

2020 Interim Results Presentation

August 2020



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The financial information relating to 6 months ended by 30 June 2020 that is included in this presentation as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements.



Agenda

Overview Page 4

Macro Environment | BCP | Key Deliverables

Financial Review Page 8

Financials | Dividend | Revenue Mix & Breakdown | Costs | Balance Sheet | Liquidity Management

Products & Services Page 15

Wealth Management | Loans and Financing | Equity Derivatives | DCM | ECM | Asset Management

Awards & Prospect Page 24

Prospect | Awards and Honor

Appendix Page 27

Controlling Shareholder | Credit Rating | Milestone | Clients & Services | Risk Management

Shocks in Economy and Financial Markets (1H 2020)

- | | |
|--|---|
| <ul style="list-style-type: none"> • Hang Seng Index -13% • Hang Seng Mid-cap Index -5% • 4 Circuit Breakers in US Markets • VIX all time high | <ul style="list-style-type: none"> • GDP in mainland China: -1.6% YOY • GDP in Hong Kong: -9% YOY • Unemployment Rate in HK: 6.2%, highest in past 15 years |
| <ul style="list-style-type: none"> • IPO deal numbers in Hong Kong down by 24% to 64 YOY | <ul style="list-style-type: none"> • Asia (ex-Japan) G3 currency bond funding raising amount: -8% YOY • ICE BofA Asian China Issuers Index's (High Yield) deepest drop in 1st half: -17 % |

Central Banks' Policies and Responses (1H 2020)

- People's Banks of China released liquidity through a series of targeted **RRR cuts** and **interest rate cuts**
- US Federal Reserve made **2 interest rates cuts** to nearly 0 level and exalted QE scale
- Hong Kong Monetary Authority made **2 base rate cuts** following US Federal Reserve's move. HIBOR and LIBOR (1 month) maintained **lowest level** among the recent years

Looking Forward

Uneven Recovery to be seen among Regions

Testing Corporate's Long-term Risk Management Capabilities and Operating Foundation

Find Opportunities for Clients and Shareholders during Crisis



Early
Stage



Q1



Q2



Pre-2020

System Disaster Recovery Plan



Mar 2020

- Executed BCP Governance
- Adopted a Combination of Top-Down and Bottom-Up Approach, Successfully Setting Up Viable BCP
- Cultivated BCP Mindset
- Minimum Disruption to Our Business was found in the First Wave of Global Pandemic



Jun 2020

- Conformed with BCP Framework. Addressed All Key Steps throughout BCP Lifecycle
- Enhanced Business Resiliency in Recovery Plan and Co-operation Across the Board
- Comprehensive BCP Will Ensure Our Business Can Be Continued or Resumed In No Time

- Revenue decreased by 23% to HKD1,798 million YOY while profit attributable to shareholders decreased YOY by 5% to HKD606 million (Up by 136% HOH). Annualized ROE increased by 1.3 p.p. to 9.4% YOY.
- Dividend per share recorded HKD0.034¹. Interim dividend amounted to HKD326 million, with a Payout Ratio of 54% (Up by 4 p.p.)
- Wealth Management completed strategic integration while it further enhanced service capacity of the platform
 - Balance of Loans and Financing rebounded by 28% to HKD14,987 million approximately
 - Trading volume and market share of Brokerage business increased compared to year end 2019
 - AUM of Wealth Management increased by 383% to HKD22.2 billion since established in 2018
 - Total AUM² of the company reached HKD151 billion by the end of June despite that HSI dropped by 13%
- The Total Costs decreased by 31% YOY to HKD1,096 million as cost control remains solid
 - Cost to Income ratio lowered by 8 p.p. to 61%
- Completed rights issue with gross proceeds of HKD2.78 billion in March. Net asset and risk management capacity enhanced.
- S&P rated 'BBB+' with 'stable' outlook, Moody's rated 'Baa2' with 'stable' outlook.

HSI decreased by **-13%**

The COVID-19 pandemic dealt a serious blow to public security and economic activities around the world in 1H20. At the end of June, the Hang Seng Index closed at 24,427, representing a decrease of 13% compared to the end of 2019.

No. of New listings dropped by **-24%**

The number of new listings significantly decreased by 24% to 64 during 1H20. Despite the IPOs of JD.com and NetEase, the schedule of clients for IPO in Hong Kong stock market was slowed down.

Asia G3 Bond issuance down by **-8%**

For bond issuance, Asia (ex-Japan) G3 currency bond issuance amounted to US\$168.7 billion in 1H20, representing a decrease of 8% YOY according to Bloomberg. For secondary market, with risk-averse sentiment, ICE BofA Asian Dollar High Yield Corporate China Issuers Index once dropped 17% in 1st half.

Financial Review

Financials Dividend Revenue Mix Revenue Overview Cost Balance Sheet Liquidity

Income Statement Extract	1H 2020	1H 2019	YoY ¹	HoH ²
Fee and Commission income	(HKD'000)	(HKD'000)		
- Brokerage	276,450	291,667	-5%	15%
- Trading Commission excluding placement fee	230,566	190,184	21%	NA
- Corporate Finance	242,779	452,559	-46%	-32%
- Asset Management	23,935	10,215	134%	-9%
- Fee from Financial Products ³	75,317	40,468	86%	3910%
Interest income				
- Loans and Financing	518,275	558,649	-7%	-10%
- Interest from Financial products ³	148,073	227,984	-35%	Similar
Investment income				
- Market Making	398,788	498,339	-20%	164%
- Investments	114,172	242,154 ⁴	-53%	-73%
Revenue	1,797,789	2,322,035 ⁴	-23%	-7%
Costs and Expenses	1,096,410	1,593,523 ⁴	-31%	-34%
- Impairment Charge	38,371	512,041	-93%	-90%
Profit Attribute to Shareholders	605,583	638,856	-5%	136%
Interim Dividend	325,652	321,290	1%	70%
Payout Ratio	54%	50%	4 p.p.	NA

Balance Extract and Financial Ratio	30 Jun 2020	31 Dec 2019	Change ¹
Net Asset per share (Attributable, HKD) ⁵	1.512	1.471	3%
Total Assets (HKD'000)	125,411,684	96,738,137	30%
Leverage Ratio (excluding Financial Products' position on behalf of clients)	4.45	4.12	0.33 up
Cost to Income Ratio	61.0%	68.6%	-7.6 p.p
ROE ⁷	9.4%	8.1%	1.3 p.p.

Revenue Achieved 2nd Historical High

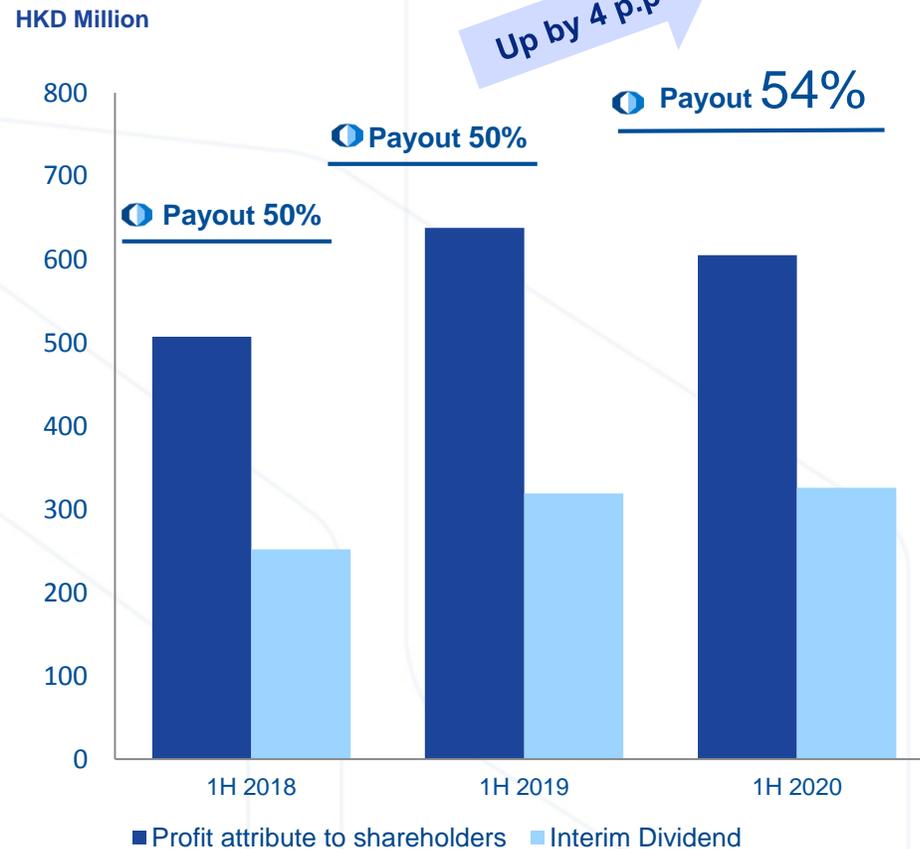


Leading ROE among Industry



Notes: 1. Rounded; 2. Compared with 2nd half of 2019; 3. Fee and Interest income breakdown of Financial Products; 4. Restated; 5. Calculation based on shares issued in mid 2019 minus shares held under share award scheme; 6. Leverage Ratio Calculation: (Total Assets - Accounts Payable to Clients) / Total Equity; 7. Profit Attributable to Shareholders / Net Asset Attributable to Shareholders

Interim Dividend



Included in FTSE4Good Index

In Feb 2020, Guotai Junan International was included in **FTSE4Good Index** by global index provider FTSE Russell, owned by the London Stock Exchange. The index is reviewed in June and December every year.

