



CHINA RENAISSANCE HOLDINGS LIMITED

華興資本控股有限公司

(Incorporated in the Cayman Islands with
limited liability)

Stock code: 1911

GLOBAL OFFERING

Sole Financial Advisor



華興資本

Joint Sponsors



ICBC 工銀國際

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



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CHINA SECURITIES INTERNATIONAL



海通國際
HAITONG



富途證券



寰盈國際(亞洲)有限公司
HUANYING INTERNATIONAL (ASIA) LIMITED

IMPORTANT

If you have doubt about any of the contents in this prospectus, you should obtain independent professional advice.



CHINA RENAISSANCE HOLDINGS LIMITED

華興資本控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering: : 85,008,000 Offer Shares (subject to the Over-allotment Option)
Number of Hong Kong Public Offer Shares: : 8,500,800 Offer Shares (subject to reallocation)
Number of International Offer Shares: : 76,507,200 Offer Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price: : HK\$34.80 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value: : US\$0.000025 per Offer Share
Stock code: : 1911

Sole Financial Advisor

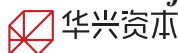


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Joint Bookrunners and Joint Lead Managers



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness, and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents delivered to the Registrar of Companies and available for inspection" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around September 20, 2018 and, in any event, not later than September 24, 2018.

The Offer Price will be not more than HK\$34.80 and is currently expected to be not less than HK\$31.80 unless otherwise announced. If, for any reason, the Offer Price is not agreed by September 24, 2018 between the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this document at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in the South China Morning Post (in English), the Hong Kong Economic Times (in Chinese), and on the websites of the Stock Exchange (www.hkexnews.hk) and our Company (www.huaxing.com) not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. For further information, see "Structure and Conditions of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares."

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Representatives (on behalf of the Joint Bookrunners and the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See "Underwriting—Underwriting arrangements and expenses—Hong Kong Public Offering—Grounds for Termination" for further details.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in "Risk Factors."

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged, or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold (i) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act and (ii) outside the United States in offshore transactions in accordance with Regulation S.

September 14, 2018

EXPECTED TIMETABLE⁽¹⁾

Latest time for completing electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Wednesday, September 19, 2018
Application lists open ⁽³⁾	11:45 a.m. on Wednesday, September 19, 2018
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Wednesday, September 19, 2018
Latest time for completing payment of WHITE FORM eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, September 19, 2018
Latest time for giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Wednesday, September 19, 2018
Application lists close ⁽³⁾	12:00 noon on Wednesday, September 19, 2018
Expected Price Determination Date ⁽⁵⁾	12:00 noon on Thursday, September 20, 2018
(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Wednesday, September 26, 2018
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in "How to Apply for Hong Kong Offer Shares—Publication of Results" in this prospectus ...	Wednesday, September 26, 2018
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.huaxing.com from	Wednesday, September 26, 2018
Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk (alternatively: English https://www.eipo.com.hk/en/Allotment ; Chinese https://www.eipo.com.hk/zh-hk/Allotment) with a "search by ID" function from	Wednesday, September 26, 2018
Dispatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before ⁽⁶⁾	Wednesday, September 26, 2018
Dispatch/collection of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before ⁽⁷⁾	Wednesday, September 26, 2018
Dealings in the Shares on the Hong Kong Stock Exchange expected to commence on	Thursday, September 27, 2018

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the application lists close.

EXPECTED TIMETABLE⁽¹⁾

- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, September 19, 2018, the application lists will not open on that day. See “How to Apply for Hong Kong Offer Shares—Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to “How to Apply for Hong Kong Offer Shares—Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or about Thursday, September 20, 2018 and, in any event, not later than Monday, September 24, 2018. If, for any reason, the Offer Price is not agreed by Monday, September 24, 2018 between us and the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters), the Global Offering will not proceed and will lapse.
- (6) Share certificates for the Hong Kong Offer Shares are expected to be issued on Wednesday, September 26 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Thursday, September 27. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.
- (7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessfully applications and in respect of successful applications if the Offer Price is less than the price payable on application.

The above expected timetable is a summary only. You should refer to “Structure and Conditions of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This document is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this document pursuant to the Hong Kong Public Offering. This document may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Public Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a public offering and the offering and sale of the Hong Kong Public Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this document. We have not authorized anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained nor made in this document and the Application Forms must not be relied on by you as having been authorized by us, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers, employees, agents, or representatives of any of them, or any other parties involved in the Global Offering.

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OPEN LETTER FROM OUR CHAIRMAN

Thank you for your interest in China Renaissance. We believe that our prospectus will have much greater meaning if you read it together with this letter. A full understanding of our business and ability to create shareholder value requires an appreciation for our genesis, our motivations, our clarity of purpose, and our vision for China Renaissance.

What Defines China Renaissance?

Long before the term new economy became a catchphrase, we saw the potential for a cohort of progressive, forward-looking thinkers to take China's conception of business and reorient it around new technologies and new operating models. They needed capital. They needed advice. They needed someone to believe in them. We started China Renaissance as a financial advisory firm in 2005 to play this role for them, not merely to offer a product or service. We listened to their aspirations. We asked them how we could help them grow and achieve their goals. We sought their trust, not their dependence.

Steve Jobs is quoted as saying that "One way to remember who you are is to remember who your heroes are." For China Renaissance, we have always revered the entrepreneurs driving long-term change in China's economy. They are our heroes. We are their champion.

This mindset is the defining characteristic of China Renaissance. Our heroes have not changed, though they have grown bigger and stronger. We want to help them create businesses with lasting commercial and social value. And we want to help these entrepreneurs with more than just their first venture, as many of them often go on to found multiple successful businesses.

For us, our work begins with trust. We seek to earn trust and renew it over time. We do not say this to appear noble. Trust leads to profits, but the reverse is never true. Trust gives people the confidence to form partnerships, choose advocates in critical moments and follow their advice.

Trust extends beyond our clients. It underlies our compact with employees to be stewards of their careers and offer a place for them to achieve their individual goals as well as ours. Trust also extends to the investors in our network who provide the financial lifeblood to our clients by participating in private placements and as limited partners in our investment funds.

Trust allows us to do our job as champions to all players in China's new economy.

Why Now?

We hold the view that the growth of China's new economy is a long-term, secular trend. We expect it to generate the majority of economic growth and wealth creation for decades. Consider the rate at which China produces unicorns. It takes roughly four years on average for Chinese startups to reach a US\$1 billion valuation, versus seven in the United States. At the end of 2017, Chinese unicorns accounted for 40% of the total number worldwide, according to the CIC Report.

Factors such as the rapid pace of business formation and innovation, abundance of capital chasing returns and aggressive pursuit of market share are reshaping the dynamics of China's new economy and raising the stakes for both entrepreneurs and investors.

OPEN LETTER FROM OUR CHAIRMAN

In order to keep pace with our clients' ambitions, we must invest for growth. Becoming a public company will give us a greater ability to do so:

1. It will provide a valuable currency to attract and retain top talent.
2. It will provide the resources to develop new services and invest in the technology and infrastructure required for our growth.
3. It will support the internationalization of our business as our clients increasingly factor cross-border opportunities into their business plans, and our investors seek global asset allocation.

Technology plays a special role in our development plans. We have seen firsthand how it is changing our own industry as well as others. It has the potential to create productive disruption in the form of new competitive advantages for those who embrace it, and painful disruption for those who do not. We therefore seek to promote technology disruption from within.

We view data as a resource that is as important as electricity to the success of our business. New technologies that capture and analyze growing volumes of market data can enrich our advisory services, inform our portfolio management decisions and guide us in running our business. The ability to gather and draw insights from data will be an important competitive advantage for the next stage of our growth.

Finally, we believe we will be in a better position as a public company to achieve one of our aspirational goals: to foster a community of entrepreneurs who will lead the development of new financial products and services in China. We want our success to inspire more entrepreneurs in the financial services industry. We want to be the shared platform on which they launch their startups. We want to empower them with a broad platform—our human and financial capital, research, brand, regulatory access and investor network—to create innovative ways for our clients to finance their business and for investors to participate in their growth. In addition, this provides a venue for our employees to incubate their own business ideas in partnership with us.

How to Evaluate Our Performance

As we are dedicated to China's new economy businesses for the long-term, we hope the capital markets will judge us by our intrinsic characteristics such as our ability to work with clients over extended periods of time and across different stages of their growth, our ability to increase the value of the businesses that we advise and in which we invest, and our ability to win the confidence of institutional and high-net-worth investors who join our network and become our capital partners. We believe only a multi-year perspective on growth and value creation is appropriate to judge our performance, whether judging from the perspective of a client, a limited partner or a public equity shareholder.

In addition, we hope investors will appreciate the ethical standards that define us. We strive to balance the ethical consequences of our actions with our commercial interests. Where there is a conflict, ethical considerations will take priority, even at the cost of financial gains. It is our view that great companies, like great empires, fall from within, because of greed and unchecked self-interest. Upholding ethics is not only a matter of morality; it is a matter of survival.

OPEN LETTER FROM OUR CHAIRMAN

Our Path Forward

Given our conviction in the potential of China's new economy, it is essential that we stick to long-term objectives. We believe that managing through economic cycles, facing difficulty head on and maintaining a commitment to our strategy will keep us on the path toward generating shareholder value and fulfilling our role as a champion for our clients and portfolio companies.

We take the view that the new economy is global, and we seek to participate in it across the world as we maintain an anchor in China. We have cultivated an international outlook from our earliest days. All of the people present at the beginning of China Renaissance and who remain with us today had foundational experience with global financial institutions and corporations. As we have grown, we have recruited more people with similar backgrounds.

We will stay ahead of market trends to position our business for the next wave of disruptive change. This includes expanding industry coverage, developing the relevant industry expertise and applying that expertise to hone our investment and advisory processes. This determination is evident in the case of healthcare, which we believe is one of the most promising sources of innovation and social and economic value. Acting on this belief, we have established a dedicated healthcare advisory and investment banking team that includes people with clinical and industry expertise, and launched a healthcare investment fund with its own independent management and strategy.

In a similar fashion, we want to capitalize on what we expect will be decades-long growth in asset management and wealth management in China thanks to rising household incomes and greater sophistication of investment needs and structures. Our private equity business offers a strong foundation from which to develop a competitive suite of asset management products, such as buyout funds, credit funds and products to capture the value that innovation is bringing to traditional sectors such as real estate. Over time, we plan to add products that invest in public market securities as well. In addition, tremendous wealth has been created through our new economy network. We want to expand our role as a trusted advisor to our clients and their employees by providing them with services and products to manage and grow newfound wealth.

We will continually work to cultivate the next generation of China Renaissance leaders. This is a shared responsibility of all senior executives and shapes the way we recruit, reward, and train our people. It extends beyond sharpening people's technical and managerial skills; it includes instilling in them our values and making sure that they understand our origin and the importance of trust in binding clients and portfolio companies to us. We have also set aside substantial equity for our next generation leaders.

Most importantly, we will always keep our clients and portfolio companies close to us in order to understand and anticipate their evolving needs. It may strike some as trite, but we say it with sincerity. If we lose sight of their dreams and the inspiration behind their businesses, we will lose the essential qualities that have made China Renaissance a success. We will seek out new and novel ways to meet their needs and contribute to their next great venture, and in the process we will secure our role as the champion for future generations of new economy businesses and innovation.

