



**國泰君安國際**  
GUOTAI JUNAN INTERNATIONAL

# 2017 Interim Results

August 2017

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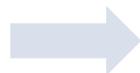
# Key Deliveries



# Key Deliveries

## Solid financial performance

Total Revenue



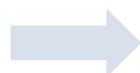
Up **29%** to **1,560 million**

Net Profit



Up **34%** to **726 million**

Interim Dividend



Proposed **4.5 cents** Per share, Pay-out ratio **46 %**

Corporate Finance



Income up **181%** to **442 million**

Financial Products



Income up **68%** to **104 million**

Brokerage



Income up **37%** to **289 million**

Cost Management



Cost to income ratio improved to **44%** from 47%

*\* expressed in HK\$*

# Key Deliveries

## Progressive business development

### Outstanding Corporate Finance Performance

- 7 IPO deals
- 30 bond deals, total fund raised over HKD 60 Billion
- Ranked **No. 1** in terms of No. of deals as sponsor

### Fast Growing Wealth Management Business

- Launched “**JUNHONG Wealth Club 君弘財富管理**” in HONG KONG for extra HNW clients
- 600 new Professional Investors, up **125%** from the end of 2016
- Average assets balance for new clients increased **3.8** times to around HK\$ **8 million** per account
- Life insurance policy premium more than doubled

### Highest Credit Ratings among Chinese Financial Institutions in HK

- S&P : “**BBB+**” with “stable” outlook
- Moody’s: “**Baa2**” with “stable” outlook
- To further help with the funding cost

### Competitive Financial Products Business

- Lowered funding cost
- Strong business partnership with large-scale international financial institutions

# Financial Analysis

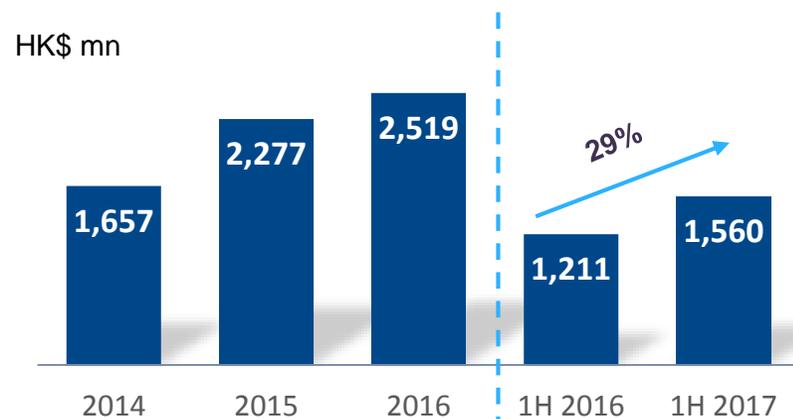


# Financial Highlights

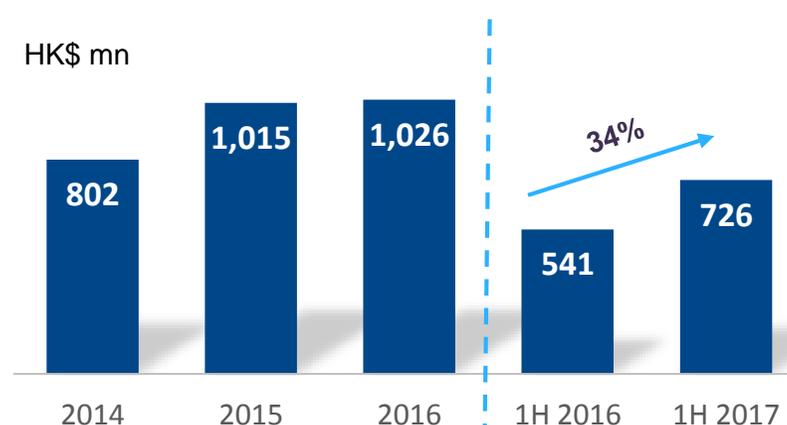
## Record high of interim revenue and profit

	1H 2017 (HKD'000)	1H 2016 (HKD'000)	Change
Fee and commission income			
- Brokerage	289,210	211,132	37.0%
- Corporate finance	441,590	157,105	181.1%
- Asset management	14,513	13,756	5.5%
Income from loans and financing	641,556	633,137	1.3%
Income from financial products, market making and investment	173,089	195,771	-11.6%
<b>Revenue</b>	<b>1,559,958</b>	1,210,901	<b>28.8%</b>
<b>Profit for the period</b>	<b>726,052</b>	541,180	<b>34.2%</b>