The **FTSE4Good Index Series** first launched in 2001, is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The Index is a market-leading tool for investors seeking to invest in companies that demonstrate good sustainability practices. It also supports and guides investors that wish to encourage positive change in corporate behavior and align their portfolios with their ESG values.

The Company is one of the constituents of:

1. Hang Seng Composite Index
2. Hang Seng Composite Large Cap & Mid Cap Index
3. FTSE HK index
4. FTSE HK ex H share index
5. FTSE4Good Index Series



Fee and Commission 34%



Fee income from corporate finance, brokerage, asset management and financial products business, recorded HKD618 million in total.

Interest Income 37%



Interest Income of “**Loans and Financing**” from retail clients and banks.
Interest Income of “**Financial Products**” from institutional and high net worth clients, which recorded HKD666 million in total.

Investment Income 29%



Purpose: 1) **Market Making** to facilitate Debt Capital Market (DCM) business, mainly from bonds. 2) **Investments** to facilitate asset management business in a long term, mainly from bonds and equities

Brokerage

(HKD'000)	1H 2020	1H 2019	YOY ¹	2H 2019	HOH ²
- Securities	230,566	251,987	-9%	200,544	15%
- Futures and Options	17,684	8,335	112%	8,976	97%
- Handling Income	23,969	27,372	-12%	25,316	-5%
- Leveraged Foreign Exchange	1,158	729	59%	1,382	-16%
- Insurance	3,073	3,244	-5%	3,348	-8%
Total Income	276,450	291,667	-5%	239,566	15%

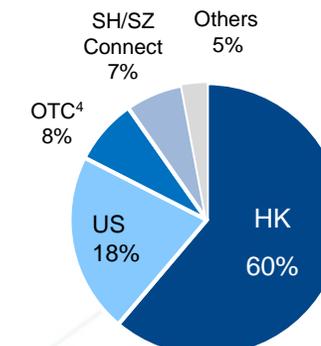
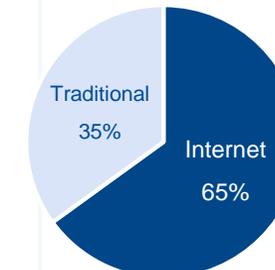
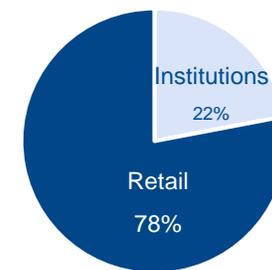
Corporate Finance

(HKD'000)	1H 2020	1H 2019	YOY ¹	2H 2019	HOH ²
Placing, Underwriting and Sub-writing Commission					
- Debt Capital Markets	204,764	324,536	-37%	269,910	-24%
- Equity Capital Markets	20,545	92,778	-78%	43,548	-53%
Consultancy and Financial Advisory	17,470	35,245	-50%	43,030	-59%
Total Income	242,779	452,559	-46%	356,488	-32%

Asset Management (Fund Level)

(HKD'000)	1H 2020	1H 2019	YOY ¹	2H 2019	HOH ²
Management Fee	25,202	28,761	-12%	18,922	33%
Performance Fee	16,503	104	15800%	48,766	-66%
Total Income	41,705	28,865	44%	67,688	-38%

Securities Commission Income³



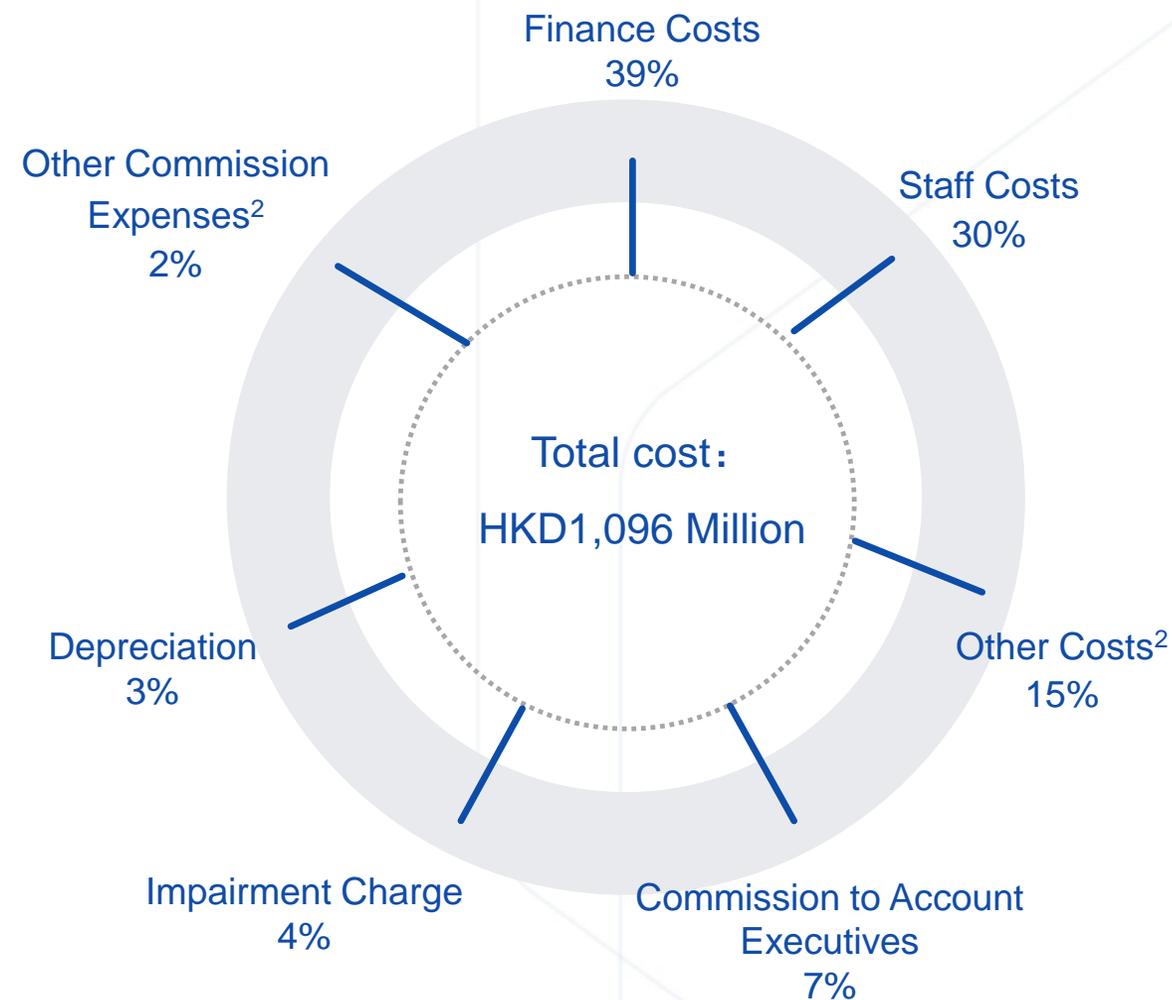
Loans and Financing

(HKD'000)	1H 2020	1H 2019	YOY ¹	2H 2019	HOH ²
Customers and Counterparty Financing	350,252	362,275	-3%	380,113	-8%
Banks and Others	168,023	196,374	-14%	196,210	-14%
Total Income	518,275	558,649	-7%	576,323	-10%

Financial Products, Market Making and Investments

(HK\$'000)	1H 2020	1H 2019	YOY ¹	2H 2019	HOH ²
Financial Products	223,390	268,452	-17%	149,995	49%
Market Making	398,788	498,339	-20%	150,913	164%
Investments	114,172	242,154 ⁵	-53%	423,992	-73%
Total	736,350	1,008,945⁵	-27%	724,900	2%

(HKD '000)	1H 2020	1H 2019	YOY ¹
Staff Costs	329,919	367,551	-10%
Commission to Account Executives	74,574	62,085	20%
Other Commission Expenses ³	16,967	13,822	23%
Depreciation	34,038	30,120	13%
Impairment Charge	38,371	512,041	-93%
Other Costs ³	169,800	170,549	-0.4%
Finance Costs	432,741	437,355	-1%
Total Costs	1,096,410	1,593,523	-31%
Revenue	1,797,789	2,322,035	-23%
Cost-to-Income Ratio	61.0%	68.6%	Down 7.6 p.p.