Sincerely yours,

Fan Bao

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set out in “Risk Factors.” You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the leading investment banking and investment management firm dedicated to China’s new economy businesses, which are transforming traditional industries through entrepreneurship, technological advancement, and innovative business models. We have built our business specifically to discover best-in-class entrepreneurs and businesses and provide them with advisory and capital markets services and investment through all phases of their development. Our network of entrepreneurs and investors, developed over the last 13 years, plays a critical role in supporting investment capital flows into leading new economy businesses and structuring industry-shaping transactions. As of March 31, 2018, we had advised on approximately 700 transactions worth over US\$100 billion since our inception, and we had AUM of approximately US\$4.1 billion in new economy investments. In 2017, the new economy investment banking revenue as a percentage of the total investment banking revenue in China was approximately 16.5%, and the AUM of the new economy investment management business as a percentage of the AUM of the total investment management business in China was approximately 24.1%, according to the CIC Report.

Our platform includes three principal business lines: investment banking, investment management, and Huajing Securities, which is our multi-licensed onshore securities platform. Our new economy leadership is well recognized in the market:

- *Advisory Services.* Ranked no. 1 from 2013 through 2017, in terms of new economy transaction value, with US\$90.2 billion advised on a cumulative basis as of March 31, 2018.
- *Underwriting.* Ranked no. 1 among Chinese investment banks, and no. 3 among Chinese and global investment banks, in terms of the number of Hong Kong and U.S. IPOs underwritten for Chinese new economy companies in the five-year period from 2013 through 2017.
- *Investment Management.* Ranked among the top 10 Chinese private equity funds that invest in the new economy as of December 31, 2017, with AUM of approximately US\$4.1 billion as of March 31, 2018.

Our role as advisor and investor generates multiple income streams including advisory fees, underwriting and brokerage commissions, management fees, performance fees, and returns from principal investments. We believe that our broad coverage of both public and private companies and the diversity of our income streams make us a unique proxy for investing in China’s new economy.

Our Entrepreneur-Centric Model

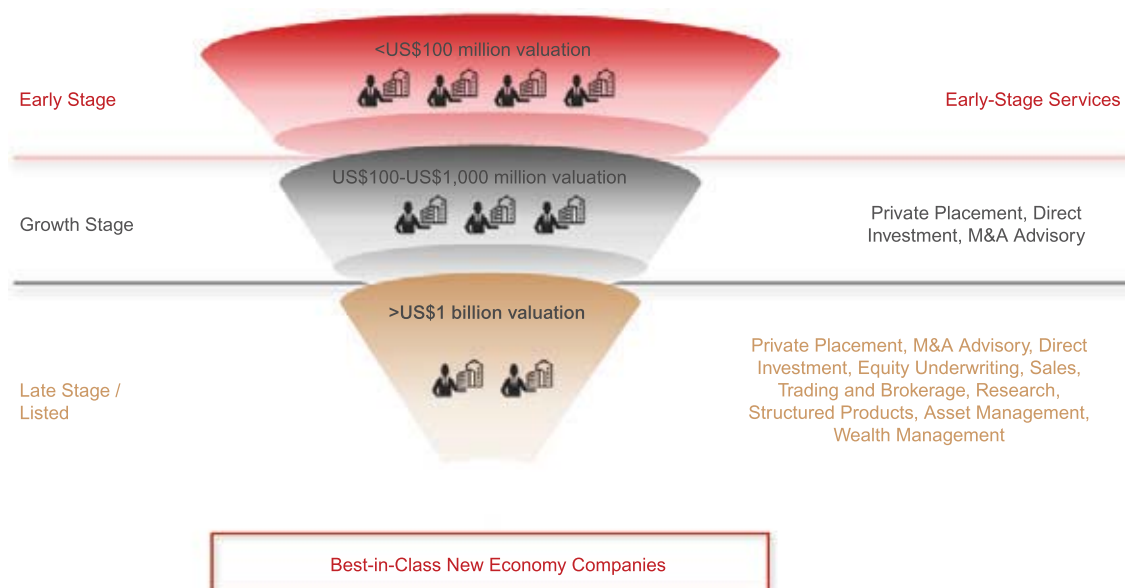
We founded China Renaissance in 2005 to serve a new generation of entrepreneurs that are transforming China’s economy with technology-driven innovation. We recognized a tremendous

SUMMARY

opportunity to address their unmet needs for strategic advice and financing by creating a platform that combined domain expertise, a deep network, and a comprehensive suite of financial services.

We have remained focused on China's best-in-class entrepreneurs since our inception. As of December 31, 2017, our client base includes 15 of the top 20 Chinese new economy companies and 56% of unicorns as measured by market capitalization or valuation across China's new economy.

Our business model involves identifying and engaging early-stage entrepreneurs and the businesses they create and serving them throughout their lifecycle. We selectively target the early stage as an entry point as it provides us an opportunity to add meaningful value and set the stage for a long-term relationship. We think of our coverage model as a funnel, where our coverage and focus narrow as our clients grow and require a broader suite of products, as illustrated below.



Our unmatched ability to engage leading entrepreneurs and businesses involves three stages—discovery, continuous engagement, and participation in value creation—which we describe as follows.

- *Discovery.* Our discovery process rests on a data-intensive infrastructure that allows us to efficiently explore and monitor a broad landscape of opportunities and market trends. Recognizing how quickly certain new economy sectors develop, we aim to identify and engage those clients demonstrating the potential for market leadership and hence a long-term relationship as early as possible.
- *Continuous Engagement.* Our long-term client relationships typically extend through multiple transactions, providing a stickiness that adds a recurring element to our revenue. Our suite of products and services ranges from seed financing through post-IPO advisory services and is tailored to the distinctive characteristics of high-growth new economy business ventures in China. We believe that early engagement leads to higher quality relationships. Among our top 20 clients as measured by cumulative revenue since 2005, the average length of each relationship is four years and includes an average of four transactions.
- *Participation in Value Creation Through Investment.* We launched our investment management business in 2013, recognizing an opportunity to extend our platform and

SUMMARY

create deeper relationships with entrepreneurs and investors. Our independent fund management teams focus on technology, media, entertainment, and healthcare investment opportunities, including some within our advisory pipeline. We believe that our broad sector coverage, thematic investment approach, and track record *for* investing in eventual market leaders have established us as the leading manager of new economy capital with access to the most competitive and sought-after investment opportunities. As of March 31, 2018, we managed U.S. dollar- and Renminbi-denominated funds with AUM of approximately US\$4.1 billion. We raise capital from both domestic and global investors and high-net-worth individuals.

Our focus on entrepreneurs yields powerful network effects. Our community of established entrepreneurs, as clients, opinion leaders, and investors, serves as a remarkably effective referral network, feeding our deal pipeline. In turn, our pipeline of proprietary opportunities attracts more capital seeking new economy exposure. The depth and quality of our investor base create another draw for entrepreneurs, thus completing a virtuous and self-perpetuating cycle. Lastly, successful entrepreneurs become investors themselves, as they increasingly invest directly in our deals or channel capital through the funds we manage.

Our Business Segments

We operate our businesses in three segments: (i) investment banking, (ii) investment management, and (iii) Huajing.

For our investment banking segment, we provide China's new economy companies with early-stage services to connect them at their early stage with reputable investors, advisory services to assist them at their growth or later stages in executing private placements and complex domestic and cross-border M&A transactions, and equity underwriting to access public equity markets in Hong Kong and United States, and also provide institutional investors with sales, trading, brokerage, and research services. We derive transaction and advisory fees from our investment banking business.

For our investment management segment, we have established a private equity platform focusing on the formation, management, and investment of private equity funds. We derive management fees in our capacity as a fund manager of our private equity funds and also derive income from carried interest based on the portfolio performance of our private equity funds.

For our Huajing segment, we operate through Huajing Securities, a China-focused, national, multi-licensed investment banking subsidiary, and provide underwriting, asset management, sales, trading, and brokerage, and research services in China. We derive transaction and advisory fees and interest income from our Huajing Securities business.

For further details, see "Appendix I—Accountants' Report—Notes to the Consolidated Financial Statements—Segment Information."

SUMMARY

The following table sets forth a breakdown of our segment revenue by nature for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Segment Revenue					
Investment Banking					
—Transaction and advisory fees	112,318	105,179	98,864	14,883	21,398
Investment Management					
—Management fees	7,853	26,119	28,349	5,760	11,875
Huajing					
—Transaction and advisory fees	—	1,060	7,906	1,891	1,284
—Interest income	—	1,005	4,295	872	4,276
Total Revenue	120,171	133,363	139,414	23,406	38,833

Under the investment banking segment, for the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2018, the aggregate transaction value was US\$36.8 billion, US\$21.6 billion, US\$18.7 billion, and US\$3.9 billion, respectively.

Under the investment management segment, as of December 31, 2015, 2016, and 2017 and March 31, 2018, our private equity funds had AUM of approximately US\$1.2 billion, US\$1.9 billion, US\$3.3 billion, and US\$4.1 billion, respectively.

Under the Huajing segment, for the years ended December 31, 2016 and 2017 and the three months ended March 31, 2018, the aggregate transaction value was US\$101.9 million, US\$2.0 billion, and US\$133.4 million, respectively.

Huajing Securities is one of the first securities greenfield joint ventures approved under CEPA. It was approved in April 2016, and established in August 2016, and began operations in October 2016. Since its commencement of operations, Huajing Securities has been loss-making due to the costs associated with the ramp-up of its business. As advised by our PRC Legal Advisor, Huajing Securities had been compliant with the capital and ratio requirements for securities companies under the relevant PRC laws and regulations during the Track Record Period. Our ownership of 48.82% of equity interest in Huajing Securities is subject to foreign ownership restrictions under the PRC laws and regulations. Pursuant to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單) (2018年版)》), which was promulgated on June 28, 2018 and became effective on July 28, 2018, the limit of ownership percentage by foreign investors in a securities company increased from 49% to 51%, and is expected to be lifted in 2021.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors:

- unrivaled new economy platform, expertise, and brand;
- proven, sustainable ability to discover best-in-class entrepreneurs;
- full lifecycle client engagement providing multiple points of monetization;

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- synergistic platform with complementary business lines;
- entrepreneurial and innovative culture; and
- strong and scalable financial model.

For a detailed discussion of these competitive strengths, see “Business—Our Competitive Strengths.”

OUR GROWTH STRATEGIES

To strengthen our position as China’s leading financial services provider, we intend to pursue the following strategies:

- broaden our new economy sector coverage;
- continue to develop our offerings;
- expand internationally;
- enable our people; and
- invest in talent.

For a detailed discussion of these strategies, see “Business—Our Growth Strategies.”

ENTREPRENEURIAL CULTURE

We take pride in being majority-owned by management and employees.

Immediately before the completion of the Global Offering (assuming the 2018 Convertible Notes are not converted into Shares, the outstanding options under the ESOP are not exercised, the Preferred Shares are converted into Shares on a one-to-one basis, and no new Shares are issued under the RSU Plan), CR Partners, holding 244,240,000 Shares or 55.55% of the Shares in issue, is majority-owned by Mr. Bao and Mr. Xie Yi Jing, our Founders, and Mr. Du Yongbo and Mr. Wang Xinwei, members of our senior management, all of whom have played and are continuing to play pivotal management roles in our Group.

To attract and retain the best talent, we offer competitive equity incentives to our employees. We have also established an incentive structure to foster a natural transition of leadership to subsequent generations, ensuring that we remain independent with significant management ownership and helping us maintain the entrepreneurial spirit that defines our brand.

