting the construction of technology platformization

During the period, the Group continued to enhance its digital financial services entirely, empowering business development with innovative technologies, facilitating efficient development of wealth management, institutional investors, asset management and other businesses.

To actively promote digital transformation and significantly improve client experience and the speed and convenience of the transactions, the Group has officially launched a new generation of mobile trading application namely “Junhong Global”, which is another milestone of the Group’s digital financial services. On the other hand, through innovative technologies such as artificial intelligence technology, cloud technology and micro service architecture, the Group has built unified platforms such as the platforms for big data, mobile services, intelligent customer services, automated operations, security monitoring centre to provide more secure, stable, scalable and flexible technical support for businesses.

(III) Achieved “carbon neutrality” at operational level for the first time, and the Company’s environmental, social and governance (“ESG”) rating was raised by international institution again

Our data showed that the total greenhouse gas emissions by the Group at operational level have decreased for three consecutive years. On this basis, in June, the Group successfully offset its greenhouse gas emissions generated from its operations in 2022 through the subscription of carbon credit assets of Verified Carbon Standard forestry project in the Mainland China, achieving carbon neutrality at operational level for the first time. At the same time, following the improvement of the Company’s ESG rating by Morgan Stanley Capital International (“MSCI”, an international authoritative index institution) last year, in early April, S&P Global Rating, an international rating agency, raised the Group’s ESG rating with a score higher than 82% of its peers in the world. In terms of policy formulation, the Group has incorporated the considerations of ESG risk factors into the latest credit risk policy at the end of June so as to control and manage ESG risks at business level more efficiently.

IV. Analysis of Operating Results

(I) Revenue analysis

1. By nature

Commission and fee income decreased by 24% YOY to HK\$342 million (corresponding period in 2022: HK\$451 million). During the period, the total funds raised from initial public offerings in Hong Kong decreased by 10% YOY and the trading volume of stocks decreased by 16% YOY, and the issuance amount of relevant US dollar-denominated bonds decreased by 27% YOY, resulting in a YOY decrease in the Group’s commission and fee income from business sectors such as brokerage, corporate finance and asset management.

Interest income increased by 29% YOY to HK\$1,190 million (corresponding period in 2022: HK\$925 million). Under the global interest rate hike environment, interest income from banks increased significantly, which led to an increase in interest income. The Group continued to adjust its bond holdings for market making purpose in response to the risen default risk of bonds issued by mainland real estate corporates, resulting in a YOY decrease in coupon income from bonds. On the other hand, the market condition in Hong Kong was weak, which led to reduced investor demand for financing YOY, resulting in a decrease in interest income from clients and counterparty financing.

Net trading and investment income was approximately HK\$12 million (corresponding period in 2022: loss of HK\$168 million). The Group conducted trading and investment business with a purpose mainly for supporting the development of businesses such as wealth management, institutional investor services, corporate finance and asset management, etc. During the period, the Group's trading and investment business showed a turn from loss to profit. The Group has significantly reduced the position in high-risk Chinese-issued US dollar-denominated bonds and other risk assets. The risk exposure of investment has decreased to avoid the impact of market volatility, resulting in the trading and investment segment to gain income in a continuously volatile market.

2. *By segment*

Income from wealth management segment increased by 59% YOY to HK\$893 million (corresponding period in 2022: HK\$561 million), mainly due to the significant increase in interest and coupon income under the interest rate hike environment, which offset the decrease in commission and handling income and net trading and investment income.

Income from institutional investor services segment decreased by 26% YOY to HK\$527 million (corresponding period in 2022: HK\$709 million), mainly due to the decrease in related interest income from fixed income securities as a result of the reduction in fixed income securities investment by the Group amid the sluggish Hong Kong market.

Income from corporate finance services segment decreased by 40% YOY to HK\$88 million (corresponding period in 2022: HK\$146 million), mainly due to the extremely sluggish bond issuance market under the high interest rate environment and the significant decrease in corporate clients' willingness to issue securities, which affected the income from bond underwriting and issuance.

Investment management segment recorded an income of HK\$35 million (corresponding period in 2022: loss of HK\$208 million), mainly due to the significant reduction of the Group's position in high-risk Chinese-issued US dollar-denominated bonds and other risk assets last year, and the risk exposure of investment decreased to avoid the impact of market volatility, while the investment management segment turned loss into profit as a result of gain from lower-risk investment during the period.

(II) Cost analysis

During the period, total costs of the Group increased by 38% YOY to HK\$1,435 million, which was mainly due to the increase in financing costs. The increase in interest rates in the global market led to a significant rise in financing costs. In particular, the average interest rate of the Hong Kong Interbank Offered Rate (based on one-month maturity) during the period increased significantly by 12.58 times YOY to approximately 3.52% (corresponding period in 2022: approximately 0.26%). Meanwhile, the average interest rate of London Interbank Offered Rate (based on one-month maturity) during the period increased significantly by 6.94 times YOY to 4.86% (corresponding period in 2022: approximately 0.61%). However, the Group strictly monitored and flexibly used funds, actively optimized the debt structure, enhanced financing efficiency and strengthened funds management. The financing costs only increased by 1.2 times YOY.

V. Financial Position Analysis

(I) Balance sheet summary

1. General

As at 30 June 2023, total assets of the Group were HK\$102.80 billion, representing an increase of 9% as compared to that as at the end of 2022, while total liabilities of the Group were HK\$87.83 billion, representing an increase of 10% as compared to that as at the end of 2022. The total equity amounted to HK\$14.97 billion, representing a decrease of 0.3% as compared to that as at the end of 2022.