Unit: HK\$ 000	30 Jun 2020	Contribution*	31 Dec 2019	Contribution*	30 Jun 2019	Contribution*
Loans and advances to customers	14,986,636	11.9%	11,715,902	12.0%	11,929,801	12.1%
Receivable from Reverse repurchase agreement	3,250,732	2.6%	2,247,913	2.3%	1,917,918	1.9%
Accounts receivable	7,293,192	5.8%	4,151,021	4.2%	6,250,308	6.3%
Prepayments, deposits and other receivables	190,775	0.2%	269,799	0.3%	114,466	0.1%
Financial products held on behalf of clients	43,974,527	35.1%	38,110,044	40.0%	38,134,443	38.7%
Financial assets for market making	17,213,310	14.3%	12,105,625	12.5%	12,240,159	12.4%
Financial assets for asset management and others	13,254,832 ²	10.1%	8,775,529	9.1%	7,403,244	7.5%
Derivative financial instruments	455,372	0.4%	155,652	0.2%	301,522	0.3%
Tax recoverable	300,546	0.2%	267,552	0.3%	1,919	0.0%
Client trust bank balances	16,872,888	13.5%	11,181,982	11.4%	14,975,944	15.2%
Cash and cash equivalents	6,989,614	5.6%	7,217,287	7.4%	4,676,047	4.7%
Other asset	520,922	0.4%	539,851	0.6%	702,377	0.7%
Total Assets	125,411,684	100.0%	96,738,157	100.0%	98,648,148	100.0%
Accounts payable	24,103,431	21.8%	14,587,372	16.9%	20,989,443	24.1%
Other Payables and accrued liabilities	401,799	0.4%	584,126	0.7%	335,781	0.4%
Derivative financial Instrument	822,097	0.7%	149,851	0.2%	308,099	0.4%
Bank borrowings	17,833,676	16.1%	11,201,110	13.0%	9,130,325	10.5%
Debt Securities in Issue	40,922,642	36.9%	33,499,582	39.9%	31,902,584	36.6%
- At amortized cost	8,999,786	8.1%	6,684,204	7.7%	8,244,326	9.4%
- Designated as at fair value through P&L	31,922,856	28.8%	26,815,378	32.2%	23,658,258	27.1%
Financial liabilities at fair value through P&L	6,870,221	6.2%	6,810,580	7.9%	8,429,112	9.7%
Obligations under Repurchase Agreements	19,678,384	17.8%	18,199,226	21.1%	15,974,252	18.3%
Tax Payable	142,692	0.1%	245,752	0.3%	100,747	0.1%
Others liabilities	36,359	0.0%	48,771	0.1%	98,544	0.1%
Total Liabilities	110,811,301	21.8%	85,326,370	100.0%	87,268,887	100.0%
Ordinary shareholders' equity	14,481,053	99.2%	11,295,924	99.0%	11,328,268	99.6%
Other equity instruments and non-controlling interest	119,330	0.8%	115,863	1.0%	50,993	0.4%
Total Equity	14,600,383	100%	11,411,787	100.0%	11,379,261	100.0%

Note: Rounded Figures

Credit Rating distributions from Fixed Income¹ Holdings



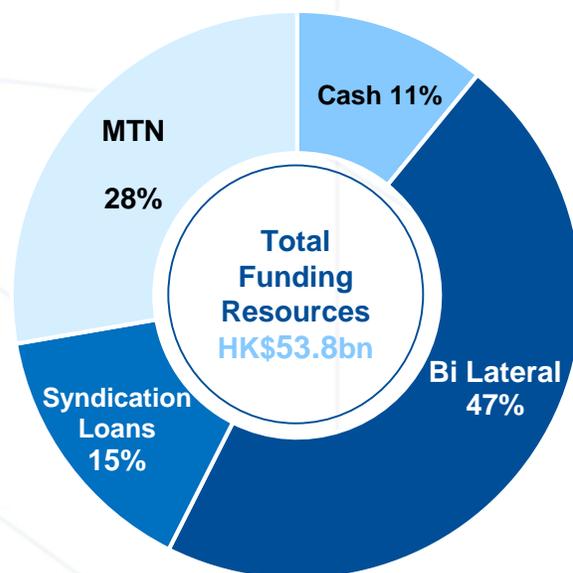
Notes :

- Fixed Income was mainly from market making for DCM and seed money for asset management, with a diversified portfolio.
- "Others" is mainly from an investment through notes, of which the underlying asset is private equity and its parent company is a SOE with credit rating of A+/A1+/A+ from S&P/Moody's/Fitch, respectively

Loan and Advance Balance:

	30 Jun 2020	31 Dec 2019	Change ¹
Loan Balance	14,986,636	11,715,902	28%
Loan to Value Ratio	33.0%	31.0%	2 p.p.

Funding Sources



As at 30 June 2019

Banking Facilities

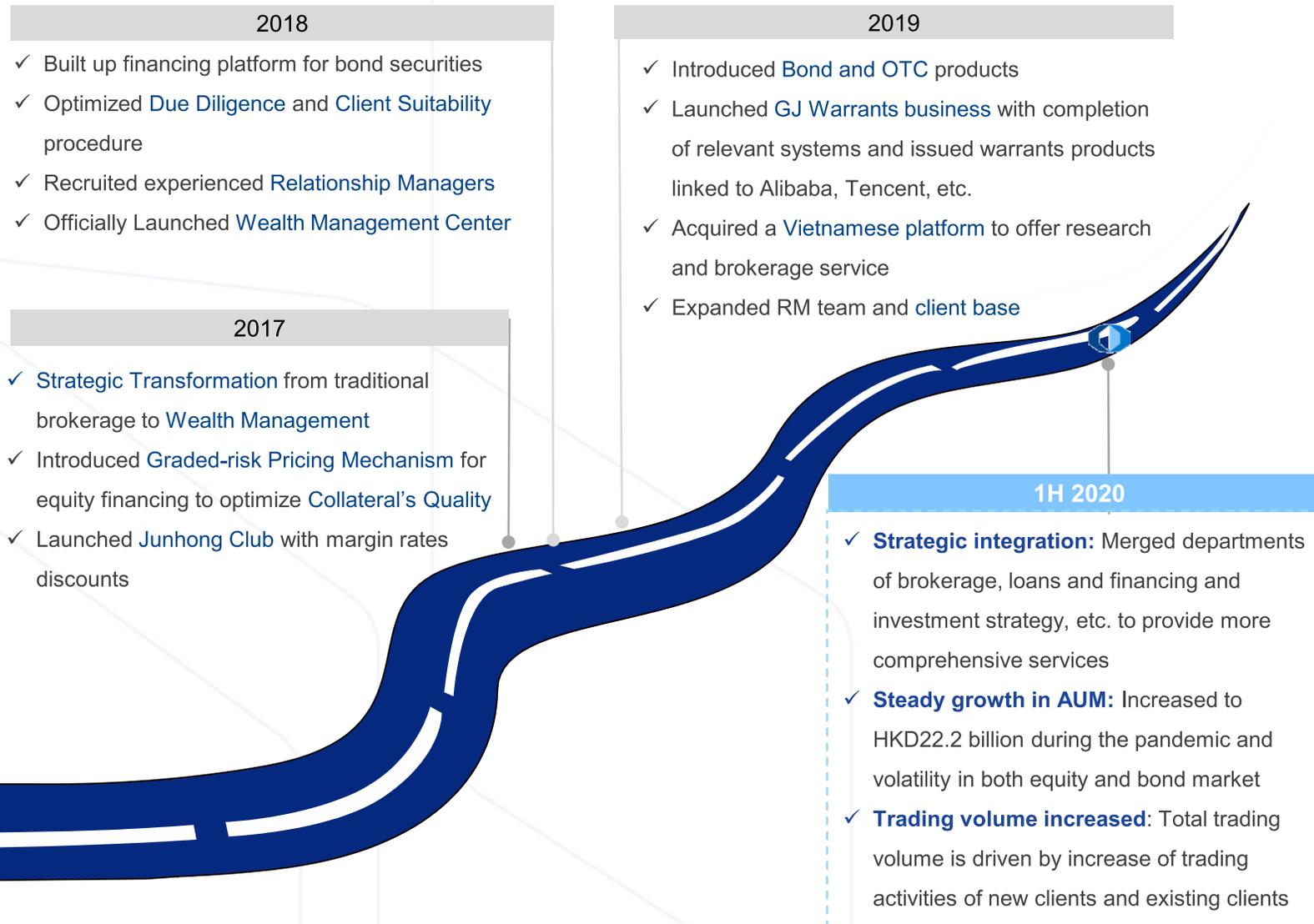
HKD mm	30 Jun 2020	30 Jun 2019	Change ¹
Total Banking Facilities	33,134	26,217	26%
Bank Loans Utilized	17,834	11,201	59%
Available Outstanding Banking Facilities	15,300	15,016	2%
Utilization Ratio	54%	43%	11 p.p.