Immediately before the completion of the Global Offering (assuming the 2018 Convertible Notes are not converted into Shares, the outstanding options under the ESOP are not exercised, the Preferred Shares are converted into Shares on a one-on-one basis, and no new Shares are issued under the RSU Plan), there are 439,647,948 Shares in issue. We have granted options under the ESOP representing 72,740,000 Shares (of which options granted under the ESOP representing 15,278,000 Shares have been exercised). We have also adopted the RSU Plan for which we have reserved restricted share units representing 52,000,000 Shares in total to be granted to our employees after the Listing.

To demonstrate commitment of Mr. Bao, Mr. Xie Yi Jing, Mr. Du Yongbo, and Mr. Wang Xinwei to and their long-term confidence in our Company, CR Partners and its shareholders have

SUMMARY

agreed that Shares held by CR Partners representing the proportionate interests attributable to or controlled by these four individuals (the “**Management Shares**”) are subject to a lock-up arrangement. Pursuant to such lock-up arrangement, save for permitted transferees (including (i) immediate family members of the transferors or any trust entities in connection with family trust arrangements of the transferors, and (ii) entities wholly-owned by the transferors) as confirmed by Mr. Bao, CR Partners cannot: (i) transfer any Management Shares prior to the end of the first six months of the Listing (the “**Relevant Lock-up Date**”); and (ii) transfer Shares exceeding 25%, 50%, and 75% of the Management Shares prior to the first, second, and third anniversary of the Relevant Lock-up Date, respectively. See “History, Reorganization and Corporate Structure—Our Management’s Lock-up Arrangements.”

We believe these arrangements help ensure long-term alignment of interests of our Company, our management team, and our employees as a whole, bolster our management ownership structure, and maintain a culture to attract and retain the best talent.

RISK FACTORS

Our business and the Global Offering involve certain risks as set out in “Risk Factors.” You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include:

- our businesses may be materially and adversely affected by general market and economic conditions in China and other jurisdictions where we operate;
- we are subject to risks associated with operating in the rapidly evolving new economy sectors;
- the financial services industry, and all of the subsectors in which we compete, are intensely competitive;
- our profitability may fluctuate and we may incur net loss in the future;
- our operations depend on key management and professional staff and our business may suffer if we are unable to recruit or retain them; and
- we are exposed to the risk of harm to our reputation, which may have a material adverse effect on our business, results of operations and financial condition.

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SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table summarizes our consolidated results of operations for the periods indicated. The summary consolidated financial data set forth below should be read together with, and is qualified in its entirety by reference to, the consolidated financial statements in this document, including the related notes. Our Historical Financial Information was prepared in accordance with IFRS.

Summary Consolidated Statements of Profit or Loss

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
	US\$'000				
Transaction and advisory fees	112,318	106,239	106,770	16,774	22,682
Management fees	7,853	26,119	28,349	5,760	11,875
Interest income	—	1,005	4,295	872	4,276
Total revenue	120,171	133,363	139,414	23,406	38,833
Total operating expenses	(61,577)	(93,839)	(145,572)	(23,396)	(35,463)
Operating profit/(loss)	58,594	39,524	(6,158)	10	3,370
Profit/(Loss) before income tax	35,487	36,734	(15,918)	(2,596)	(65,768)
Income tax (expenses)/benefits	(5,896)	(8,175)	2,412	138	(59)
Profit/(Loss) for the year/period	29,591	28,559	(13,506)	(2,458)	(65,827)
Profit/(Loss) for the year/period attributable to owners of the Company	28,844	31,833	32	(1,135)	(65,262)

To supplement our Historical Financial Information, which is presented in accordance with IFRS, we also use adjusted revenue and adjusted net profit attributable to owners of the Company as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by adjusting for potential impacts of items, which our management considers to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management.

The following table reconciles our adjusted revenue for the periods indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is revenue.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
	US\$'000				
Total Revenue	120,171	133,363	139,414	23,406	38,833
Add:					
Unrealized income from carried interest ⁽¹⁾ ...	<u>22,870</u>	<u>10,560</u>	<u>73,036</u>	<u>10,367</u>	<u>54,088</u>
Non-IFRS Measure					
Adjusted revenue (unaudited)	143,041	143,923	212,450	33,773	92,921

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Note:

- (1) Unrealized income from carried interest represents the gross amount of carried interest that would have been received by the general partners of our private equity funds, as if the fair value of the underlying investments were realized. The amount of carried interest that ultimately would have been retained by the general partners of our private equity funds, if it were realized, is the net carried interest, which is equal to income from carried interest minus carried interest to management team and other parties.

The following table reconciles our adjusted net profit attributable to owners of the Company for the periods indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit or loss attributable to owners of the Company.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Profit/(Loss) for the year/period attributable to owners of the Company	28,844	31,833	32	(1,135)	(65,262)
Add:					
Share-based compensation expenses	3,768	3,645	8,203	611	2,326
Change in fair value of convertible notes	—	2,600	504	395	—
Change in fair value of convertible redeemable preferred shares	34,039	13,978	25,730	3,173	73,770
Subtotal before adjustments relating to carried interest	66,651	52,056	34,469	3,044	10,834
Add:					
Unrealized net carried interest ⁽¹⁾	6,702	3,123	23,634	3,776	24,833
Non-IFRS Measure					
Adjusted net profit attributable to owners of the Company (unaudited)	73,353	55,179	58,103	6,820	35,667

Note:

- (1) The unrealized net carried interest is equal to unrealized income from carried interest minus carried interest to management team and other parties, as illustrated below. For further details, see “Appendix I—Accountant’s Report—Notes to the Consolidated Financial Statements—Segment Information—Segment revenue and results—note (b).”

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000				
Unrealized income from carried interest	22,870	10,560	73,036	10,367	54,088
Carried interest to management team and other parties	(16,168)	(7,437)	(49,402)	(6,591)	(29,255)
Unrealized net carried interest	6,702	3,123	23,634	3,776	24,833

As of the Latest Practicable Date, some of our private equity investments were realized through multiple exits made by some of our private equity funds, although we had not yet realized any carried interest. Carried interest with respect to a private equity fund is realized when the fund’s cumulative returns are in excess of the contractual hurdle rate. After realization of the carried interest, which is typically at a late stage of a fund’s life, we are able to determine the fund’s income from carried interest. The unrealized income from carried interest is based on the underlying fair value change of the respective funds under our investment management business during the Track Record Period. The unrealized income from carried interest is allocated to us based on the cumulative fund performance to date, subject to the achievement of minimum return levels to limited partners. At the end of each reporting period, we calculate the unrealized income from carried interest that would be due to us for

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each fund, pursuant to the relevant fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies among reporting periods, it is necessary to make adjustments to amounts presented as unrealized income from carried interest. Such adjustments may, in certain circumstances, reverse the unrealized income from carried interest reported in the prior period due to fluctuations in the value of the underlying investments.

For further details, see “Financial Information—Non-IFRS Measures” and “Appendix I—Accountants’ Report—Notes to the Consolidated Financial Statements—Segment Information.” For risks associated with the timing and receipt of carried interest, see “Risk Factors—Risks Relating to Our Business and Industry—Our investment management business may be materially and adversely affected by poor performance of our investment portfolios, and the timing and receipt of carried interest from our investment funds are unpredictable and will contribute to the volatility of our cash flows.”

We recorded loss of US\$13.5 million and US\$65.8 million for the year ended December 31, 2017 and the three months ended March 31, 2018, respectively. A key reason behind our losses for the year ended December 31, 2017 and the three months ended March 31, 2018 was the incurrence of, and significant increase in, fair value loss of our convertible redeemable preferred shares. We recorded US\$34.0 million, US\$14.0 million, US\$25.7 million, and US\$73.8 million of fair value loss of our convertible redeemable preferred shares for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, respectively. Upon Listing, all of the convertible redeemable preferred shares will be converted automatically to our Shares and re-designated from liabilities to equity as a result of such automatic conversion, and thus following the Listing we will not incur fair value loss of such convertible redeemable preferred shares.

Talent acquisition and retention are essential to us because our businesses are human capital intensive. We thus incurred significant compensation and benefit expenses during the Track Record Period. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, our compensation and benefit expenses were US\$43.6 million, US\$64.7 million, US\$101.4 million, US\$15.5 million, and US\$24.2 million, respectively, representing approximately 36.3%, 48.5%, 72.7%, 66.4%, and 62.4% of our total revenue for the corresponding periods. The share-based compensation for the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018 were US\$3.8 million, US\$3.6 million, US\$8.2 million, US\$0.6 million, and US\$2.3 million, respectively.

Incidental to, and ancillary of, our business operations, we have made investments from time to time, the primary types of which include (i) investments in our own private equity funds in our capacity as a general partner, (ii) investments in our own private equity funds in our capacity as a limited partner, (iii) investments in third-party private equity funds in our capacity as a limited partner, and (iv) strategic minority equity investments. For more details, see “Business—Certain Incidental and Ancillary Investments.”

SUMMARY

The following table sets forth our investment income derived from our primary investment activities for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Investments in our own private equity funds in our capacity as a general partner	2,100	2,204	4,025	437	1,419
Investments in our own private equity funds in our capacity as a limited partner	3,314	283	1,959	81	441
Investments in third-party private equity funds in our capacity as a limited partner	2,428	5,771	3,744	464	2,922
Strategic minority equity investments					
—Investments in the form of preferred shares of other companies	2,625	(769)	6,191	(8)	496
—Passive equity holdings in non-associate companies	—	539	—	—	95
Investment income	10,467	8,028	15,919	974	5,373

Summary Consolidated Statements of Financial Position Data

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	US\$'000			
Total current assets	223,197	280,269	574,866	447,119
Total current liabilities	47,945	87,632	89,208	136,260
Net current assets	175,252	192,637	485,658	310,859
Total non-current assets	64,130	88,734	167,045	373,720
Total non-current liabilities	189,975	204,315	413,668	491,560
Net assets	49,407	77,056	239,035	193,019
Equity (deficiency in assets) attributable to owners of the Company	48,498	2,852	15,279	(39,188)
Non-controlling interests	909	74,204	223,756	232,207
Capital and reserves	49,407	77,056	239,035	193,019

We had a negative equity attributable to owners of the Company of US\$39.2 million as of March 31, 2018 on our consolidated statements of financial position. As advised by our legal advisors on Cayman Islands law, Maples and Calder (Hong Kong) LLP, the existence of negative equity attributable to owners of the Company, however, does not necessarily restrict us from declaring and paying dividends to our Shareholders. Under Cayman Islands law, our Company may pay a dividend out of either our profits (realized or unrealized) or amounts standing to the credit of our share premium account, provided that this would not result in our Company being unable to pay our debts as they fall due in the ordinary course of business.

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Dividend

The following table sets forth our dividend declarations for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
	US\$'000				
Dividends to an ordinary shareholder of the Company	<u>4,000</u>	<u>77,500</u>	<u>4,150</u>	<u>4,150</u>	<u>3,599</u>

Currently we do not have a formal dividend policy or a fixed dividend distribution ratio. There is no assurance that dividends of any amount will be declared or distributed in any year.