### Historically high revenue record



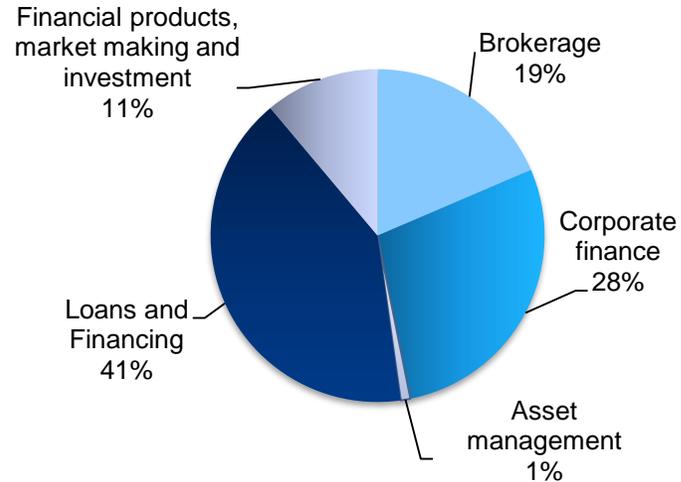
### Historically high profit record



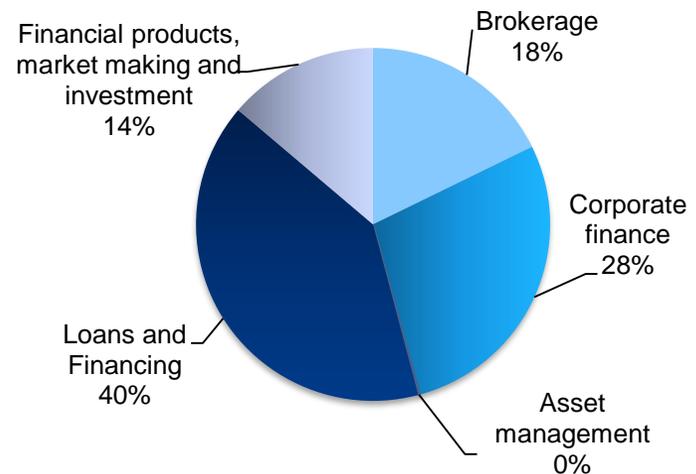
# Revenue Analysis

Major growth drivers: Corporate Finance and Financial Products

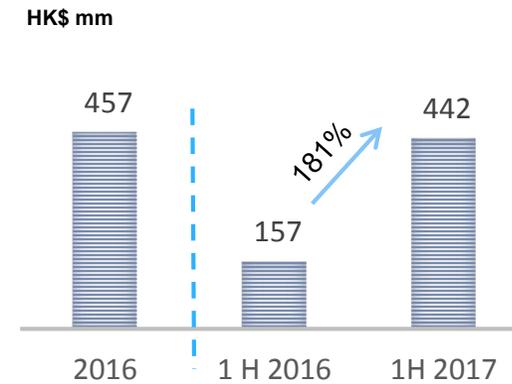
## Revenue mix



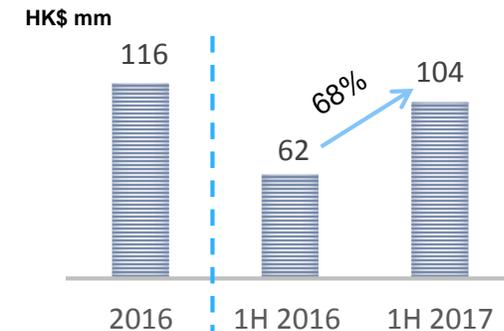
## Segment results mix



## Corporate Finance



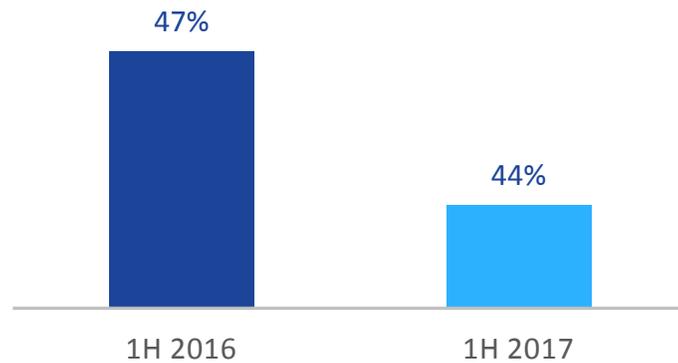
## Financial Products



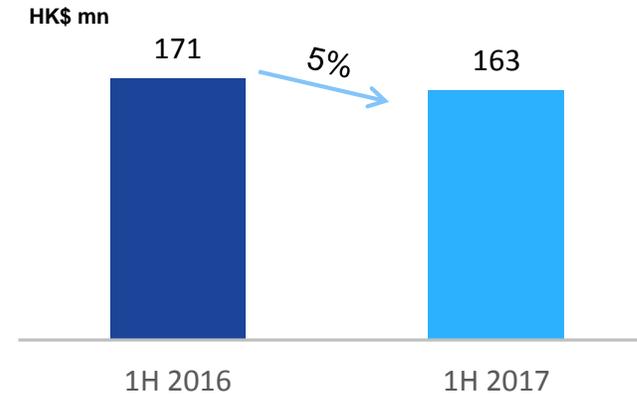
# Profitability & Dividend

Effective cost control and increased dividend payout

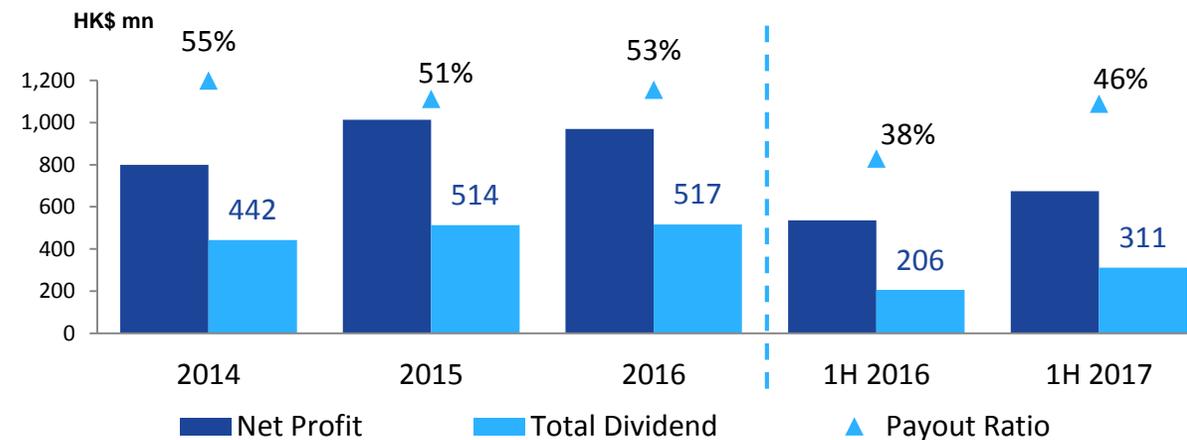
## Cost to income ratio



## Financial cost



## Increased interim dividend & payout ratio



# Balance Sheet Extracts

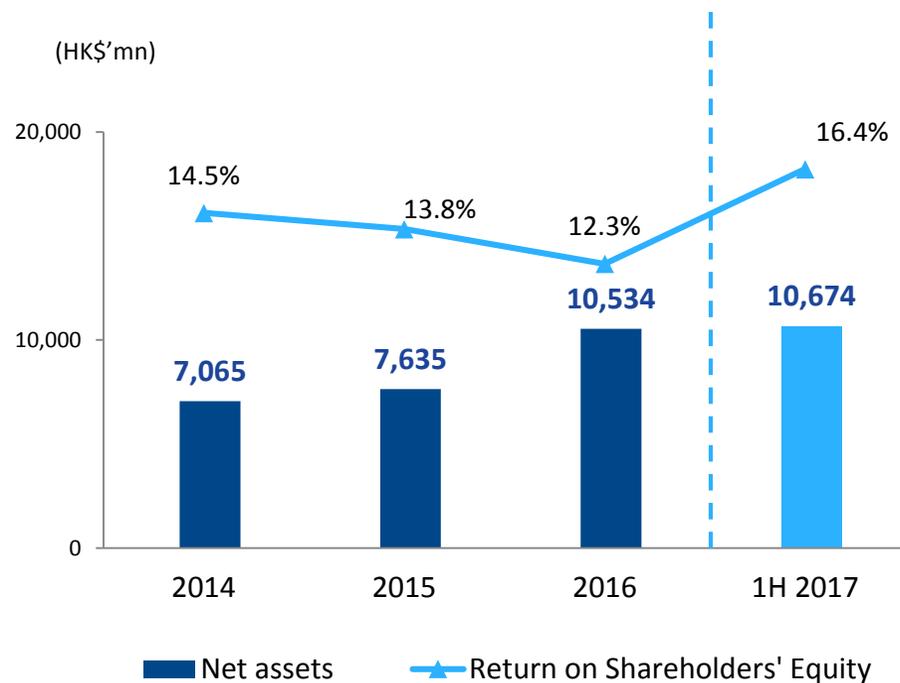
## Invested in quality assets

	30 June 2017 (HKD'000)		31 December 2016 (HKD'000)	
Loans and advances to customers	12,199,087	24.8%	14,538,144	32.3%
Reverse repurchase agreement	645,076	1.3%	480,782	1.1%
Accounts receivable	4,249,863	8.6%	1,495,924	3.3%
<b>Financial assets</b>	<b>5,993,292</b>	<b>12.2%</b>	<b>5,888,774</b>	<b>13.1%</b>
<b>Financial products held on behalf of clients</b>	<b>11,879,643</b>	<b>24.1%</b>	<b>7,424,551</b>	<b>16.5%</b>
Client trust bank balances	11,742,921	23.9%	12,400,917	27.6%
Cash and cash equivalents	1,761,033	3.6%	1,964,398	4.4%
Other current assets	231,265	0.5%	297,543	0.7%
Non-current assets	509,474	1.0%	509,712	1.1%
<b>Total assets</b>	<b>49,211,654</b>	<b>100.0%</b>	<b>45,000,745</b>	<b>100.0%</b>