Note: 1. Rounded Figures

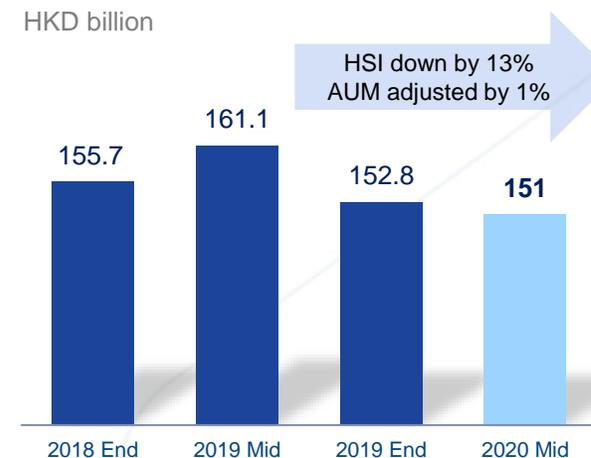
Products and Services

Wealth Management Loans and Financing Equity Derivatives DCM ECM Asset Management

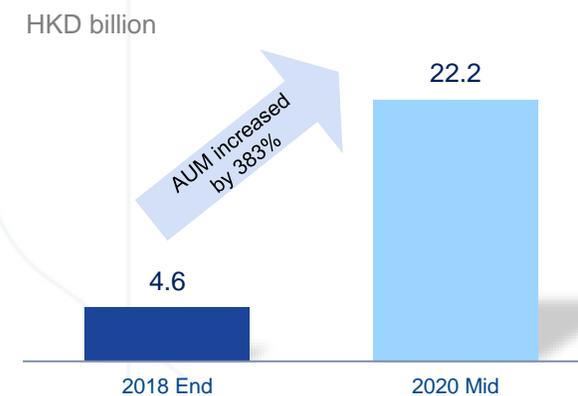
Wealth Management: Steady Client Acquisition with Continuous AUM Growth



Total AUM¹ excluding OTC derivatives



AUM of Wealth Management clients



🔗 Bonds and Other Fixed Income Securities

- ✓ In recent years, the Chinese-issued US dollar bond market has been booming, and low interest rates have increased the attractiveness of investment in Chinese-issued US dollar bonds and other securities, etc.

🔗 Global Stock, Futures, Option, FX Markets

- ✓ Online trading platform including mobile App, now support **8 major global stock markets** (HK stock, US stock, Stock Connect, etc.) and **over 20 futures and options markets**, as well as leveraged FX trading in nine major currency pairs and 29 related combinations.

🔗 Insurance

- ✓ The financial consultants of the company hold SFC licenses, the insurance brokerage licenses, as well as licenses for individual MPF agents. The clients can be provided with quality and professional financial planning services with customized solutions.



🔗 Margin Finance and Short Selling

- ✓ We offer high-net-worth clients financing products with leading interest rate, including **Margin, IPO loans, Leveraged Notes, Total Return Swap (“TRS”)**, etc.
- ✓ A wide range of choices including equity, bond and structure notes, etc.

🔗 Corporate Finance and Underwriting

- ✓ The deep experience in Chinese-issued US dollar bond market and Hong Kong stock underwriting market of DCM and ECM team brings valuable investment advice and insights to the clients.

🔗 Derivatives and Private Equity Deals

- ✓ Aside from leverage notes and TRS (PI clients only), the company launched **GJ warrants** which also available for non-PI clients.
- ✓ Wealth Management platform also provided **private equity** deals to high-net-worth clients to enrich their portfolio.

Lowered Interbank offered rates including HIBOR

- ✓ US. Federal Reserve and other central banks lowered the benchmark interest rate to mitigate the negative impact on the economy caused by the pandemic. HIBOR dropped substantially YOY.

Loan to Value 33%

- ✓ LTV increased by 2 p.p due to the proportion of large-cap stocks and US dollar bonds as collaterals increased.



Controlled Credit Risk

- ✓ Diversified Collaterals
- ✓ Collaterals with High Liquidity
- ✓ Increased amount of HNW clients

Loan balance increased steadily

- ✓ Driven by the clients of wealth management, the total loan balance increased by 28% to HKD15.0 billion

Client Bank Balance Increased

- ✓ Client trust bank balance increased by 51% to HKD16.9 billion

Competitive Interest rate

Lowered finance cost and higher return by leveraging on SOE platform of GTJA and leading its Credit Rating.

Multiple Investment Choices

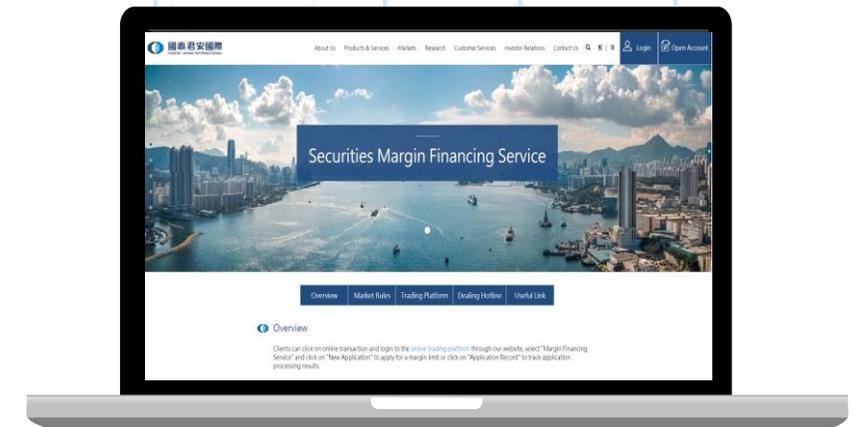
Covering wide range of securities including HK, US stocks, A-shares, Stock Connect, Bonds, etc.

Effective Approval Process

Auto-approved within certain loan amount

Constantly Refined Pricing

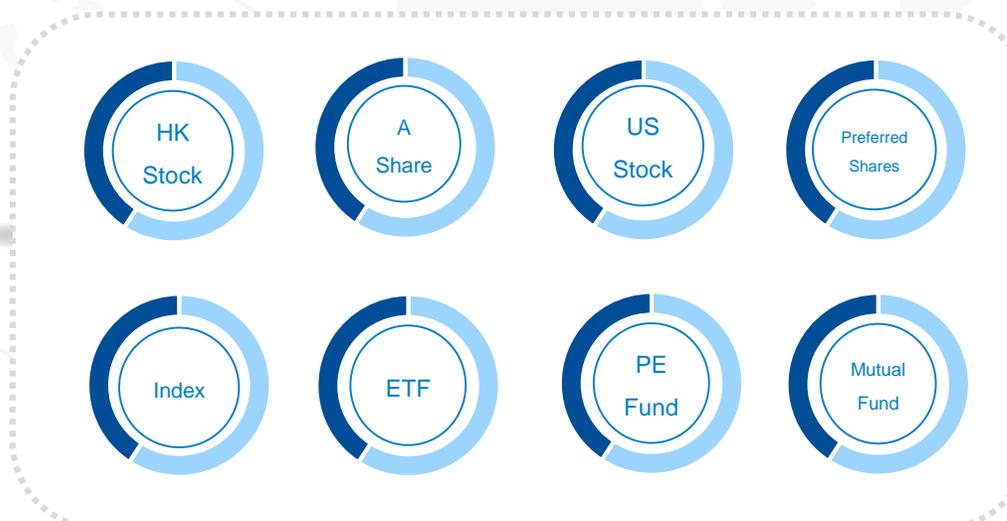
The system automatically selected Quality Collateral to calculate the rate





Highly Customized Solutions

Offer various and quality financial solutions to achieve needs from **high-net-worth, corporate and institutional clients**. And committed to assisting clients to make the right investment decisions in different market conditions.