Summary Consolidated Statements of Cash Flows Data

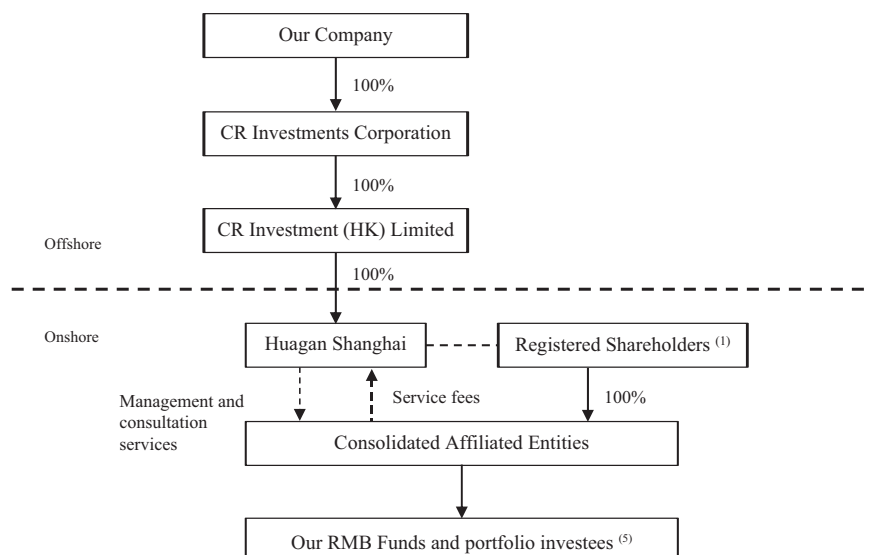
	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
	US\$'000				
Net cash generated from/(used in) operating activities	40,834	77,982	(5,811)	(1,808)	22,051
Net cash used in investing activities	(41,165)	(39,368)	(58,016)	(1,881)	(281,114)
Net cash generated from financing activities	<u>96,000</u>	<u>25,123</u>	<u>314,569</u>	<u>—</u>	<u>19</u>
Net increase/(decrease) in cash and cash equivalents	<u>95,669</u>	<u>63,737</u>	<u>250,742</u>	<u>(3,689)</u>	<u>(259,044)</u>
Cash and cash equivalents at beginning of the year/period	32,893	128,419	186,620	186,620	442,969
Effect of foreign exchange rate changes	<u>(143)</u>	<u>(5,536)</u>	<u>5,607</u>	<u>865</u>	<u>11,719</u>
Cash and cash equivalents at end of the year/period	<u>128,419</u>	<u>186,620</u>	<u>442,969</u>	<u>183,796</u>	<u>195,644</u>

For the year ended December 31, 2017, net cash used in operating activities was US\$5.8 million, primarily due to the loss incurred by Huajing Securities.

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CONTRACTUAL ARRANGEMENTS

One of our core businesses is investment management. We manage a variety of private equity investment funds, including Renminbi-denominated funds as well as the legal entities of these RMB denominated funds in China. Many of our Renminbi-denominated funds, or RMB Funds, primarily invest in innovative and emerging businesses, the underlying investee companies of which are subject to foreign investment restrictions and/or prohibition in China, or the FI Restrictions, under the Guidance Catalog of Industries for Foreign Investment whilst a limited number of these RMB Funds invest in investee companies whose businesses are not subject to the FI Restrictions. In order to comply with the laws and regulations of China and enable us to maintain and exercise control over the Consolidated Affiliated Entities and their subsidiaries, we have adopted the Contractual Arrangements, which allow us to obtain the economic benefits of the Consolidated Affiliated Entities and their subsidiaries attributable to our Group and consolidate their results of operations into those of ours. The following simplified diagram illustrates the flow of economic benefits attributable to our Group from our consolidated affiliated entities to our Group stipulated under the Contractual Arrangements:



Notes:

- (1) “Registered Shareholders” refer to the registered shareholders of the Consolidated Affiliated Entities, namely Mr. Du Yongbo and Mr. Wang Xinwei. Each of the Consolidated Affiliated Entities is owned by Mr. Du Yongbo and Mr. Wang Xinwei as to 50% each.
- (2) “” denotes direct or indirect legal and beneficial ownership in the equity interest.
- (3) “” denotes contractual relationship.
- (4) “” denotes the control by Huagan Shanghai over the Consolidated Affiliated Entities through proxy agreements and the respective powers of attorney to exercise all shareholders’ rights in the Consolidated Affiliated Entities, exclusive options to acquire all or part of the equity interests in the Consolidated Affiliated Entities and equity pledges over the equity interest in the Consolidated Affiliated Entities.
- (5) These include funds in which the Consolidated Affiliated Entities or their subsidiaries act as the general partner, and portfolio investees of such funds that are subject to the FI Restrictions and other portfolio investees that are not subject to the FI Restrictions.

The MOFCOM published the Draft Foreign Investment Law (中華人民共和國外國投資法 (草案 徵求意見稿)) in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. While the MOFCOM has solicited comments on this draft in early 2015, substantial uncertainties exist with respect to its final form, enactment timetable, interpretation and implementation. Among other things, the Draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of “actual control” in determining whether a company is considered a foreign invested enterprise or a foreign invested entity (“FIE”). The Draft Foreign Investment Law specifically provides that entities established in China but

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“controlled” by foreign investors will be treated as FIEs, whereas an entity set up in a foreign jurisdiction would nonetheless be, upon market entry clearance by the MOFCOM, treated as a PRC domestic investor, provided that the entity is “controlled” by PRC entities and/or citizens. Given that (a) entities under the Contractual Arrangements are controlled by Huagan Shanghai, (b) Huagan Shanghai is a wholly-owned subsidiary of our Company, (c) CR Partners, being the single largest shareholder of our Company, is able to exercise decisive influence over the management of our Company and will be interested in no less than 44.53% of the voting rights in our Company immediately after the Listing (assuming the Over-allotment Option and outstanding options granted under the ESOP are not exercised and no new Shares are issued under the RSU Plan), (d) no other shareholders are expected to own 10% or more of our Company’s voting rights after the Listing, we (and therefore Huagan Shanghai as our wholly-owned subsidiary) will be considered as being actually controlled by CR Partners pursuant to the definition of “actual control” under the Draft Foreign Investment Law. Through various arrangements more particularly described in “Contractual Arrangements—Legality of the Contractual Arrangements—Potential impact of the Draft Foreign Investment Law on our Company,” the board of CR Partners as the governing body of CR Partners making all material decisions with respect to our Company on behalf of CR Partners is and will be comprised of a majority of PRC nationals as its directors. It is therefore likely that we will be viewed as being controlled by PRC citizens if the Draft Foreign Investment Law is enacted in its current form.

There are potential risks relating to the Contractual Arrangements and the Draft Foreign Investment Law. For further details on the potential risks, see “Risk Factors—Risks Relating to the Contractual Arrangements.”

PRE-IPO INVESTMENTS

Our Company underwent five rounds of Pre-IPO Investments, a summary of which is set out below:

	Round 1	Round 2	Round 3	Round 4	Round 5
Date of the agreement	August 8, 2011 (amended and restated on November 4, 2011)	August 10, 2015	June 15, 2016	April 26, 2017	May 8, 2018
Date on which investment was fully settled	October 28, 2011	September 25, 2015	June 20, 2016	April 26, 2017	May 18, 2018
Total number of shares issued	60,000,000 Series A Preferred Shares	65,217,392 Series B Preferred Shares	13,043,472 Series B Preferred Shares	6,109,084 Series B Preferred Shares	23,783,664 Shares to be issued on conversion prior to the Listing
Cost per share paid by the investors	US\$0.5 per Series A Preferred Share	Approximately US\$1.53 per Series B Preferred Share	Approximately US\$1.53 per Series B Preferred Share	Approximately US\$1.64 per Series B Preferred Share	Approximately US\$3.62 per Share upon conversion of the 2018 Convertible Notes
Discount to the Offer Price ⁽¹⁾	88.2%	63.9%	63.9%	61.3%	14.7%

Note:

(1) Assuming the Offer Price is fixed at HK\$33.30, being the mid-point of the indicative Offer Price range.

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Immediately after the completion of the Global Offering (assuming the Over-allotment Option and outstanding options granted under the ESOP are not exercised and no new Shares are issued under the RSU Plan), the pre-IPO Investors will collectively be interested in 30.66% of the issued share capital of our Company. See “History, Reorganization and Corporate Structure—Pre-IPO Investment” for further details of the Pre-IPO Investors and Pre-IPO Investments.

RECENT DEVELOPMENTS

Based on our reviewed but unaudited condensed consolidated interim financial statements for the six months ended June 30, 2018, our total revenue increased by 100.0% from US\$54.2 million for the six months ended June 30, 2017 to US\$108.5 million for the six months ended June 30, 2018, primarily due to growth across all segments. Our total operating expenses increased by 53.7% from US\$57.3 million for the six months ended June 30, 2017 to US\$88.1 million for the six months ended June 30, 2018, primarily due to an increase in compensation and benefit expenses. As a result of the foregoing, we recorded an operating profit of US\$20.3 million for the six months ended June 30, 2018, compared to an operating loss of US\$3.1 million for the six months ended June 30, 2017.

- *Investment Banking Segment.* The aggregate transaction value of our investment banking segment increased by 88.6% from US\$4.6 billion for the six months ended June 30, 2017 to US\$8.7 billion for the six months ended June 30, 2018. Our segment revenue increased significantly from US\$36.5 million for the six months ended June 30, 2017 to US\$73.2 million for the six months ended June 30, 2018.
- *Investment Management Segment.* The committed capital and AUM of our private equity funds increased by 59.5% and 77.3% from US\$1.9 billion and US\$2.3 billion as of June 30, 2017 to US\$3.0 billion and US\$4.0 billion as of June 30, 2018, respectively. Our management fees increased by 96.9% from US\$12.3 million for the six months ended June 30, 2017 to US\$24.2 million for the six months ended June 30, 2018. Our unrealized net carried interest, calculated as unrealized income from carried interest minus carried interest to management team and other parties, increased by 94.8% from US\$10.1 million for the six months ended June 30, 2017 to US\$19.6 million for the six months ended June 30, 2018.
- *Huajing Segment.* For the six months ended June 30, 2018, the aggregate transaction value of our Huajing segment was US\$185.1 million. Our segment revenue increased significantly from US\$5.4 million for the six months ended June 30, 2017 to US\$11.0 million for the six months ended June 30, 2018.

Our Directors confirm that, up to the date of this prospectus, there had been no material adverse change in our financial conditions or prospects since March 31, 2018, and there had been no event since March 31, 2018 and up to the date of this prospectus that could materially affect the information shown in our Historical Financial Information.

OUR CONTROLLING SHAREHOLDERS

Mr. Bao controls 100% of the voting power at the general meetings of FBH Partners, which in turn owns 73.37% of the issued share capital of CR Partners. Immediately after the completion of the Global Offering (assuming the Over-allotment Option and outstanding options granted under the ESOP are not exercised and no new Shares are issued under the RSU Plan), CR Partners will be interested in an aggregate of 44.53% of the issued share capital of our Company. Accordingly, Mr. Bao, FBH Partners and CR Partners will together constitute a group of Controlling Shareholders. Save as disclosed in “Relationship with Controlling Shareholders,” there is no competition between our Controlling Shareholders and our Group.

SUMMARY

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue (including the Shares converted from the 2018 Convertible Notes and the Preferred Shares) and our Shares to be issued pursuant to the Global Offering, the ESOP and the RSU Plan. On the basis that, among other things, we satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules.

GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 8,500,800 Offer Shares (subject to reallocation) in Hong Kong, as described in “Structure and Conditions of the Global Offering — The Hong Kong Public Offering”; and
- (ii) the International Offering of initially 76,507,200 Offer Shares (subject to reallocation and the Over-allotment Option) (a) in the United States to QIBs in reliance on Rule 144A or another available exemption, and (b) outside the United States in reliance on Regulation S (including to professional and institutional investors in Hong Kong).

The Offer Shares will represent approximately 15.5% of the issued share capital of our Company immediately following completion of the Global Offering (assuming the Over-allotment Option and the outstanding options under the ESOP are not exercised, and no new Shares are issued pursuant to the RSU Plan). If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 17.4% of the issued share capital of our Company immediately following completion of the Global Offering (assuming the outstanding options under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan).

LISTING EXPENSES

We expect to incur listing expenses of approximately HK\$192.7 million (assuming an Offer Price of HK\$33.30, being the mid-point of the indicative Offer Price range between HK\$31.80 and HK\$34.80, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which HK\$72.1 million is expected to be charged to our consolidated statement of comprehensive income for the year ended December 31, 2018 and HK\$120.6 million is directly attributable to the issue of the Shares to the public and to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. The listing expenses above will adversely affect our results of operations for the year ended December 31, 2018.

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OFFERING STATISTICS

All statistics in the following table are based on the assumption that the Global Offering have been completed and 85,008,000 Shares are issued pursuant to the Global Offering.

	Based on an Offer Price of HK\$31.80 per Offer Share	Based on an Offer Price of HK\$34.80 per Offer Share
Market capitalization of our Shares ⁽¹⁾	HK\$17.4 billion	HK\$19.1 billion
Unaudited pro forma adjusted net tangible asset per Share ⁽²⁾	HK\$6.75	HK\$7.50

Notes:

- (1) The calculation of market capitalization is based on 548,439,612 Shares expected to be in issue immediately upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares that may be issued (i) upon the exercise of any options under the ESOP, and (ii) pursuant to the RSU Plan.
- (2) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as of March 31, 2018 is calculated based on 325,008,000 Shares, being the number of Shares expected to be in issue assuming that the Global Offering and the 2018 Share Subdivision had been completed on March 31, 2018. It does not take into account of (i) any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option for the Global Offering and the options granted under the ESOP or any Shares that may be issued pursuant to the RSU Plan, and issued or repurchased by the Company under the general mandates granted to the directors of the Company, (ii) and issuance of the 2018 Convertible Notes in an aggregate principal amount of US\$86 million in May 2018 and the conversion of convertible redeemable preferred shares and convertible notes into our Shares upon the Listing.

Market perception, or any change in the market perception, of the reasonableness of our market capitalization could materially and adversely affect the market price of our Shares. For more details, see “Risk Factors—Risks Relating to the Global Offering—There has been no previous public market for our Shares, and the liquidity and market price of our Shares may be volatile.”

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$2,638.1 million after deducting underwriting commissions and other estimated expenses paid and payable by us in the Global Offering (without deducting any additional discretionary incentive fee), assuming an Offer Price of HK\$33.30 per Share, being the mid-point of the Offer Price Range of HK\$31.80 to HK\$34.80 per Share. We intend to use the net proceeds we expect to receive from the Global Offering for the purposes and in the amounts set out below:

Use of proceeds	% of the net proceeds	HK\$ million
Expand our investment banking business	40%	1,055.3
Expand our investment management business	20%	527.6
Develop private wealth management business	20%	527.6
Invest in technology across all our business lines	10%	263.8
General corporate purposes	10%	263.8

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“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) or GREEN Application Form(s), individually or collectively, as the context so requires, which is used in relation to the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association of our Company conditionally adopted on September 7, 2018 with effect from the Listing Date, as amended from time to time, a summary of which is set out in “Summary of the Constitution of the Company and Cayman Company Law” in Appendix III
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Banking Ordinance”	Banking Ordinance (Chapter 155 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Beijing Zhulu”	Beijing Jiushi Zhulu Technology Co., Ltd. (北京就是逐鹿科技有限公司), a company incorporated in China, with limited liability on December 24, 2015, a subsidiary of the Company
“Board”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961) of the Cayman Islands, as amended and supplemented from time to time
“Cayman Registrar”	the Registrar of Companies of the Cayman Islands
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant

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“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“China” or “PRC”	the People’s Republic of China, and for the purposes of this document only, except where the context requires otherwise, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“CIC”	China Insights Consultancy Limited, an independent market research and consulting company
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company,” “our Company,” or “the Company”	China Renaissance Holdings Limited (華興資本控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on July 13, 2011
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“consolidated affiliated entities”	the entities we control through the Contractual Arrangements, namely the Consolidated Affiliated Entities and their respective subsidiaries. For further details of these entities, see “History, Reorganization and Corporate Structure”
“Consolidated Affiliated Entities”	Shanghai Quanyuan, Dazi Hualing, Dazi Huafeng, and Dazi Huashi
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, Huagan Shanghai, our Consolidated Affiliated Entities, and their shareholders on April 25, 2018, details of which are described in “Contractual Arrangements” in this document

DEFINITIONS

“Controlling Shareholder”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Bao, FBH Partners, and CR Partners, as further detailed in “Relationship with Controlling Shareholders”
“CR Asset Management”	China Renaissance Asset Management Limited, a company incorporated in Hong Kong with limited liability on June 11, 2015 and a directly wholly-owned subsidiary of the Company
“CR Partners”	CR Partners Limited, a company incorporated in the British Virgin Islands with limited liability on July 5, 2011 and one of our Controlling Shareholders
“CRS (Hong Kong)”	China Renaissance Securities (Hong Kong) Limited*, a company incorporated in Hong Kong with limited liability on June 18, 2012 and a directly wholly-owned subsidiary of the Company
“CRS (US)”	China Renaissance Securities (US) Inc., a corporation incorporated in the state of New York, United States of America with limited liability on August 23, 2012 and a directly wholly-owned subsidiary of the Company
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Dazi Huafeng”	Dazi Huafeng Investment Consultants Co., Ltd. (達孜鐮峰投資顧問有限公司), a company incorporated with limited liability in China on August 28, 2015, and one of our Consolidated Affiliated Entities
“Dazi Hualing”	Dazi Hualing Investment Consultants Co., Ltd. (達孜鐮嶺投資顧問有限公司), a company incorporated with limited liability in China on December 30, 2015, and one of our Consolidated Affiliated Entities
“Dazi Huashi”	Dazi Huashi Entrepreneurship Investment Management Co., Ltd. (達孜鐮石創業投資管理有限公司), a company incorporated with limited liability in China on October 20, 2014, and one of our Consolidated Affiliated Entities
“Director(s)”	the director(s) of our Company
“ESOP”	the employees’ share option plan of the Company as approved by the Board on August 24, 2012, which was amended and restated on March 1, 2013, April 27, 2015, and June 5, 2018
“ESOP Participants”	option holders under the ESOP

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“Executive Committee”	the executive committee of the Company
“FBH Partners”	FBH Partners Limited, our Controlling Shareholder, a company incorporated in the British Virgin Islands with limited liability on March 12, 2004 as an investment vehicle controlled by Mr. Bao, a Founder of our Group
“Founders”	Mr. Bao and Mr. Xie Yi Jing and a Founder means any of them
“GAAP”	generally accepted accounting principles
“Global Offering”	the Hong Kong Public Offering and the International Offering
“Goldman Sachs”	Goldman Sachs (Asia) L.L.C.
“Governmental Authority”	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
“Greater China”	mainland China and Hong Kong
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited, designated by our Company
“Group,” “our Group,” “the Group,” “we,” “us,” or “our”	the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“HKFRS”	the Hong Kong Financial Reporting Standards, the financial reporting standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants. They comprise (i) the Hong Kong Financial Reporting Standards, (ii) Hong Kong Accounting Standards, and (iii) interpretations
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

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“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Public Offer Shares”	the 8,500,800 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in “Structure and Conditions of the Global Offering”)
“Hong Kong Public Offering”	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described and the Application Forms, as further described in “Structure and Conditions of the Global Offering—The Hong Kong Public Offering”
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	Code on Takeovers and Mergers and Share Buy-back issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in “Underwriting—Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	the underwriting agreement, dated September 13, 2018, relating to the Hong Kong Public Offering, entered into by, among others, the Hong Kong Underwriters and our Company, as further described in “Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering”
“Huagan Shanghai”	Huagan (Shanghai) Business Consultants Co., Ltd. (鉅滄 (上海) 商務諮詢有限公司), a wholly foreign-owned enterprise incorporated with limited liability in China on May 27, 2017 and an indirectly wholly-owned subsidiary of the Company
“Huajing Securities”	China Renaissance Securities (China) Co., Ltd. (華菁證券有限公司), a company incorporated in China, with limited liability on August 19, 2016 and a subsidiary of the Company
“Huasheng Xinhang”	Shanghai Huasheng Xinhang Capital Management Center, L.P. (上海華晟信航股權投資管理中心 (有限合夥)), a limited partnership registered in China on August 19, 2015,

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	which is the general partner of Huaxing Growth Capital RMB Fund II
“Huasheng Xinxuan”	Shanghai Huasheng Xinxuan Entrepreneurship Investment Management Center, L.P. (上海華晟信選創業投資管理中心 (有限合夥)), a limited partnership in China on December 17, 2014, which is the general partner of Huaxing Growth Capital RMB Fund I
“Huasheng Youge”	Shanghai Huasheng Youge Capital Management Co., Ltd. (上海華晟優格股權投資管理有限公司), a company incorporated with limited liability in China on October 28, 2015 and a directly wholly-owned subsidiary of Huagan Shanghai
“Huaxing Fanya”	CRP-Fanya Investment Consultants (Beijing) Limited (華興泛亞投資顧問 (北京) 有限公司), a wholly foreign-owned entity incorporated with limited liability in China on December 21, 2005 and an indirectly wholly-owned subsidiary of the Company
“Huaxing Growth Capital RMB Fund I”	formerly known as Huasheng Capital RMB Fund I, Shanghai Huasheng Lingshi Venture Investment Partners, L.P. (上海華晟領勢創業投資合夥企業 (有限合夥)), a limited partnership registered in China on December 29, 2014, the general partner of which is Huasheng Xinxuan
“Huaxing Growth Capital RMB Fund II”	formerly known as Huasheng Capital RMB Fund II, Shanghai Huasheng Lingfei Capital Partners, L.P. (上海華晟領飛股權投資合夥企業 (有限合夥)), a limited partnership registered in China on September 25, 2015, the general partner of which is Huasheng Xinhang
“Huaxing Growth Capital RMB Fund III”	Ningbo Meishan Bonded Port Huaxing Lingyun Capital Partners, L.P. (寧波梅山保稅港區華興領運股權投資合夥企業 (有限合夥)), a limited partnership registered in China on May 16, 2017, the general partner of which is Ningbo Xinshou
“Huaxing Growth Capital RMB Parallel Fund III”	Ningbo Meishan Bonded Port Huaxing Linghong Capital Partners, L.P. (寧波梅山保稅港區華興領鴻股權投資合夥企業 (有限合夥)), a limited partnership registered in China, on May 17, 2017, the general partner of which is Tianjin Huahuang
“Huaxing Growth Capital USD Fund I”	Huaxing Capital Partners, L.P., the general partner of which is Huaxing Associates, L.P.
“Huaxing Growth Capital USD Fund II”	Huaxing Capital Partners II, L.P., the general partner of which is Huaxing Associates II, L.P.