Accounts payable	14,554,679	37.8%	14,871,038	43.1%
Bank borrowings	7,332,850	19.0%	8,911,433	25.9%
MTN in issue	1,135,323	2.9%	175,710	0.5%
Structured notes issued for financial products	7,169,381	18.6%	5,647,531	16.4%
Financial liabilities	4,327,667	11.2%	3,485,520	10.1%
Repurchase agreement	3,422,199	8.9%	930,958	2.7%
Other payables and accrued liabilities	552,704	1.4%	411,459	1.2%
Non current liabilities	42,383	0.1%	33,262	0.1%
<b>Total liabilities</b>	<b>38,537,186</b>	<b>100.0%</b>	<b>34,466,911</b>	<b>100.0%</b>
Ordinary shareholders' equity	8,314,101	77.9%	8,175,198	77.6%
Other equity instruments and non-controlling interest	2,360,367	22.1%	2,358,636	22.4%
<b>Net assets</b>	<b>10,674,468</b>	<b>100.0%</b>	<b>10,533,834</b>	<b>100.0%</b>

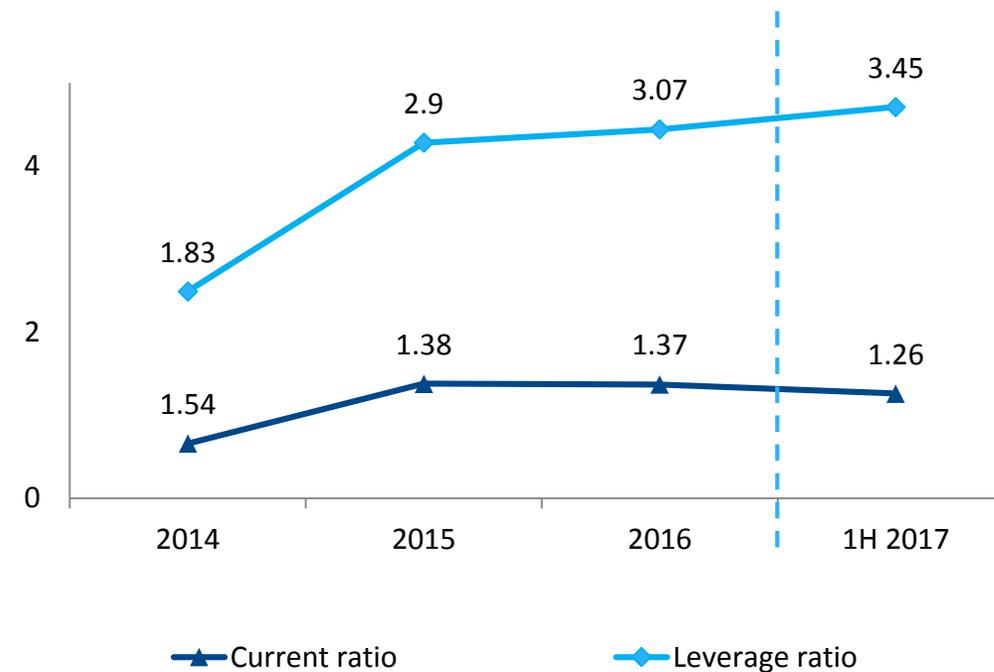
# Balance Sheet Analysis

## Remarkable Return on Shareholders' Equity and controlled leverage

### Enlarged equity Increased Return on Shareholders' Equity



### Healthy leverage ratio



Notes: Annualized Return on Shareholders' Equity for 1H 2017

# Business Review



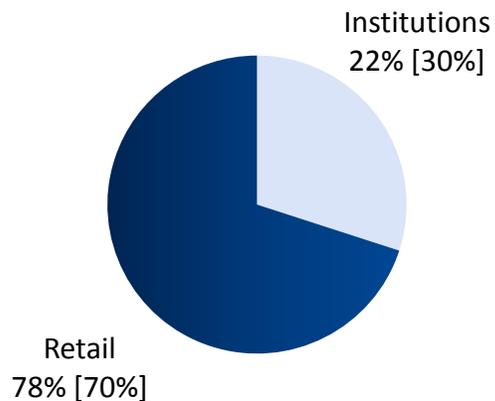
# Brokerage Business

Solid results under favorable market condition

	1H 2017 (HKD'000)	1H 2016 (HKD'000)	Change
- Securities	248,282	160,336	54.9%
- Futures and options	13,812	27,374	-49.5%
- Handling income	17,793	16,951	5.0%
- Leveraged foreign exchange	1,500	1,355	10.7%
- Insurance	7,823	5,116	52.9%
<b>Brokerage income</b>	<b>289,210</b>	<b>211,132</b>	<b>37.0%</b>