In-depth Knowledge in Chinese Economy

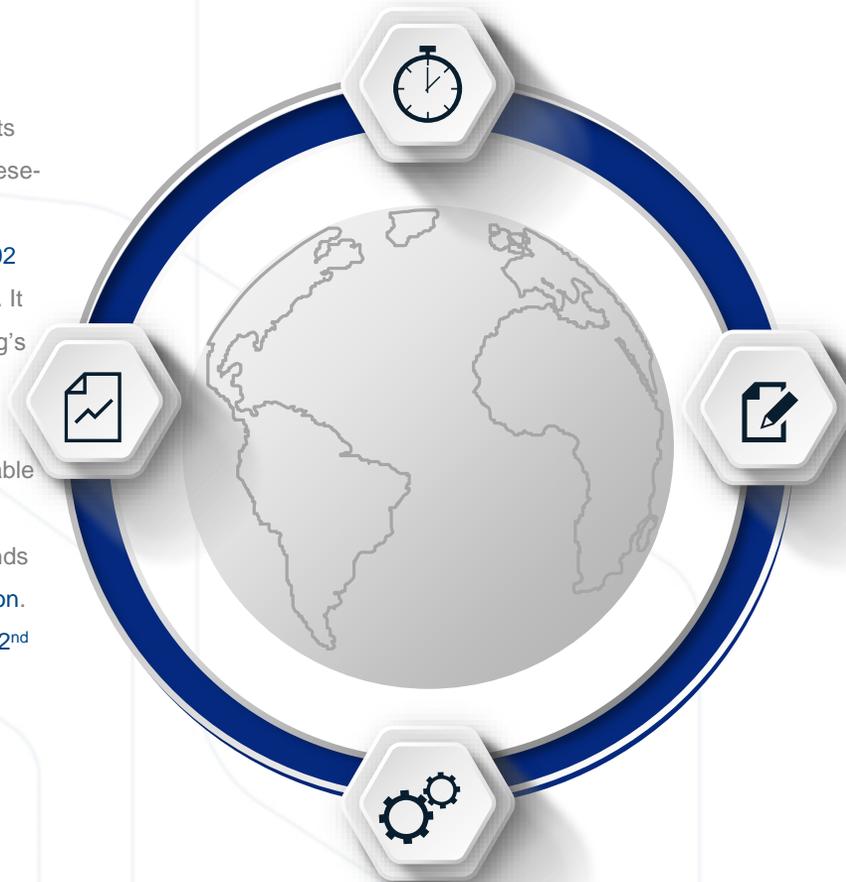
With the deep experience gained in global investment banks, the team focus on providing investment and financing products to Chinese clients on their goals related to Belt and Road Initiative and global expansion, assisting **Chinese corporates and financial institutions** with integration into global capital market.

01 Market Review

- ✓ For primary market, due to the pandemic, Asia (ex-Japan) G3 currency bond issuance amounted to US\$168.7 billion in 1H20, representing a decrease of 8% YOY.
- ✓ For secondary market, with risk-averse sentiment, the ICE BofA Asian China Issuers Index's (HY) ¹once plunged by 16.85% in 1st half but recovered and slightly increased by 1.72% as at 30 June.

02 Performance

- ✓ The Group maintained its leading position in Chinese-issued US dollar bond market and completed 92 deals (70% as key role). It ranked 3rd in Bloomberg's Asia (ex-Japan) G3 Corporate HY Bond Underwritten League Table in underwriting volume, assisting clients with funds of nearly HK\$209.8 billion. The Group also ranked 2nd in property sector.



04 Introduction

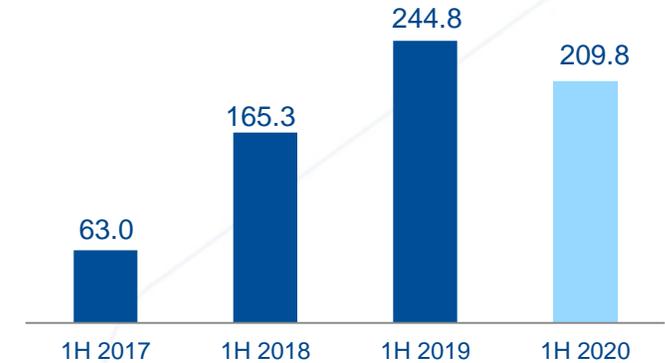
- ✓ Our DCM team was formed in 2012 and has participated in more than 592 deals, among which, have worked as the global coordinator to lead 70% the projects.
- ✓ There are currently more than 80 employees in the team, most of the core team members were in senior position with global investment banks previously. And more than half of the team are from mainland China, indicating a deeper understanding of Chinese market.
- ✓ Integrate multiple competitive resources within Guotai Junan

03 Outlook

- ✓ Chinese-issued US dollar-denominated bonds market is expected to face certain challenges in 2020. The Group has the strength to seize the financing cycle of the FI market and further expand bond underwriting business.

Total Fundraising Amount

HK\$ bn



Number of Deals Completed

Deals



注：1. ICE BofA Asian China Issuers Index's (High Yield) is a Coupon-Bearing index. Bloomberg Ticker: ACYC; Its Investment Grade Ticker is ACGC in Bloomberg



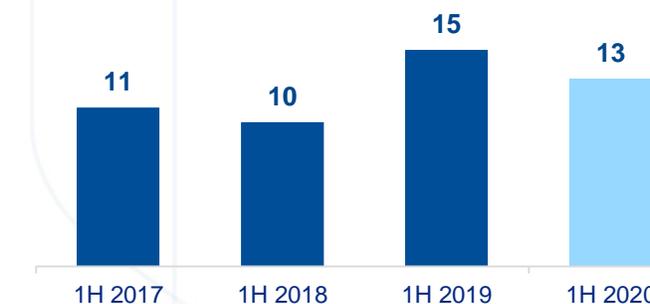
Fundraising from Primary and Secondary Equity Market