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“Huaxing Growth Capital USD Fund III”	Huaxing Growth Capital III, L.P., the general partner of which is Huaxing Associates III, L.P.
“Huaxing Healthcare Capital RMB Fund I”	Huajie (Tianjin) Healthcare Capital Partners, L.P. (華傑(天津)醫療投資合夥企業(有限合夥)), a limited partnership registered in China on December 21, 2016, the general partner of which is Tianjin Huajie
“ICBCI Capital”	ICBC International Capital Limited
“ICBCI Facilities”	the loan facilities of an aggregate amount of US\$200 million made available to the Company by ICBCI Investment Management pursuant to a facilities agreement dated October 23, 2017, as amended from time to time
“ICBCI Investment Management”	ICBC International Investment Management Limited
“ICBCI Loan”	the amount of loan utilized under the ICBCI Facilities
“ICBCI Securities”	ICBC International Securities Limited
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party” or “Independent Third Parties”	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
“International Offer Shares”	the 76,507,200 Shares being initially offered for subscription under the International Offering together, where relevant, with any additional Shares that may be sold pursuant to any exercise of the Over-allotment Option, subject to adjustment and reallocation as described in “Structure and Conditions of the Global Offering”
“International Offering”	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from the registration requirement under the U.S. Securities Act, as further described in “Structure and Conditions of the Global Offering”
“International Underwriters”	the underwriters of the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Joint Representatives and

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	the International Underwriters on or about September 20, 2018, as further described in “Underwriting—International Offering”
“Joint Bookrunners”	CRS (Hong Kong), Goldman Sachs, ICBCI Capital, ABCI Capital Limited, CCB International Capital Limited, China Securities (International) Corporate Finance Company Limited, Haitong International Securities Company Limited, Futu Securities International (Hong Kong) Limited and Huanying International (Asia) Limited
“Joint Global Coordinators”	CRS (Hong Kong), Goldman Sachs, ICBCI Capital and ABCI Capital Limited
“Joint Lead Managers”	CRS (Hong Kong), Goldman Sachs, ICBCI Securities, ABCI Securities Company Limited, CCB International Capital Limited, China Securities (International) Corporate Finance Company Limited, Haitong International Securities Company Limited, Futu Securities International (Hong Kong) Limited and Huanying International (Asia) Limited
“Joint Representatives”	CRS (Hong Kong), Goldman Sachs and ICBCI Capital
“Joint Sponsors”	Goldman Sachs and ICBCI Capital
“Latest Practicable Date”	September 7, 2018, being the latest practicable date for ascertaining certain information before its publication
“Laws”	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, orders, judgments, decrees, or rulings of any Governmental Authority (including, without limitation, the Stock Exchange and the SFC) of all relevant jurisdictions
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about September 27, 2018, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and

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	operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company conditionally adopted on September 7, 2018, with effect from the Listing Date, as amended from time to time
“MOFCOM”	the Ministry of Commerce of the People’s Republic of China (中華人民共和國商務部)
“Mr. Bao”	Mr. Bao Fan (包凡), our Chairman, Executive Director, and Controlling Shareholder
“NDRC”	National Development and Reform Commission of China (中華人民共和國國家發展和改革委員會)
“New Hope Group”	New Hope Group Co., Ltd. (新希望集團有限公司)
“Ningbo Huajie”	Ningbo Meishan Bonded Port Huajie Capital Management Co., Ltd. (寧波梅山保稅港區鐸傑股權投資管理有限公司), a company incorporated with limited liability in China on February 23, 2017 and the management company of the Huaxing Healthcare Capital RMB Fund I
“Ningbo Huaqing”	Ningbo Meishan Bonded Port Huaqing Capital Management Co., Ltd. (寧波梅山保稅港區鐸清股權投資管理有限公司), a company incorporated with limited liability in China on February 24, 2017 and an indirectly wholly-owned subsidiary of the Company
“Ningbo Xinshou”	Ningbo Meishan Bonded Port Huaxing Xinshou Capital Management Center, L.P. (寧波梅山保稅港區華興信守股權投資管理中心 (有限合夥)), a limited partnership registered in China on April 11, 2017. Ningbo Xinshou is the general partner of Huaxing Growth Capital RMB Fund III
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Public Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offer Shares are to be offered pursuant to the International Offering, to be determined as described in “Structure and Conditions of the Global Offering—Pricing of the Global Offering”
“Offer Price Range”	HK\$31.80 to HK\$34.80 per Offer Share

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“Offer Share(s)”	the Hong Kong Public Offer Shares and the International Offer Shares together, where relevant, with any additional Shares to be issued or sold by our Company pursuant to the exercise of the Over-allotment Option
“Old Contractual Arrangements”	a series of contractual arrangements entered into on May 20, 2015, which were replaced by the Contractual Arrangements dated April 25, 2018
“Over-allotment Option”	the option expected to be granted by the Company to the International Underwriters, exercisable by the Joint Representatives (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which the Company may be required to allot and issue up to an aggregate of 12,751,200 Shares (representing in aggregate 15% of the initial Offer Shares) at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure and Conditions of the Global Offering—The International Offering—Over-allotment option” in this prospectus
“PBOC”	the People’s Bank of China
“PRC Legal Advisor”	Commerce & Finance Law Offices, our legal advisor on PRC law
“Preferred Shareholders”	the holders of any Preferred Shares from time to time
“Preferred Shares”	the Series A Preferred Shares and Series B Preferred Shares
“Pre-IPO Investment(s)”	the investment(s) in the Company undertaken by the Pre-IPO Investors prior to this initial public offering, the details of which are set out in “History, Reorganization and Corporate Structure”
“Pre-IPO Investor(s)”	Series A Preferred Shareholders, Series B Preferred Shareholders, and holders of the 2018 Convertible Notes
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Underwriters) at or about the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about September 20, 2018 and in any event no later than September 24, 2018, on which the Offer Price is to be fixed by an agreement between our Company and the Joint Representatives (for

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	themselves and on behalf of the Joint Bookrunners and the Underwriters)
“Principal Share Registrar and Transfer Office”	Maples Fund Services (Cayman) Limited
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Registered Shareholders”	Mr. Du Yongbo and Mr. Wang Xinwei
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Reorganization”	the reorganization undertaken by the Company prior to and for the purpose of Listing, the details of which are set out in “History, Reorganization and Corporate Structure—Corporate Reorganization”
“RSU Participants”	participants entitled to our RSU Plan from time to time
“RSU Plan”	the China Renaissance Holdings Limited 2018 Restricted Share Unit Plan as approved by Board on June 15, 2018. See “Statutory and General Information—E. RSU Plan” in Appendix IV to this document
“RSUs”	restricted share units
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	The State Administration of Foreign Exchange of China (中華人民共和國國家外匯管理局)
“SAIC”	State Administration for Industry and Commerce of the People’s Republic of China (中華人民共和國國家工商行政管理總局)
“SAT”	State Administration of Taxation of China (中華人民共和國國家稅務總局)
“SCNPC”	Standing Committee of the National People’s Congress (全國人民代表大會常務委員會)
“Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

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“Series A Preferred Shareholders”	the holders of Series A Preferred Shares, namely Renaissance Greenhouse HK Limited and Greenhouse CR Holdings Co., Ltd.
“Series A Preferred Shares”	the series A preferred shares of the Company, par value US\$0.000025 per share, 60,000,000 of which are currently in issue and held by the Series A Preferred Shareholders
“Series B Preferred Shareholders”	the holders of Series B Preferred Shares
“Series B Preferred Shares”	the series B preferred shares of the Company, par value US\$0.000025 per share, 84,369,948 of which are currently in issue and held by the Series B Preferred Shareholders
“SFC”	Securities and Futures Commission of Hong Kong
“Shanghai Huasheng”	Shanghai Huasheng Capital Management Co., Ltd. (上海華晟股權投資管理有限公司), a company incorporated with limited liability in China on November 25, 2014 and a subsidiary of the Company
“Shanghai Huijia”	Shanghai Huijia Investment Advisor Co., Ltd. (上海慧嘉投資顧問有限公司), a company incorporated with limited liability in China on May 28, 2008 and an indirectly wholly-owned subsidiary of the Company
“Shanghai Quanyuan”	Shanghai Quanyuan Investment Co., Ltd. (上海全源投資有限公司), a company incorporated with limited liability in China on October 28, 2014, and one of our Consolidated Affiliated Entities
“Shanghai Weihong”	Shanghai Weihong Investment Co., Ltd. (上海微宏投資有限公司), a company incorporated with limited liability in China on May 26, 2011 and an indirectly wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) in the share capital of our Company, currently with a par value of US\$0.000025 each
“Shareholder(s)”	holder(s) of our Share(s)
“Sole Financial Advisor”	China Renaissance Securities (Hong Kong) Limited
“Stabilization Manager”	Goldman Sachs (Asia) L.L.C.
“State Council”	The State Council of the People’s Republic of China (中華人民共和國國務院)
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance

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“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“the Stock Exchange” or “the Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Huahuang”	Tianjin Huahuang Enterprise Management Advisors Partners, L.P. (天津鐸煌企業管理諮詢合夥企業(有限合夥)), a limited partnership registered in China on July 16, 2018. Tianjin Huahuang is the general partner of Huaxing Growth Capital RMB Parallel Fund III
“Tianjin Huajie”	Tianjin Huajie Enterprise Management Advisors Partners, L.P. (天津華傑企業管理諮詢合夥企業(有限合夥)), a limited partnership registered in China on December 26, 2016, which is the general partner of Huaxing Healthcare Capital RMB Fund I
“Tianjin Huaqing”	Tianjin Huaqing Enterprise Management Advisors Co., Ltd. (天津華清企業管理諮詢有限公司), a limited liability company incorporated with limited liability in China on December 23, 2016 and is the general partner of Tianjin Huajie
“Track Record Period”	the three financial years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2018
“U.S. Securities Act”	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States,” “U.S.” or “US”	United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars,” “U.S. dollars,” “US\$” or “USD”	United States dollars, the lawful currency of the United States
“VAT”	value-added tax
“WHITE Application Form(s)”	the form of application for the Hong Kong Public Offer Shares for use by the public who require such Hong Kong Public Offer Shares to be issued in the applicants’ own name

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“White Form eIPO”	the application for Hong Kong Public Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the White Form eIPO Service Provider, at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“YELLOW Application Form(s)”	the form of application for the Hong Kong Public Offer Shares for use by the public who require such Hong Kong Public Offer Shares to be deposited directly into CCASS
“2018 Convertible Notes”	the convertible notes issued by the Company to various investors with the total principal amount of US\$86 million completed on May 18, 2018, and each such convertible note, a “2018 Convertible Note”
“%”	percent

* China Renaissance Securities (Hong Kong) Limited is a licensed corporation under the SFC with Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 6 (Advising on Corporate Finance) licenses. For the avoidance of doubt, China Renaissance Securities (Hong Kong) Limited is not authorized under the Banking Ordinance to carry on any banking services or make any representations with respect to providing any banking services falling within the scope of the Banking Ordinance.

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains definitions of certain terms used in this prospectus in connection with our Company and our business. These terms and their definitions may not correspond to standard industry definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.