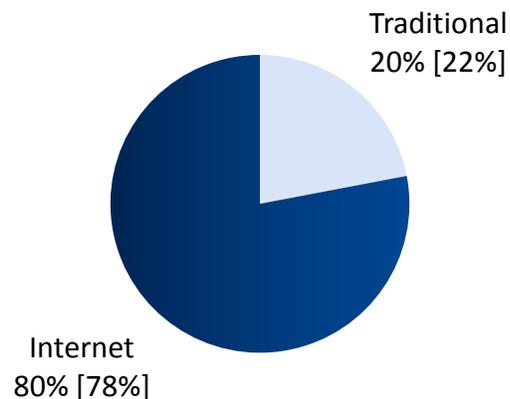
## Client structure

By commission income



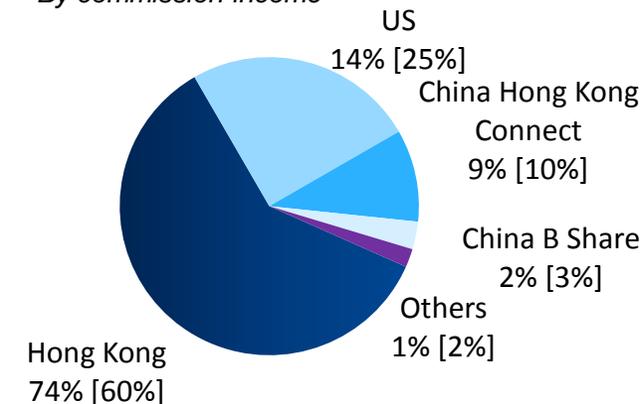
## Internet vs. traditional trading

By commission income



## Market breakdown

By commission income



Note: [ ] was figure for 1H 2016

# Customer Analysis

## Targeting High Net Worth (HNW) and institutional clients

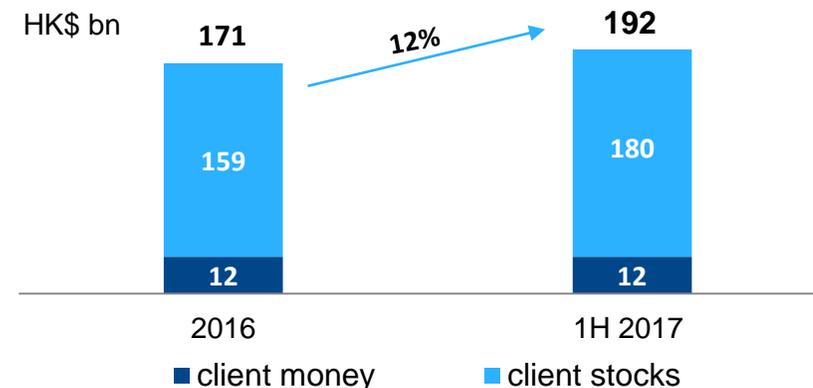
- 131,516 total customer accounts
- 53,321 active accounts\*
- Targeting HNW clients and institutional accounts
  - 1,080 Professional Investors (“PI”) accounts
  - 1,354 Institutional accounts
- 1,916 new accounts (include 600 new PI accounts)

### Significant increase in new client’s assets

(HK\$ '000)	June 30 2016	June 30 2017	Change
Average total assets for new clients	1,648	7,940	 3.8 x

\* Accounts with balance or movements within a year

### Clients’ assets under custody

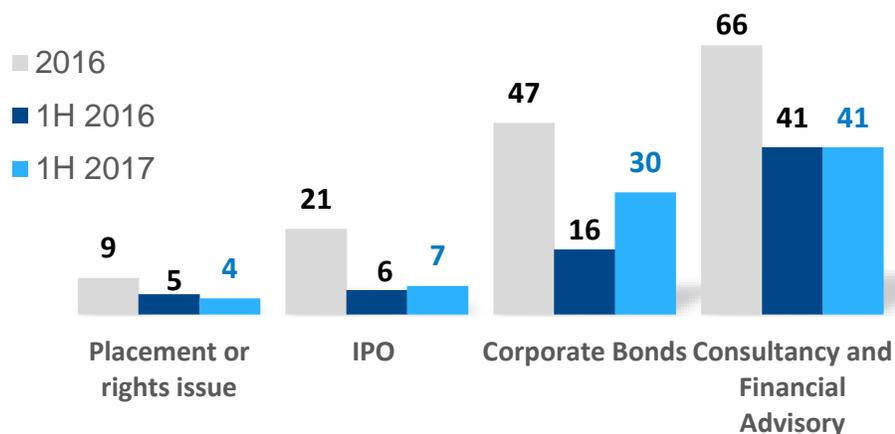



# Corporate Finance and Advisory Services

## Historical high of the half year results

	1H 2017 (HKD'000)	1H 2016 (HKD'000)	Change
Placing, underwriting and sub-writing commission			
Debt securities	147,579	66,220	122.9%
Equity securities	231,963	43,958	427.6%
Consultancy and financial advisory fee	62,048	46,927	32.2%
<b>Corporate finance income</b>	<b>441,590</b>	<b>157,105</b>	<b>181.1%</b>

### Number of deals completed



### ECM Funds raised

HK\$ **25** bn

### DCM Funds raised:

HK\$ **63** bn



**No. 1** for IPO deals as sponsor  
(Source : Dealogic )



**No.4** for IPO deals as bookrunner  
(Source: Dealogic )

# Signature IPO Deals



Guotai Junan Securities Co.,  
Ltd.

國泰君安證券股份有限公司  
( Ticker: 2611.HK )

No. of share offer  
1,088,933,800 H Share

Fund Raised  
HK\$17,248,711,392

Listed on Main Board of  
Stock Exchange of Hong Kong

Joint Global Coordinator

Joint Bookrunner

Joint Lead Manager



Jilin Jiutai Rural Commercial Bank  
Corporation Limited

九台农村商业银行股份有限公司  
( Ticker: 6122.HK )

No. of share offer  
690,000,000 H Share

Fund Raised  
HK\$3,146,400,000

Listed on Main Board of  
Stock Exchange of Hong Kong

Joint Global Coordinator

Joint Bookrunner

Joint Lead Manager

# Signature Debt Capital Market (DCM) Deals



Modern Land  
(Retap)  
USD 500 million  
6.875%  
BONDS DUE 2019

JGC



HONGKONG AIRLINES  
香港航空  
USD 250 million  
7.125%  
PERP BONDS

JBR



SINGYES SOLAR  
USD 260 million  
7.95%  
BONDS DUE 2019

JGC



Beijing Properties  
USD 300 million  
4.375%  
BONDS DUE 2020

JGC



Emperor Group  
USD 200 million 5.0%  
BONDS DUE 2022  
HKD 800 million 4.7%  
BONDS DUE 2022  
JGC