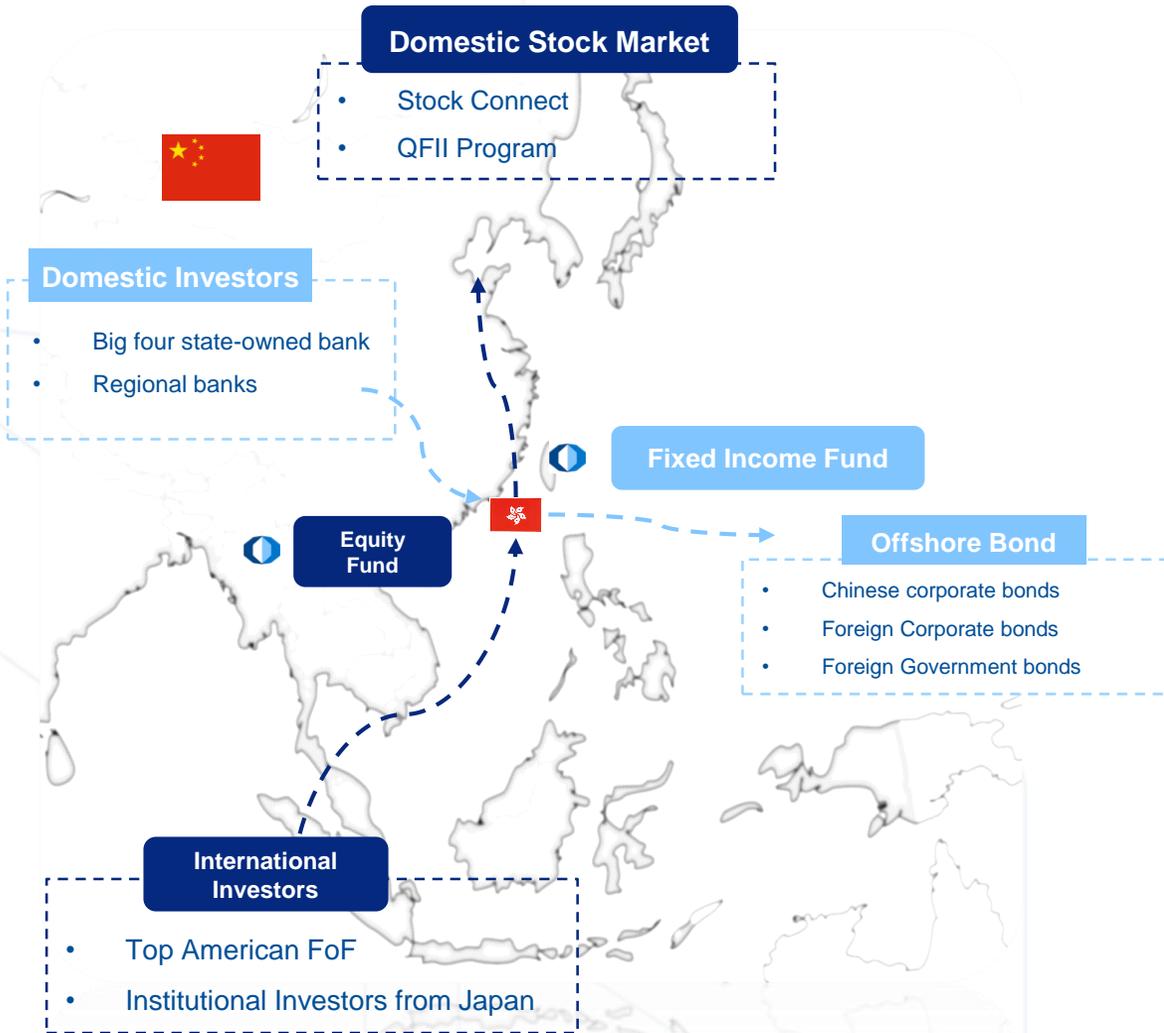
HK\$ Billion



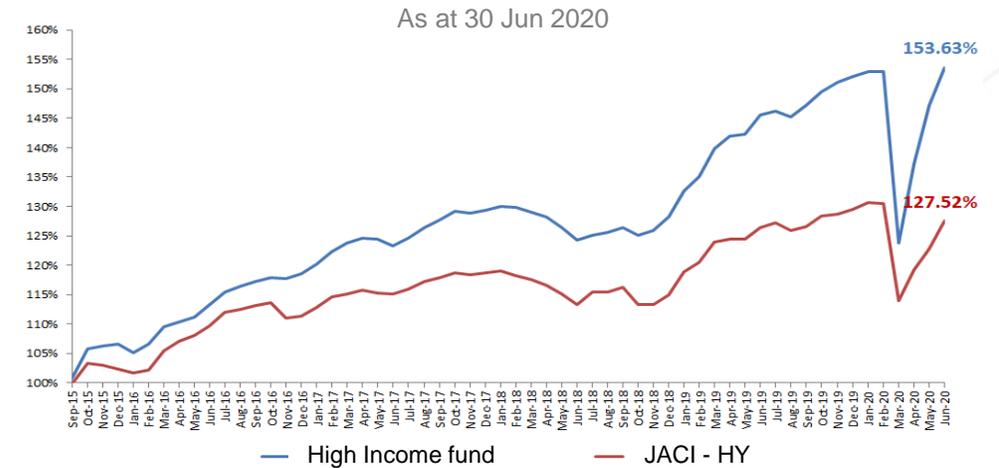
Equity Underwriting deal number

Deals

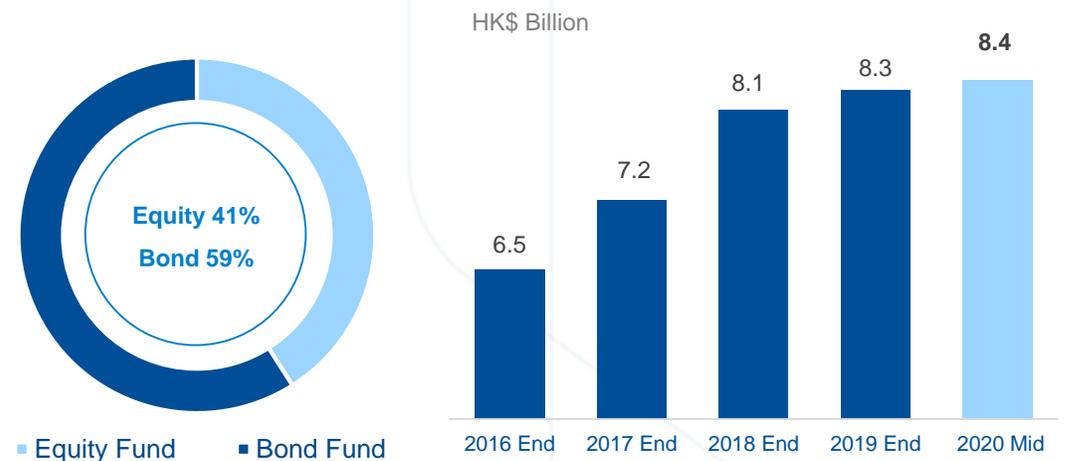




Guotai Junan Asia High Income Fund Performance



AUM and Asset Allocation



Awards & Prospect

Prospect

Awards & Honors

1995 2003 2007 2010 2012 2013 2015 2017 2018 2019

2020 and Going forward

Achievements:

- ✓ Combines the brand value of “Guotai Junan” of over 25 years in HK, our experience in cross-border financial services with strong client base to attract high-net-worth clients.
- ✓ Transformed to A unique financial service institution with leading position in debt capital market.
- ✓ Provided competitive financial derivative product business, which is well received.
- ✓ S&P rated “BBB+” with “stable” outlook, Moody’s rated “Baa2” with “stable” outlook – leading credit ratings among Chinese financial institutions in Hong Kong.
- ✓ Continuously optimized finance costs and became an industry leader.
- ✓ Conducted Solid risk management system, implemented Margin Calculation by Stock mechanism to increase asset quality.
- ✓ Expanded in Southeast Asia market to further global development

Prospects:

- More diversified investment products.
- A broader sales network and more specialized investment consultants.
- More comprehensive wealth management platform
- Attract quality clients and invest in quality assets.
- Increase commission and fee based income.
- Provide more attractive returns to shareholders.

Jul 2020 Best Asset Management Company Hong Kong 2020
Best Investment Bank Hong Kong 2020

International Business
Magazine



Jul 2020

Sina Finance Hong Kong Financial Institutions Awards 2020:
The Best IPO Advisors

Sina Finance



Jul 2020

Financial Institution Awards 2020:
Excellence Service Award in Risk Management
Excellence Service Award in IPO Sponsors
Excellence Service Award in FICC

Bloomberg Businessweek
Magazine



Jun 2020

Best Full-Service Broker Hong Kong 2020

Securities Times



May 2020

The Best Securities House

International Finance
Magazine



Appendix

Controlling Shareholder

Credit Rating

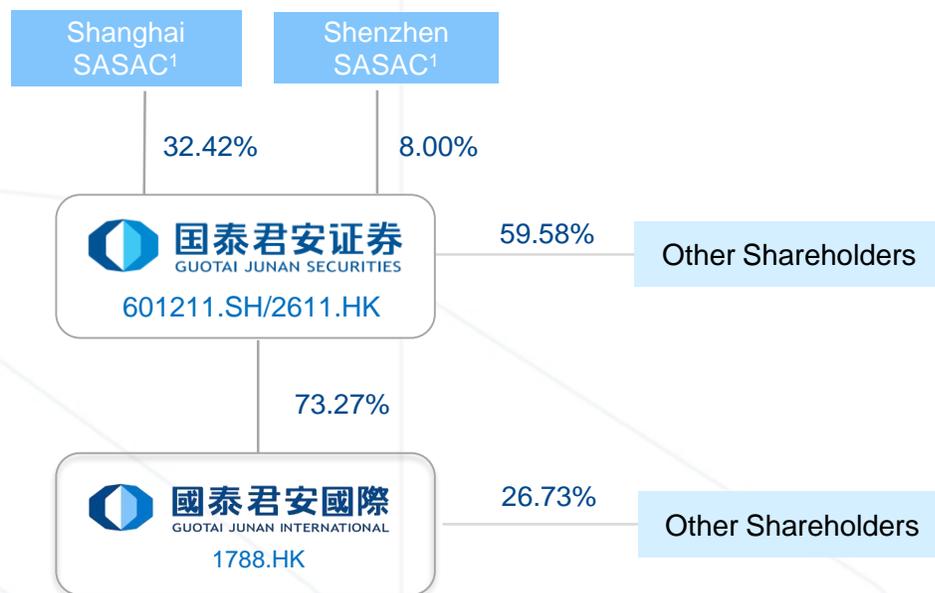
Milestone

Clients & Service

Risk Management



Shareholders Structure



1. State-owned Assets Supervision and Administration Commission

2. The position was as at 30 Jun 2020

About Guotai Junan Securities (Parent Company)