“A Share”	ordinary shares issued by PRC domestic companies, and traded in Renminbi on the Shanghai Stock Exchange and/or the Shenzhen Stock Exchange
“ABS” or “asset-backed securities”	a debt security collateralized by a pool of assets, which can be the value of the underlying assets or the income payments derived from the underlying assets
“AUM” or “asset under management”	the value of assets managed by a fund manager, including the fair value of investments held by the funds, plus the capital contributed but not invested, the capital that the fund manager is entitled to call from the investors pursuant to the terms of their respective capital commitments; which, when used to refer to our AUM or asset under management, shall exclude that of our project funds from which we do not derive management fees and income from carried interest
“big data”	the use of advanced analytical techniques to process voluminous and diverse data sets, which greatly exceeds the capabilities of traditional database software tools in terms of data acquisition, storage, management, and analysis
“CAGR”	compound annual growth rate
“capital commitment” or “committed capital”	the amount of capital contributed to or agreed to be contributed to a private equity fund by investors; which, when used to refer to our capital commitment or committed capital, shall exclude that of our project funds from which we do not derive management fees and income from carried interest
“carried interest”	incentive compensation provided to general partner of a private equity funds to align its interest with the fund’s capital-providing investors, in the form of a percentage of the fund’s profits
“CDR” or “Chinese Depository Receipt”	depository receipts traded in the A-share market, issued by companies listed overseas (including Hong Kong)
“CEPA”	Closer Economic Partnership Arrangement between Hong Kong, Macau, and mainland China

GLOSSARY OF TECHNICAL TERMS

“CSI 300 Index”	the 300 A-share stocks traded on the Shanghai and Shenzhen stock exchanges, taken as indicative of trends in both of these markets
“ETF” or “exchange traded fund”	a security that tracks an index, commodity, or basket of security assets and trades like a stock-for-stock exchange
“FOF” or “fund of funds”	a type of investment that seeks to achieve return by holding a portfolio of other investment funds rather than investing directly in stocks, bonds or other securities
“GDP” or “gross domestic product”	a monetary measure of the market value of all final goods and services produced in a given period of time
“high-net-worth individual”	an individual with more than RMB10 million investable assets
“Historical Financial Information”	our audited consolidated financial statements for the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2018 and as of December 31, 2015, 2016, and 2017 and March 31, 2018, prepared in accordance with IFRS and including applicable disclosure required by the Listing Rules and the Companies Ordinance, as included in “Accountants’ Report” in Appendix I
“invested capital”	the amount of capital held by private equity funds and invested in portfolio companies
“IPO” or “initial public offering”	a process through which a privately held company is transformed into a public company, underwritten by one or more investment banks
“IT”	information technology
“LIBOR” or “London Interbank Offer Rate”	the global reference rate for unsecured short-term borrowing in the interbank market
“M&A” or “mergers and acquisitions”	transactions in which the ownership of companies, operating units, or other business organizations are transferred or consolidated with other entities
“MSCI index”	a global stock market index which collects such data as stock price and stock volume, and sets as a constituent stock the 60% of the market value in a certain standard for each industry
“NEEQ”	National Equities Exchange and Quotations (全國中小企業股份轉讓系統)
“new economy”	sectors in the economy that realize rapid growth through entrepreneurship, technological advancements, and innovative business models, among others, with a broad and expanding scope as innovations on business models and advancements on technologies move forward

GLOSSARY OF TECHNICAL TERMS

“O2O”	online to offline
“Shanghai-Hong Kong stock connect”	cross-boundary investment channel that connects the Shanghai Stock Exchange and the Hong Kong Stock Exchange
“Shanghai Stock Exchange Composite Index”	a market composite made up of all A shares and B shares that trade on Shanghai Stock Exchange
“Shenzhen-Hong Kong stock connect”	a cross-boundary investment channel that connects the Shenzhen Stock Exchange and the Hong Kong Stock Exchange
“TME”	the technology, media, and entertainment industry
“TMT”	the technology, media, and telecom industry
“transaction value”	the reported or announced value of a transaction, such as the amount of total investment for an equity financing transaction, the amount of consideration for an M&A transaction, and amount of capital raised for an IPO or follow-on offering
“unicorn”	a start-up company valued US\$1 billion or more

FORWARD-LOOKING STATEMENTS

Certain statements in this document are forward-looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions, future events, or performance (often, but not always, through the use of words or phrases such as “will,” “expect,” “anticipate,” “estimate,” “believe,” “going forward,” “ought to,” “may,” “seek,” “should,” “intend,” “plan,” “projection,” “could,” “vision,” “goals,” “aim,” “aspire,” “objective,” “target,” “schedules,” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our future business development, financial condition and results of operations;
- our business strategies and plans to achieve these strategies;
- our ability to identify and satisfy user demands and preferences;
- our ability to maintain good relationships with business partners;
- general economic, political and business conditions in the industries and markets in which we operate;
- relevant government policies and regulations relating to our industry, business and corporate structure;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in “Risk Factors.”

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

All forward-looking statements in this document are expressly qualified by reference to this cautionary statement.

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You should carefully read and consider all of the information in this document including the risks and uncertainties described below before deciding to make any investment in our Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risks and uncertainties. The trading price of our Shares could decline due to any of these risks and uncertainties. As a result, you may lose part or all of your investment.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to doing business in China; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our businesses may be materially and adversely affected by general market and economic conditions in China and other jurisdictions where we operate.

As a financial services firm, our businesses are materially affected by conditions in the global financial markets and economic conditions throughout the world. A substantial portion of our revenue is derived from serving and investing in businesses that operate in China. As a result, unfavorable economic and market conditions in China can adversely affect our business, financial condition, and results of operations, and in particular, our financial performance in the investment banking business, as the revenues derived from this segment account for a large portion of our total revenue for the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2018. For example, revenue generated by our investment banking business is directly related to the volume and value of the transactions in which we are involved. During periods of unfavorable or uncertain market or economic conditions in China and the other jurisdictions where we operate, the volume and value of investment banking business may decrease, thereby reducing the demand for our investment banking business and increasing price competition among financial services companies seeking such engagements. Our results of operations would be adversely affected by any such reduction in the volume or value of private placement or M&A transactions. In addition, our profitability would be adversely affected due to our fixed costs and the possibility that we would be unable to reduce our variable costs without reducing revenue or within a timeframe sufficient to offset any decreases in revenue relating to changes in market and economic conditions.

Our investment management business would also be expected to generate lower revenue in a market or general economic downturn in China and the other jurisdictions where we operate. Under our investment management business's arrangements, management fees we receive typically are based on the size of total capital commitment and carried interest we receive depends on the investment returns. Accordingly, a decline in general economic conditions, or in specific geographic markets or sectors that constitute a significant portion of our total capital commitment or our investment portfolio would be expected to cause our revenue and income to decline by causing:

- the fair value of our AUM to decrease, which would result in lower carried interest;
- some of our limited partners to make investments that they perceive as offering greater opportunity or lower risk, which would adversely affect our new fundraising activities and thus adversely affect management fees we may earn in the future; or

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- some of our limited partners to default on their capital commitments, which would materially and adversely affect our financial conditions and result of operation.

If our investment management revenue declines without a commensurate reduction in our expenses, our net income would be reduced. In addition, in the event of a market or general economic downturn, our investment management practices also may be impacted by a difficult fundraising environment and reduced exit opportunities in which to realize the value of their investments.

The results of operations of Huajing Securities are primarily affected by the inherent risks associated with the securities market in China, including market volatility, changes in investment sentiment, fluctuations in trading volume, liquidity changes, and the creditworthiness or the perceived creditworthiness of the securities market in China. As the PRC capital markets are still evolving, market conditions may change rapidly. In addition, global financial market conditions may affect the financial market conditions in China. For example, the PRC financial market has experienced significant volatility in the past four years. The Shanghai Stock Exchange Composite Index initially rose from the second half of 2014 to early June 2015, reaching to a year high of 5,166.4 at the closing of June 12, 2015. During this period, the stock trading volume in the domestic A Share market increased significantly. However, the A Share market has experienced a sharp decline and significant volatility since mid-June 2015 with the Shanghai Stock Exchange Composite Index dropping to its low end of 2,927.3 at the closing of August 26, 2015. The average daily trading volume of the A-share market in China decreased by 47.7% from RMB1.0 trillion in 2015 to RMB578.8 billion in 2016. In response, the PRC government has taken regulatory measures to stabilize the market, including providing more liquidity to the market, reducing the number and scale of IPOs, encouraging substantial shareholders, directors, supervisors, and senior management of listed companies to increase shareholding in their companies, and regulating the reduction of shareholding of shareholders in A share listed companies. The negative market trend was reversed in 2017, but these regulatory measures may have a potential adverse effect on market liquidity and new offering channel, which could in turn affect the results of operations of Huajing Securities. Additionally, the ongoing trade dispute and global economic volatility may impose further uncertainty on our business.

In addition, the future market and economic climate may deteriorate because of many factors, such as a general slowing of economic growth globally or in China, periods of disruption or volatility in securities markets, volatility and tightening of liquidity in credit markets, volatility or significant realignments in currency markets, increases in interest rates, inflation, corporate or sovereign defaults, natural disasters, terrorism or political uncertainties.

We are subject to risks associated with operating in the rapidly evolving new economy sectors.

As an investment banking and investment management firm dedicated to serving the new economy sectors, we are subject to risks associated with operating in rapidly evolving industries. We serve clients across a number of new economy markets, including but not limited to technology, media, entertainment, healthcare, and new energy. The new economy sectors have experienced periods of rapid expansion, transformed China's economy with innovative business models, and significantly contributed to China's economic growth. However, there are significant uncertainties with respect to the growth and sustained profitability of these markets. The short-term growth of the new economy businesses may not be as fast as we expect, while the long-term viability and prospects of the new business models remain relatively untested. Our future business, financial conditions, and results of operations will depend on the performance of our new economy clients.

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The factors affecting the development of the new economy businesses and the performance of our new economy clients include:

- our clients' ability to enhance their existing services, to introduce new products that meet customer preference, and to expand their markets;
- the complex regulatory landscape and governmental measures affecting the new economy businesses in China;
- our clients' ability to implement a variety of new operational systems and to adapt to technological changes;
- the appeal of the new economy businesses to continue to attract, retain, manage, and motivate the key talent; and
- the global economic fluctuations and market trends

Most of these factors are beyond the control of our clients and ourselves. For example, if new regulatory measures impose strict licensing requirements on our new economy clients, our clients may incur substantial cost in obtaining the requisite licenses and suffer declines in their profits. Moreover, if our clients are unable to meet the licensing requirements, they may be compelled to discontinue successful business operations, or be subject to warnings, fines, and confiscation of illegal gains. Such significant business interruptions may materially and adversely affect the result of operations and financial conditions of our clients. Consequently, the material and adverse changes to the operations of our clients may reduce their demand for our services, thereby substantially affecting our overall revenue.

The financial services industry, and all of the subsectors in which we compete, are intensely competitive.

The financial services industry in China and other jurisdictions where we operate is intensely competitive, and we expect it to remain so. We compete based on a number of factors, including experience and insights in China's new economy, ability to adapt to evolving financial needs of new economy companies, the quality of our advice, our employees and transaction execution, the range and price of our products and services, our innovation, and our reputation. If we fail to compete effectively against our competitors, our business, financial conditions, results of operations, and prospects will be materially and adversely affected.

We primarily compete with investment banks and private equity firms in China. Some of our competitors may offer a wider range of products, from loans, deposit-taking, and insurance to brokerage, asset management, and investment banking services, which may enhance their competitive position. They may also have the ability to support investment banking, including financial advisory services, with commercial banking, insurance, and other financial services in an effort to gain market share, which could result in pricing pressure in our businesses. We may also face increasing competition in overseas financial markets where we operate.