Hesteel Group  
USD 500 million 4.25%  
BONDS DUE 2020

JBR



Jingrui Holdings  
USD 400 million  
13.625%  
BONDS DUE 2019

JGC



Logan Property Holdings  
USD 450 million  
5.25%  
BONDS DUE 2023

JGC

# Asset Management Business

New fund launched

- Launched US\$ 50 mn Global Total Return fund by end of June 2017

New fund



- GTJA Equity Income Fund: +17.4%
- GTJA CNNS Fund: +18.7%

Performance of Authorized funds



- Plan to launch a new fund with HK\$ 1 billion in 2H 2017

Future Plan



# Loans and Financing Activities

Pricing reform for healthier future growth consistent prudent lending policy

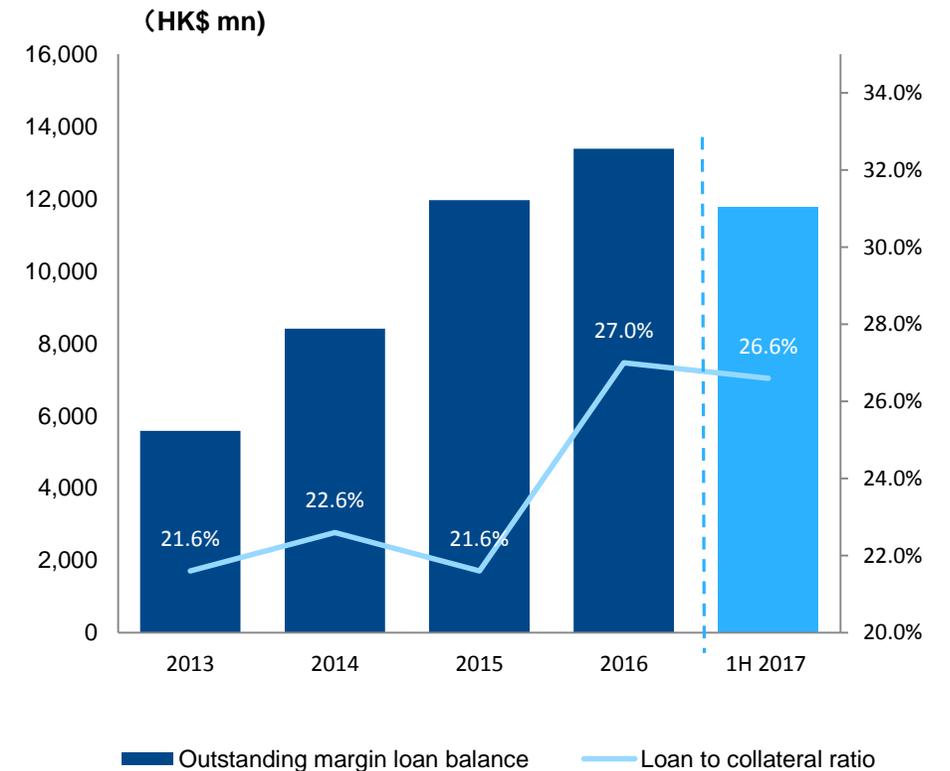
HK\$'000	1H 2017	2016	Change
Margin loans	513,000	553,877	-7.4%
Term loans	35,308	27,347	29.1%
Securities borrowing and lending	7,509	10,976	-31.6%
IPO loans	509	74	587.8%
Banks and others	85,230	40,863	108.6%
<b>Total</b>	<b>641,556</b>	<b>633,137</b>	1.3%

## Loans and financing balance

HK\$'000	30 June 2017	31 Dec 2016	Change
Outstanding margin loans balance	11,773,117	13,385,176	-12.0%
Outstanding term loans balance	766,433	1,246,796	-39.0%
<b>Total loans and advances balance</b>	<b>12,541,777</b>	<b>14,631,972</b>	-14.3%
<b>Average margin loans balance</b>	<b>12,639,437</b>	<b>13,003,127*</b>	-2.8%

\* Average margin loans balance of 6 months end June 30<sup>th</sup> 2016

## Loan to collateral ratio



# Financial Products, Market Making and investment

## Strong demand for financial products



	1H 2017 (HKD'000)	1H 2016 (HKD'000)	Change
Gain on structured financial products	104,247	62,051	68.0%
Income from market making and investment	68,842	133,720	-48.5%
<b>Financial products, market making and investment</b>	<b>173,089</b>	<b>195,771</b>	<b>-11.6%</b>

## Financial assets balance

Financial assets at fair value for	30 June 2017 (HK\$'000)	31 Dec 2016 (HK\$'000)	Change
- Financial products	11,879,643	7,424,551	60.0%
- Market making	5,270,852	5,030,619	4.8%
- Investment	722,440	858,155	-15.8%
<b>Total</b>	<b>17,872,935</b>	<b>13,313,325</b>	<b>34.2%</b>

# Q&A





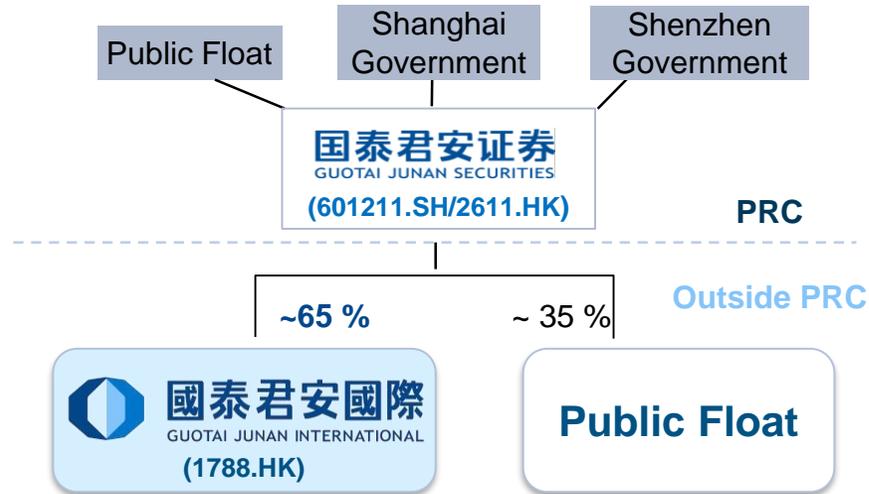
# Appendix



# Company Overview

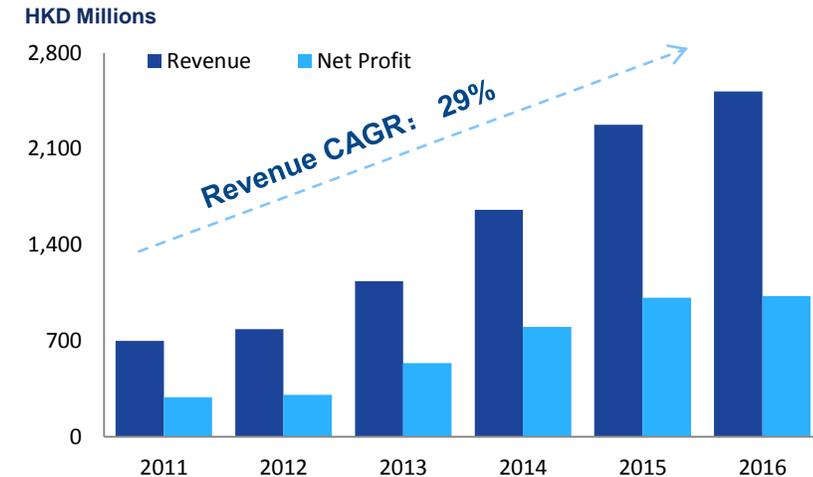
20 years as financial services provider in Hong Kong