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GTJA has been a comprehensive financial service provider with a long-term, sustainable and overall leading position in the Chinese securities industry.
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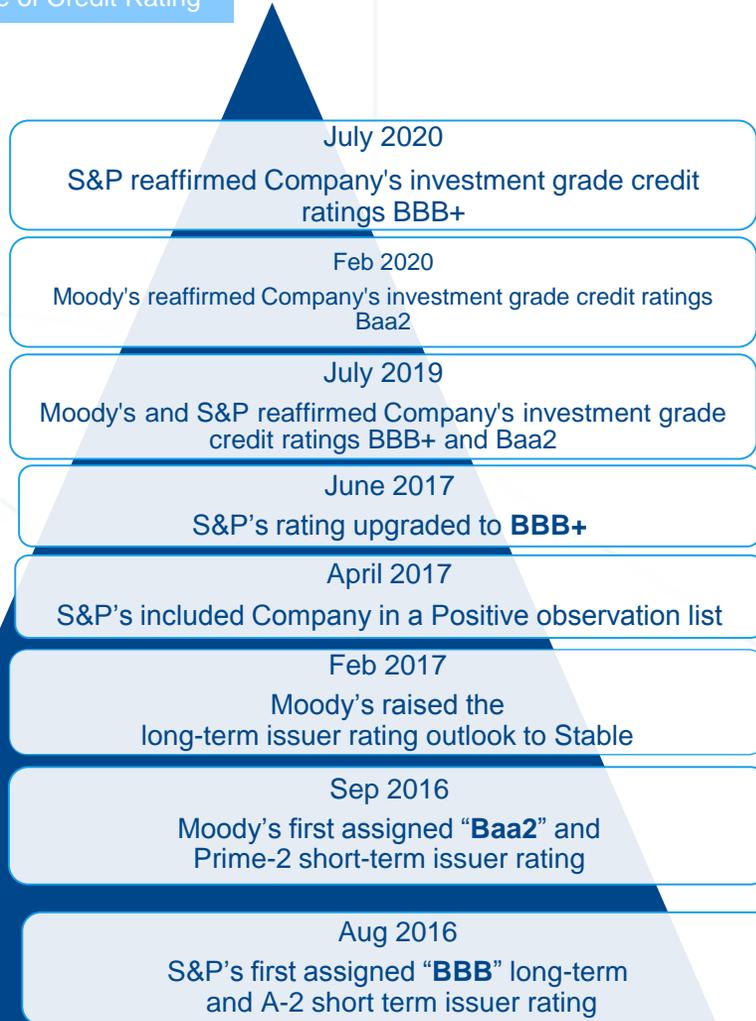
According to the statistics of the Securities Industry Association, as at the end of June 2020, the parent company is ranked 2nd in operating income, 4th in attributable net profit, 2nd in total assets, 2nd attributable net assets and 1st in net capital.
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As at year 2019, GTJA has been rated as A level of AA class for 12 consecutive years by CSRC, which is the highest rating for Chinese securities companies so far.
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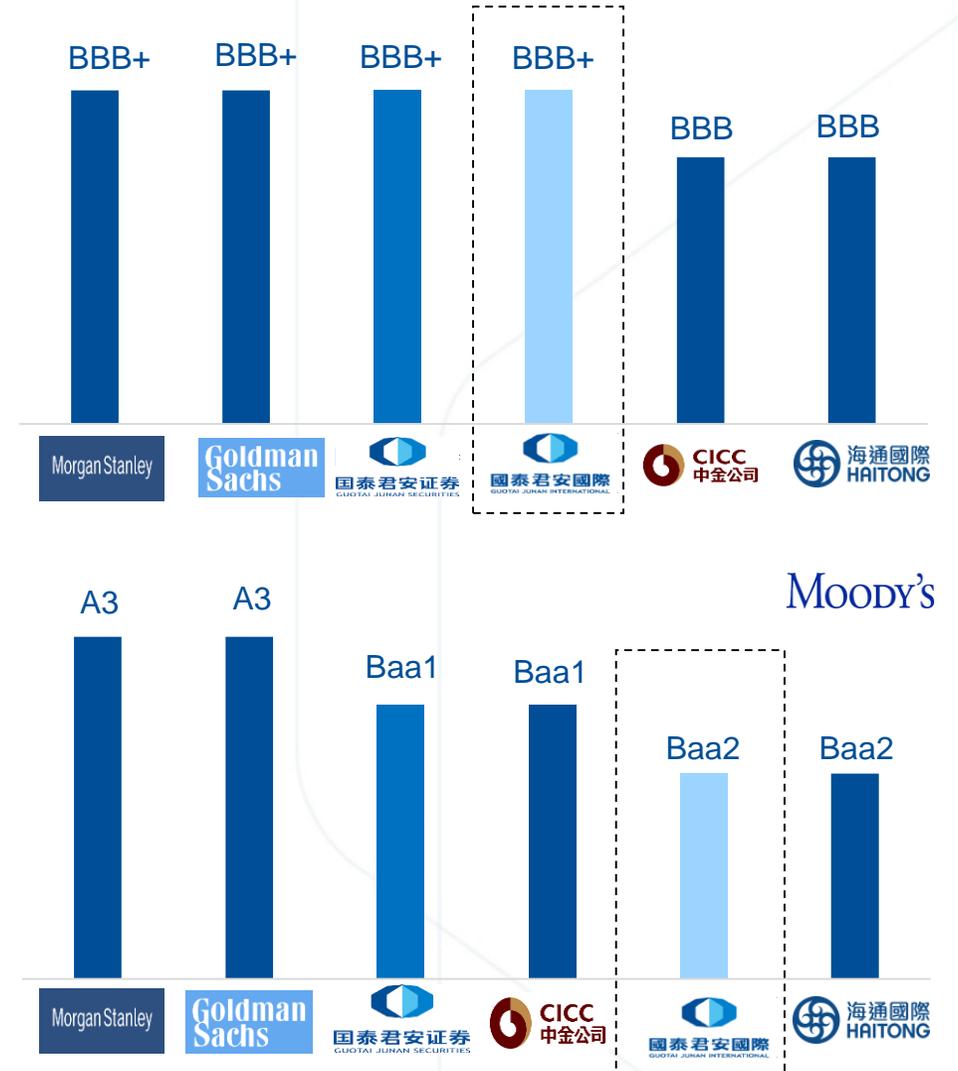
Listed in HKEX in 2017 (2611.HK).
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High level of credit rating - BBB+ from S&P, Baa1 from Moody's.

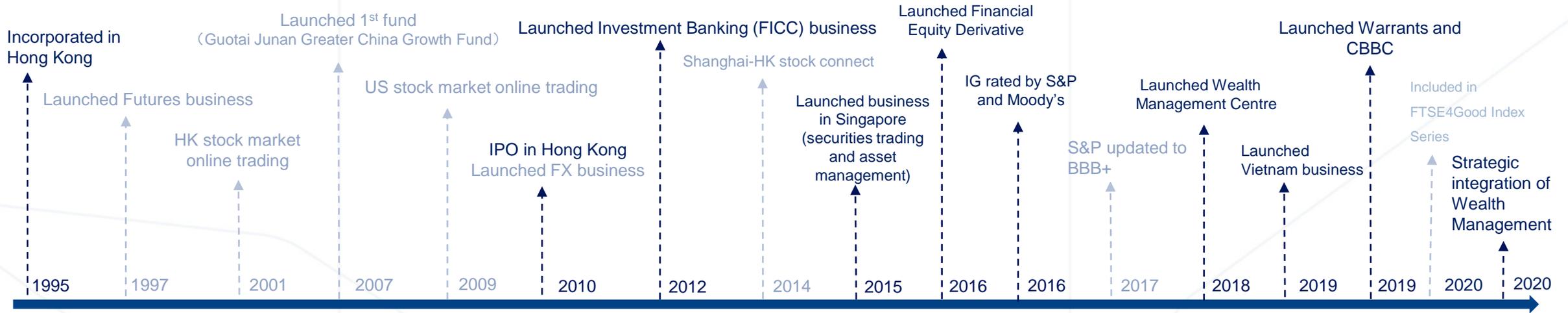
Milestone of Credit Rating



Peers Comparison



Milestone: Seized the opportunities and increased the attributable net assets by 452 times