The Group has been devoting every effort to optimizing the structure of the balance sheet and improving the quality of the balance sheet. As at 30 June 2023, the Group's current assets accounted for a high proportion with sufficient liquidity reserve, and the balance of cash and cash equivalents increased. In addition, the Group maintained a healthy asset structure with low risk exposure, closely monitored and gradually reduced the risk exposure of investment. Most of the assets in the Group's balance sheet are client-driven, the Group's credit assets have therefore been significantly and continuously optimized to relevant asset categories with high quality and good liquidity, resulting in a healthy and sufficient provision ratio.

2. Assets

As at 30 June 2023, the Group's total assets increased by 9% as compared to that as at the end of 2022 to HK\$102.80 billion (as at the end of 2022: HK\$94.46 billion), mainly due to 1) the increase in the balance of financial assets at fair value through profit or loss – financial products as a result of the Group's vigorous development of its financial product business; and 2) the increase in cash and cash equivalents held by the Group, and the further abundance of liquidity reserve.

3. Liabilities

As at 30 June 2023, the Group's total liabilities increased by 10% as compared to that as at the end of 2022 to HK\$87.83 billion (as at the end of 2022: HK\$79.52 billion), mainly due to the increase in debt securities in issue. The Group increased the issuance of structured notes as a result of the increase in client-driven financial product business.

4. Financial ratios

As at 30 June 2023, the nominal leverage ratio of the Group (defined as total assets less accounts payable to clients divided by total equity) was 6.02 times (as at the end of 2022: 5.44 times). If excluding the financial assets from financial products held on behalf of clients, the leverage ratio was 2.66 times (as at the end of 2022: 2.37 times). The gearing ratio (defined as the sum of bank borrowings and debt securities in issue at amortised cost divided by total equity) was 1.20 times (as at the end of 2022: 1.09 times). The Group's current ratio was 1.14 times (as at the end of 2022: 1.17 times).

(II) Charges on the Group's assets

No asset of the Group was subject to any charge as at 30 June 2023 and 31 December 2022, 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 2023.

(IV) Liquidity and financial resources

As at 30 June 2023, the current assets of the Group were HK\$85.33 billion, increased by 10% as compared to that as at the end of 2022. The balance of cash and cash equivalents of the Group was HK\$11.97 billion (as at the end of 2022: HK\$7.76 billion). Net cash inflow of the Group was HK\$4.21 billion (the first half of 2022: outflow of HK\$317 million).

The Company maintained a Medium Term Note Programme of up to HK\$35.0 billion for financing purposes, under which listed or unlisted notes denominated in any currency may be issued from time to time. On 17 July 2023, 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 Guaranteed Structured Note Programme of up to US\$15.0 billion, under which unlisted notes denominated in any currency may be issued from time to time. As at 30 June 2023, the medium term notes and structured notes issued and outstanding amounted to HK\$10.7 billion (as at the end of 2022: HK\$4.8 billion) and US\$5.3 billion (as at the end of 2022: US\$4.9 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 2023, the Group had no material acquisition and disposal of subsidiaries, associated companies and joint ventures.

VI. Prospects

In the second half of the year, 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 Guangdong-Hong Kong-Macao Greater Bay Area to achieve high-quality and sustainable development.

In terms of institutional business, with the rising global interest rates, the risk appetite of institutional investors has changed, and the demand for financial derivatives and fixed income products has also increased. In the face of the ever-changing macro environment and the opportunities arising therefrom, the Group will continue to maintain a business model driven by client needs, continue to deeply explore the asset allocation needs of institutional clients, striving to provide clients with diversified products and trading services with market competitiveness.

In terms of wealth management, the Group provides sound and practical financial products and tools for the interaction and integration of the capital markets in the Mainland China and Hong Kong by virtue of its enriched offshore product line, and efficiently serves clients' wealth management needs throughout their life cycle. In the second half of the year, the Group will strengthen and further empower the financial services with technology for a continuously enhanced experience and satisfaction of wealth management clients. At the same time, facing the huge market opportunities of the family office and trust business in Hong Kong, the Group will actively promote the External Asset Management (EAM) business to strengthen the cooperation and network coverage with family office professionals.

The Group has been implementing a solid and steady operational strategy. As always, the Group will continue to improve its risk management measures and strengthen its executions, 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 as one of its core objectives with steady and solid compound growth to reward the investors for their continuous supports.

DIVIDEND

The Board has declared an interim dividend of HK\$0.01 per Share for the six months ended 30 June 2023 ("Interim Dividend") (2022: an interim dividend of HK\$0.01 per Share and a special dividend of HK\$0.03 per Share) to the shareholders of the Company ("Shareholders") whose names appear on the register of members of the Company on Tuesday, 12 September 2023. The Interim Dividend will be payable on Wednesday, 27 September 2023.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Tuesday, 12 September 2023 for ascertaining Shareholders' entitlement to the Interim Dividend. No transfer of Shares will be registered on that day. In order to qualify for the Interim Dividend, all duly completed transfer documents accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, No. 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Monday, 11 September 2023.

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 six months ended 30 June 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted all principles and code provisions set out in the Corporate Governance Code contained in Appendix 14 (the "Corporate Governance Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code of corporate governance. The Company has complied with all the code provisions set out in the Corporate Governance Code throughout the period from 1 January 2023 to 30 June 2023, except for code provision F.2.2 that Dr. YIM Fung, the Chairman of the Board, was unable to attend the annual general meeting held on 22 May 2023 due to other business commitment. Ms. QI Haiying, the chief executive officer and the executive director, chaired that annual general meeting, and the chairman of each Board committee and other directors were present to answer Shareholders' questions.

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 2023 to 30 June 2023.

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 2023.

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 2023 ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This announcement of interim results for the six months ended 30 June 2023 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 2023 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 2023