## Shareholders background

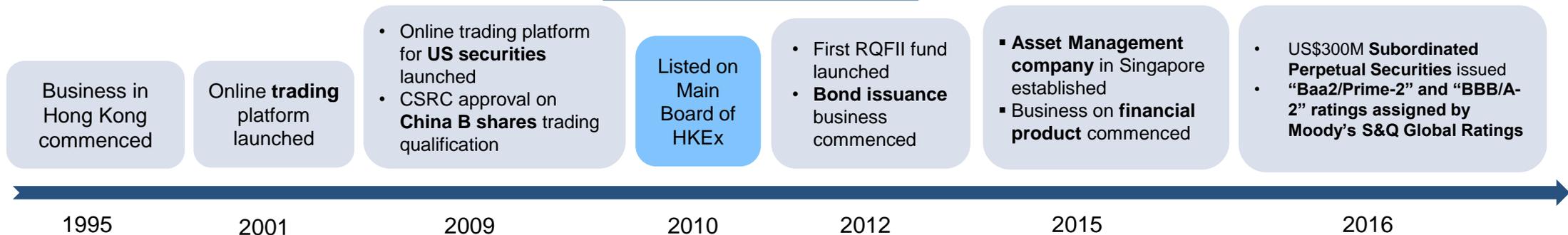


Note: As at the end of June 2017

## Solid growth across market cycle

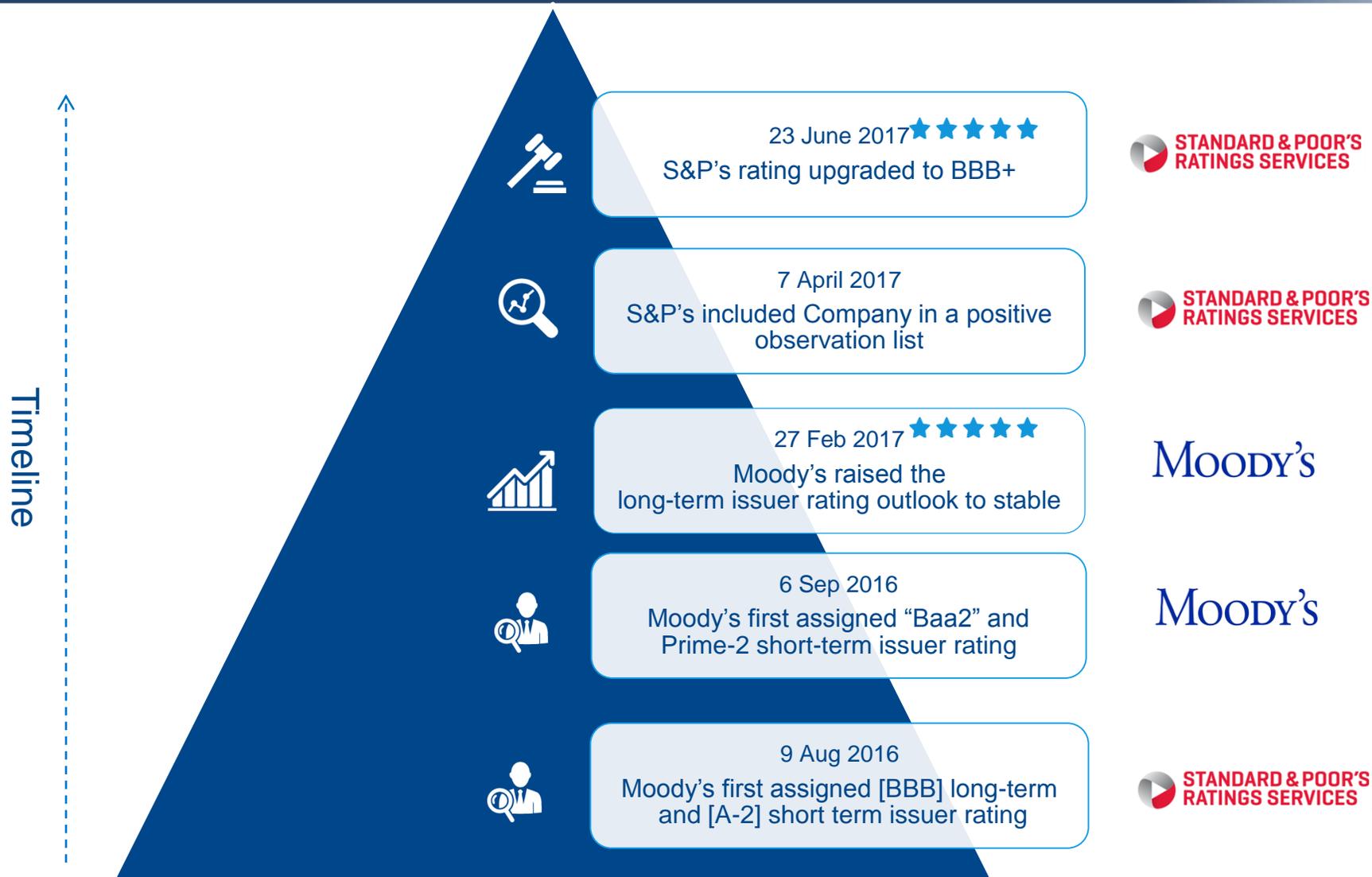


## Milestones



# Credit Rating Development

Highest Credit ratings among HK based Chinese Financial Institutions



Note : ★★★★★ represent the latest ratings

# Parent Company – Guotai Junan Securities

Strong brand recognition and client network in China

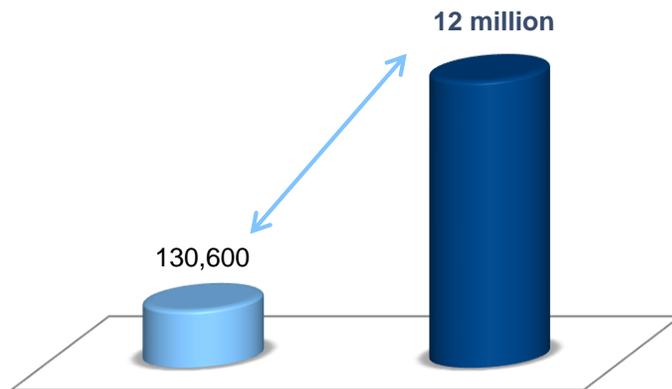


## About Guotai Junan Securities

- ★ One of the China's largest securities houses, a leading company in the securities industry
- ★ “Best Local Research Team” - *New Fortune Magazine* 2014 - 2016
- ★ Influential integrated financial services provider roots in China and works across the globe
- ★ Guotai Junan Securities' credit ratings: Moody's: Baa1, S&P: BBB+
- ★ Guotai Junan International as major international platform for parent company



## Leveraging on parent's clientele base

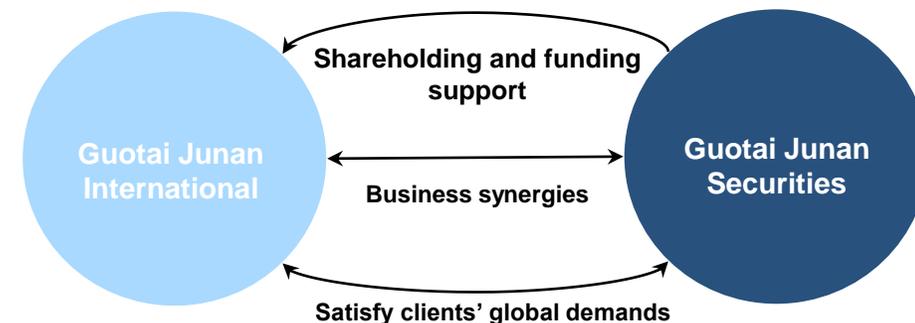


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GUOTAI JUNAN INTERNATIONAL  
Guotai Junan  
International

國泰君安證券  
GUOTAI JUNAN SECURITIES  
Guotai Junan  
Securities



## Business synergies: leveraging onshore and offshore platforms



# Management Team

Dedicated and experienced



## YIM Fung, Chairman and CEO

- Joining Guotai Junan in 1992 and the Company in 2000
- Over 26 years' experience in securities industry
- Vice Chairman of The Hong Kong Chinese Enterprises Association (HKCEA)
- Permanent Honorary President of Chinese Securities Association of Hong Kong

## WONG Tung Ching

*Executive Director & Deputy  
CEO*

- Joining in 2000
- Working in HK investment company and several major state-owned industrial and trading enterprises in the PRC

## QI Haiying

*Executive Director & Deputy  
CEO*

- Joining Guotai Junan in 2012 and Company in 2015
- 8 years working experience with CSRC

## LI Guangjie

*Executive Director*

- Joining in 2001
- Over 27 years' experience in accounting, audit, taxation and asset appraisal
- Member of China Institute of CPA and China Certified Tax Agents Association

# About Guotai Junan International

Who are we? What are our key competitiveness, focus and goals?