Started from Solid Brokerage

- Leading position in online trading for HK and US stock market
- One single account to trade on global stock market

Strong Corporate Finance

- Competitive in the China offshore U.S. dollar bonds underwriting and market making
- Cautious risk appetite

Risk Management Creates Value

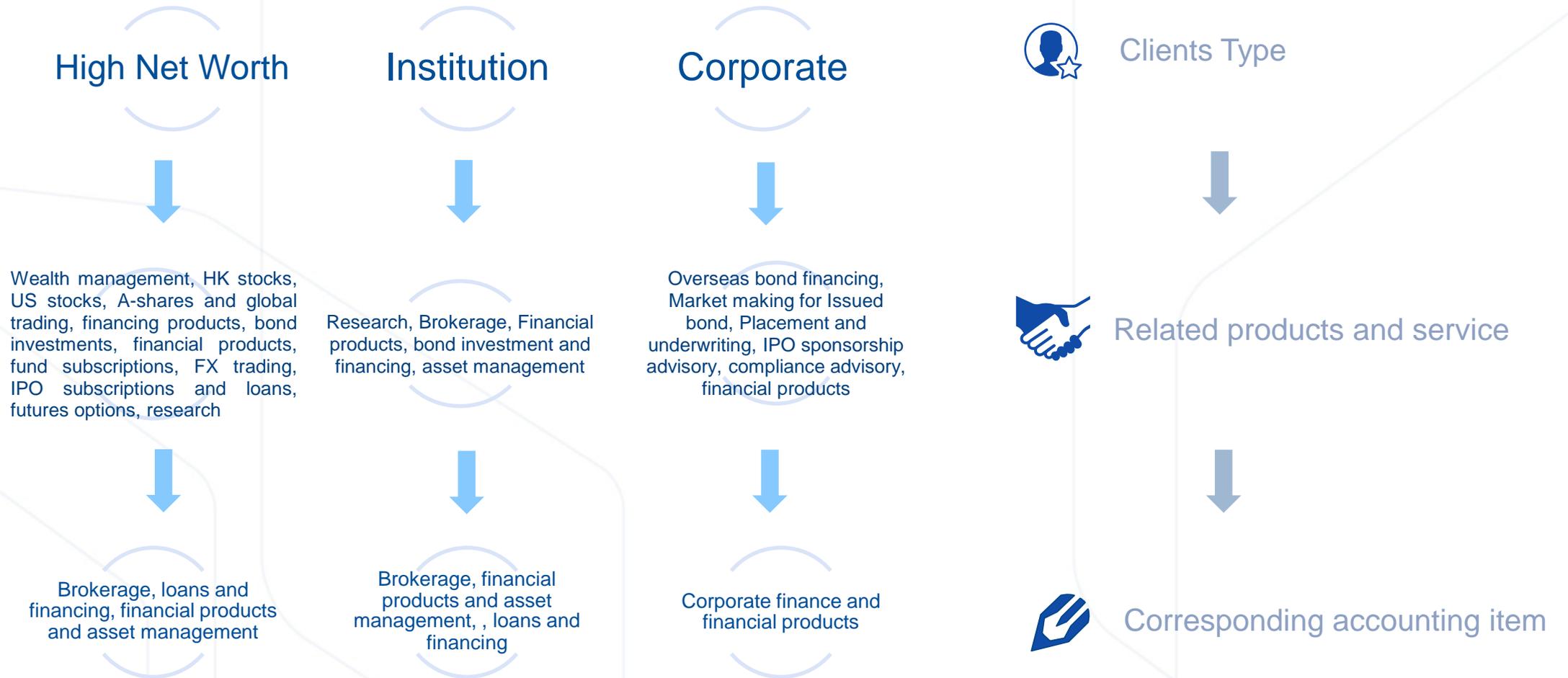
- Target on risk adjusted return
- Quality balance sheet with healthy leverage ratio to achieve higher ROE

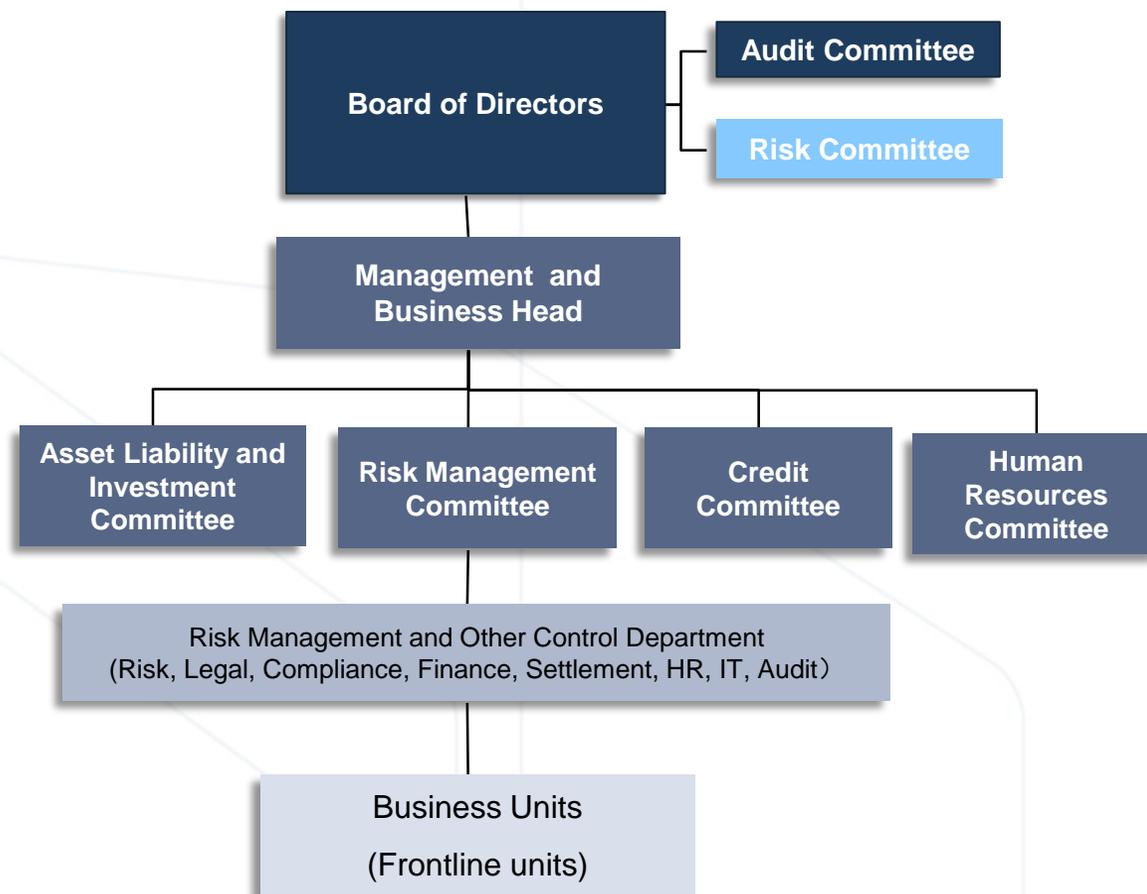
Wealth Management Era

- AUM increased significantly
- High quality clients to trade high quality asset.

1995
Registered capital amount
31.98 million HKD

30 Jun 2020
Attributable net asset
14.5 billion HKD





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Credit Risk: We manage credit risk to a borrower or counterparty from different business (traditional lending activities, counterparty exposure, issuer exposure and contingent exposure from third party credit enhancement). We control and monitor credit risk through policies and procedures setting, limit setting and monitoring, collateral management and internal rating system.

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Market Risk: It is controlled and monitored through an extensive set of limits. There are a number of types of limits: position, loss, notional and other limits that are timely monitored to ensure we operate within the company's risk appetite. Value at Risk is the key measure of market risk at the company.

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Operational Risk: It must be managed by all employees as part of our day-to-day activities. Our Risk and Control Self Assessment ("RCSA") and Key Risk Indicator ("KRI") processes are established as primary means to engage everyone in capturing our individual business and aggregate operational risk exposure.

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Liquidity Risk: We manage our liquidity position through lines of businesses and asset liability management activities, as well as through our legal entity funding strategy, on both a forward and current basis. We diversify our sources of funding—short term and long term bank loans, perpetual bonds issuance, rights issue, MTN program etc.

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