Possess the highest **credit ratings** among all Hong Kong based Chinese **financial services providers**



Large amount of **high net worth clients**  
Professional ability on asset research and allocation

Industry-leading **profitability**

Net profit keeps escalating  
High dividend yield



**Improving risk structure** through strong risk management and compliance team with careful investment management

**Strong brand reputation Support** from parent company



Targets to be financial services provider offering first-class products to **institutional investors** and wealth management professional for **high net worth individuals**

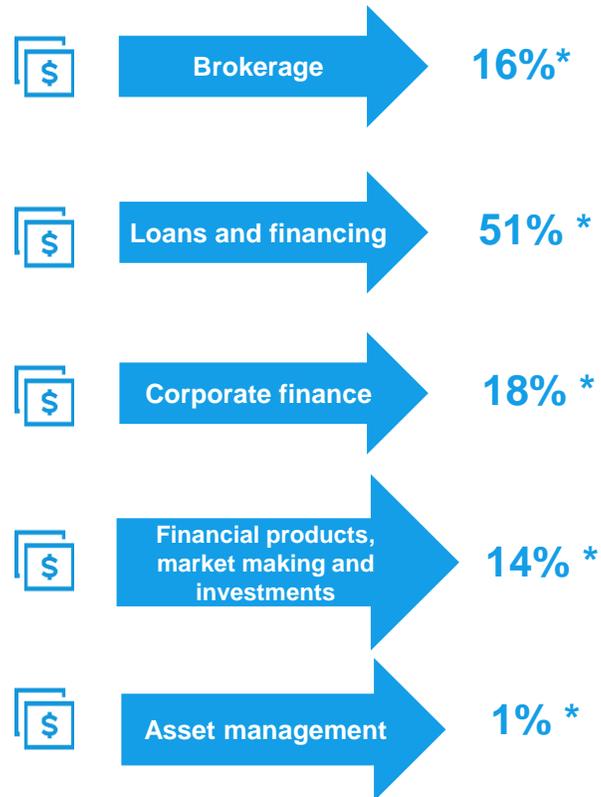
# Positioning – Financial Services and Wealth Management

Driver of the business - fast growing of Corporate Finance and Financial Product

Positioning: Financial service provider, wealth management Expert

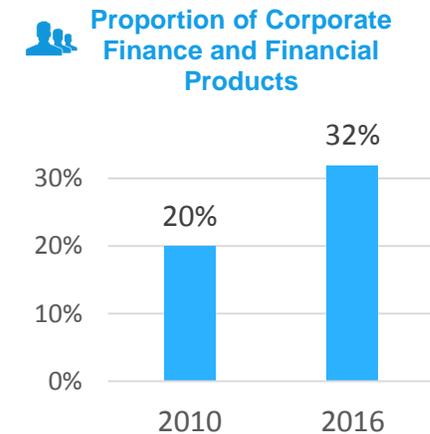
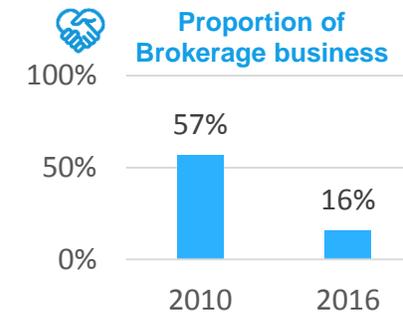


## Source of Revenue



\*Percentage of revenue generated by different businesses for the year ended 2016

## Fast Growing Business



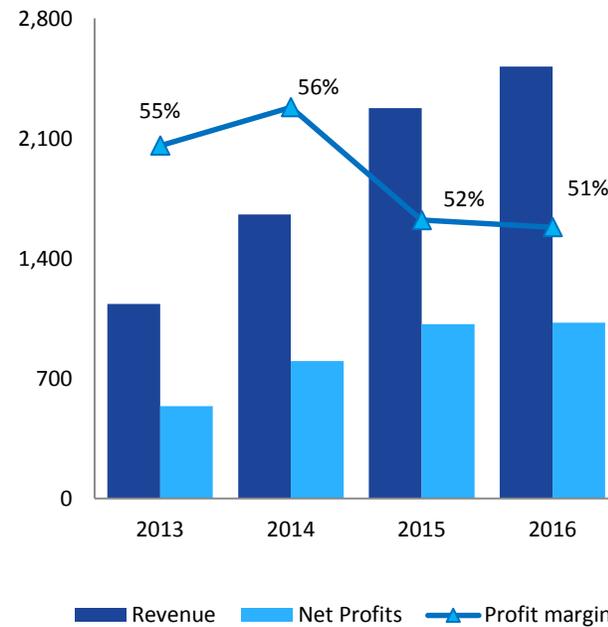
# Historical Financial Review

New records made every year – outstanding growth, dividends, & sustainability



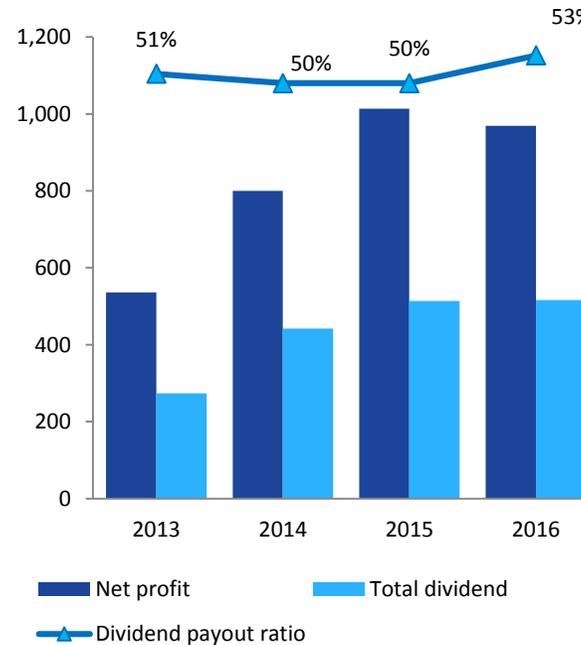
## Net income

HKD Millions



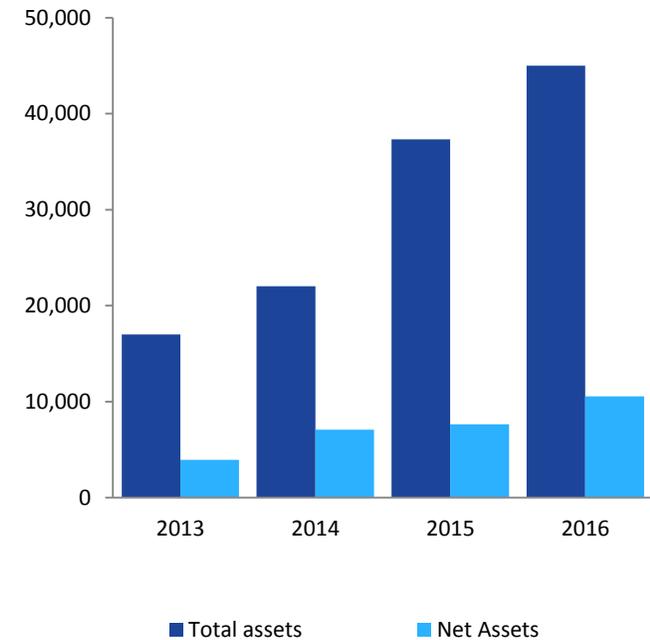
## Dividend Payout

HKD Millions



## Total assets

HKD Millions



# Capitalize on Market Opportunities



深 港 通  
SHENZHEN CONNECT

NEW FRONTIER  
MORE OPPORTUNITIES

ENHANCING HONG KONG'S  
LISTING FRAMEWORK

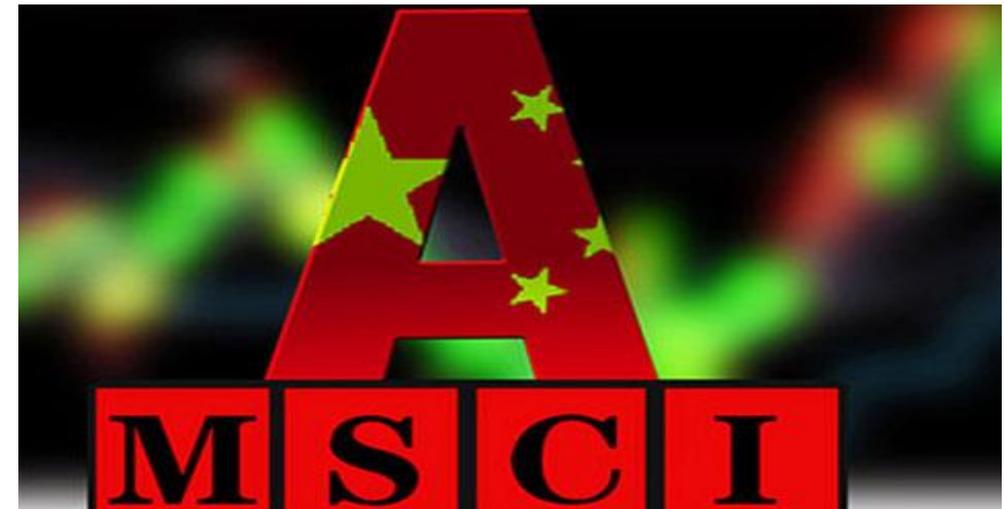
Proposed New Board and GEM Review



債券通  
BOND CONNECT

FAST TRACK TO  
CHINA BOND MARKET

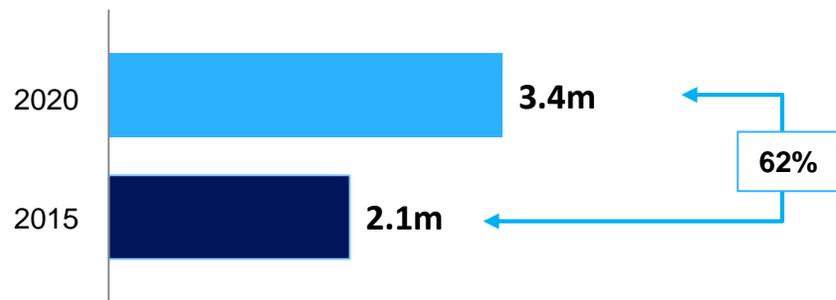
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# Strong China Overseas Assets Allocation Demands

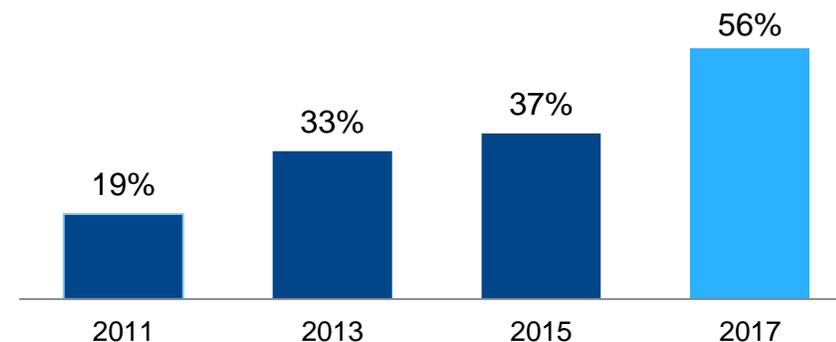
## High Net Worth (HNW) families in China

Million Families



Source: Boston Consulting Group's Wealth Report 2016  
High net worth family: families with investable asset RMB10 million or above

## 56% of HNW population has overseas assets allocation



Source: Private Wealth Report 2017 published by Bain & Company and China Merchants Bank

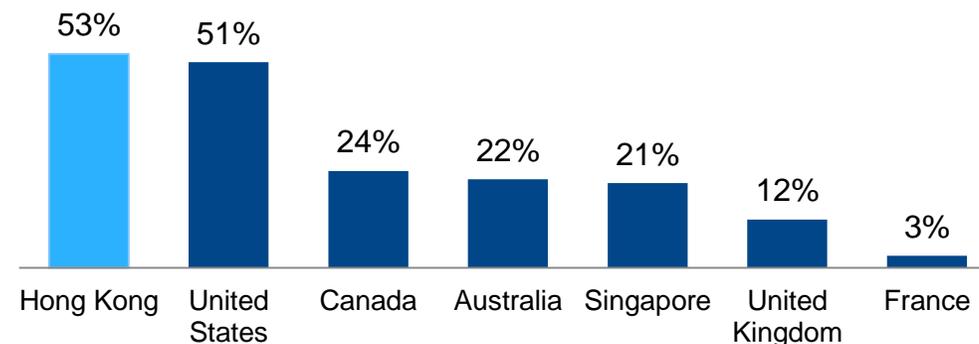
## Overseas private wealth of Chinese HNWI

US\$ trillion



Source: Datamonitor, Bain Wealth Reports 2016

## HK as primary choice for overseas' asset allocation



Source: Private Wealth Report 2017 published by Bain & Company and China Merchants Bank

# Bridging needs between China and HK Capital Market



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