For specific deals, we have also experienced intense fee competition in some of our businesses in recent years, and we believe that we may experience pricing pressures in these and other areas in the future as some of our competitors seek to obtain increased market share by reducing fees.

We primarily focus on providing financial services to new economy companies, which generally requires us to react promptly to the evolving demand of our clients and be able to provide

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innovative financial solutions tailored to those clients. We may not be able to compete effectively with our competitors at all times and always be able to provide innovative financial solutions that promptly and accurately address our client needs. If that were to happen, our ability to attract new or retain existing leading new economy clients will suffer, which would materially and adversely affect our revenue and earnings.

Also, a number of additional factors may increase the competitive risks of our investment banking, investment management, and Huajing Securities businesses:

- other industry participants will from time to time solicit our employees in order to compete in our lines of business; and
- certain of our practices and products are newly established and relatively preliminary.

Any failure by us to compete effectively with our competitors could result in a decline of our market share, which in turn will adversely affect our results of operations and market reputation.

Our profitability may fluctuate and we may incur net loss in the future.

Our profit attributable to owners of the Company was approximately US\$32,000 in 2017, reflecting a decline from 2016 and 2015. The decrease was primarily due to (i) substantial investments we made into Huajing and the investment management segments, (ii) the share options issued to incentivize our employees, and (iii) fair value loss of our convertible redeemable preferred shares.

Facing a tough market in 2017, we invested significantly to position our platform for the evolving new economy businesses, improve our research capabilities, and enhance our overall human capital and technology. In April 2017, we launched our Huaxing Healthcare Capital RMB Fund I, which invests in broad healthcare segments, such as medical device, medicine, and healthcare services. In December 2017, we injected substantial capital into Huajing Securities, our China-focused, multi-licensed investment banking subsidiary. Due to its limited operating history, Huajing incurred losses in 2016 and 2017. While our expansion of the investment management segment and establishment of the Huajing segment are crucial steps to provide full lifecycle coverage to China's new economy sectors, more management attention and financial output may be required, before our investments can be fully paid off.

Talent acquisition and retention is essential for us to stay abreast of market trends and navigate through shifting market conditions. We are committed to investing in human capital, provide premium on-the-job training programs, and incentivize our employees through share-based compensation. Our net profit is adjusted based on the impact of share-based compensation expenses and the change in fair value of the convertible redeemable preferred shares, we incur significant cost when granting employment benefits. Our share-based compensation expense in 2017 was US\$8.2 million, reflecting a significant increase from the US\$3.6 million in 2016. Moreover, in June 2016, we issued the 2016 Convertible Notes, which had been fully converted into 3,260,868 Series B convertible redeemable preferred shares in April 2017. As the valuation of the Company increased, the fair value of our convertible redeemable preferred shares increased significantly by 84.1% from a fair value loss of US\$14.0 million for 2016 to a fair value loss of US\$25.7 million for 2017, and from a fair value loss of US\$3.2 million for the three months ended March 31, 2017 to a fair value loss of US\$73.8 million for the three months ended March 31, 2018. We may continue to recognize such fair value loss for the rest of this year, until the conversion of preferred shares into ordinary shares upon the Listing.

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We believe that our commitment to expand our businesses and to invest in talent is crucial for the sustainability of our operations. However, we may have difficulty adapting to the rapidly changing market. We may not be able to increase our gross margin by generating more revenues while effectively managing our costs. We cannot assure you that we will always generate net profits from our operating activities in the future.

Our operations depend on key management and professional staff and our business may suffer if we are unable to recruit or retain them.

The success of our business is dependent, to a large extent, on the continued services of our senior management, including Mr. Bao, Mr. Xie Yi Jing, Mr. Du Yongbo, and Mr. Wang Xinwei. For details of our key management, see “Directors and Senior Management.” If we lose the services of our core management members, we may not be able to execute our existing business strategy effectively, or we may have to change our current business direction. Such disruptions to our business may take up significant energy and resources of the Company, and materially and adversely affect our future prospects.

Moreover, our daily operations depend on the members of our mid-level management, experienced investment and trading managers, licensed sponsor representatives, risk management officers, research analysts and IT specialists. We devote considerable resources to the recruiting and retaining these personnel, including through the issuance of preferred shares and share-based compensation. However, the market for quality professionals is increasingly competitive. We expect to face significant competition from other investment banks and technology companies in hiring such personnel. The intense competition may require us to offer more competitive compensation and other benefits to our talent, which could materially and adversely affect our financial condition and results of operations. Additionally, as we mature, the incentives to attract employees provided by our equity awards may not be as effective as in the past. As a result, it may be difficult for us to continue to retain and motivate these employees, and this could affect their decisions about whether or not they continue to work for us. If we do not succeed in attracting, hiring, and integrating excellent personnel, or retaining and motivating existing personnel, we may be unable to grow effectively.

We are exposed to the risk of harm to our reputation, which may have a material adverse effect on our business, results of operations, and financial condition.

We and our products and services are vulnerable to adverse market perception as we operate in an industry where integrity, client trust and confidence are critical. Incidents/events that could harm our reputation include, without limitation, client complaints, negative performance of our products, regulatory investigations or penalties, litigation and disputes, any form of negative publicity, and unauthorized use of our brand name. Any harm to our reputation could discourage existing and potential clients from purchasing products or services from us. As a result, any harm to our reputation may have a material adverse effect on our business, results of operations, and financial condition.

Our Huajing Securities business has limited operating history and may be subject to extensive and complex regulation in China.

We operate our securities businesses in China through Huajing Securities, which was established in August 2016. The business scope of Huajing Securities primarily includes securities brokerage, securities investment consulting, securities underwriting and sponsorship, and securities

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asset management. We have limited experience in operating these businesses in China and incurred operating losses of US\$16.1 million, US\$29.0 million and US\$2.8 million in 2016 and 2017 and the three months ended March 31, 2018. Our ability to achieve profitability for these businesses will depend in large part on our ability to continuously provide quality services, expand our customer base, promote our brand recognition, and optimize our platform. Accordingly, we intend to continue to invest heavily for the foreseeable future in system upgrade and management capabilities. However, we cannot assure you that we will definitely be able to generate net profits or positive cash flow from operating activities of these businesses in the future. We may still incur net losses for our businesses in China for some time in the future.

In addition, Huajing Securities is subject to capital requirements that may restrict its business activities. According to the Measures for the Risk Control Indexes of Securities Companies (《證券公司風險控制指標管理辦法》) promulgated by China Securities Regulatory Commission, or the CSRC, securities companies in China must maintain, on a continual basis, a minimum risk coverage ratio of 100%, a minimum capital leverage ratio of 8%, a minimum liquidity coverage ratio of 100%, and a minimum net steady fund rate of 100%. As of December 31, 2015, 2016, and 2017, and March 31, 2018, Huajing Securities is in compliance with all of these capital requirements. If it fails to meet regulatory capital requirements in relevant jurisdictions, the local regulatory authorities may impose penalties on us or limit the scope of our business, which could, in turn, have a material adverse effect on our financial condition and results of operations. The relevant regulatory requirements are evolving and subject to change or different interpretations by relevant government authorities, all of which are out of our control. As a result, we cannot assure you that we will be deemed compliant with applicable regulatory requirements at all times. Material incidents of noncompliance may subject us to sanctions, fines, penalties, disqualification for our existing businesses or rejection for renewal of our qualifications upon expiry, or other administrative penalties, regulatory actions and self-disciplinary actions by the PRC regulatory authorities, which may harm our reputation and materially adversely affect our business, financial condition, and results of operations.

A significant portion of our revenue is derived from investment banking in connection with financial advisory assignments for our investment banking clients, which are not long-term contracted sources of revenue and are subject to intense competition, and declines in these engagements could have a material adverse effect on our financial condition and results of operations.

We historically have earned a substantial portion of our revenue from advisory fees paid to us by our financial advisory clients, which usually are payable upon the successful completion of a particular transaction or restructuring. For example, for the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2018, revenue from investment banking was accounted for approximately 93.5%, 78.9%, 70.9% and 55.1% of our total revenue, respectively. We expect that we will continue to rely on investment banking for a substantial portion of our revenue for the foreseeable future, and a decline in our engagements would adversely affect our business, financial condition, and results of operations.

In addition, we operate in a highly competitive environment where there are typically no long-term contracted sources of revenue. Each revenue-generating engagement typically is separately awarded and negotiated. Furthermore, many of our clients do not routinely require our services. As a consequence, our engagements with many clients are not likely to be predictable. We may also lose clients each year, including as a result of the sale or merger of a client, or due to a change in a client's

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senior management and competition from other financial advisors and financial institutions. As a result, our engagements with clients are constantly changing and our financial advisory fees as well as our total revenue could fluctuate or decline quickly due to the factors discussed above.

Our investment banking business is dependent on our ability to identify, execute, and complete projects successfully and is subject to various risks associated with underwriting and financial advisory services.

For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2018, the revenue of our investment banking business accounted for approximately 93.5%, 78.9%, 70.9%, and 55.1% of our total revenue, respectively.

We are exposed to uncertainties in regulatory approvals for securities offerings that we sponsor or underwrite and M&A transactions that we advise. The primary offerings of securities, especially IPOs, and certain types of M&A of listed companies in China, the United States, and other jurisdictions where we operate, are subject to reviews and approvals by various regulatory authorities. As a result, the results and timing of regulatory approvals are beyond our control and may cause substantial delays to, or the termination of, securities offerings underwritten by us or M&A advised by us. We receive the payment of underwriting commission in most securities offerings and payment of advisory fees in some M&A transactions only after the successful completion of the transaction. If a transaction is not completed as scheduled or at all for any reason, we may not receive underwriting commission or advisory fees for services that we have provided in a timely manner or at all, which could materially and adversely affect our results of operations.

Furthermore, the business laws in China are constantly evolving. PRC securities firms may face increasing challenges in terms of deal execution, client development, pricing, distribution capabilities and legal risks arising from the adoption of such a registration-based system. If we are unable to adapt our business strategies to such legal challenges, we may not be able to compete effectively, which could in turn materially and adversely affect our business, financial condition, and results of operations.

Our equity underwriting services are subject to additional risks and there can be no assurance that the income level of our equity underwriting services can be sustained.

We have been licensed to act as an underwriter in securities offerings in Hong Kong since 2012, in the United States since 2013, and in China through Huajing Securities since 2016. We have a relatively short operating history in these jurisdictions, and compete with other investment banks which have well-established securities offering businesses. Any failure to compete effectively with other investment banks may negatively affect the growth of our equity underwriting services and our results of operations.

Market fluctuations and changes in regulatory policies may adversely affect our equity underwriting services. Our equity underwriting services have been and may in the future be adversely affected by economic and market conditions. Poor economic conditions may adversely affect investor confidence, resulting in significant industry-wide declines in the size and number of securities offerings, which could adversely affect our revenue from the equity underwriting services. Adverse capital market conditions and market volatility may also cause delays to, or even termination of, securities offerings underwritten or sponsored by us, which may materially and adversely affect our revenue from the equity underwriting services.

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In addition, in acting as a sponsor or underwriter in securities offering and listing, we may be subject to litigation, securities class action, claims, administrative penalties, regulatory sanctions, fines, disciplinary actions, or may be otherwise legally liable in the United States, Hong Kong, and China. Our reputation may be affected due to inadequate due diligence in connection with compliance supervision after the securities offerings, fraud, or misconduct committed by issuers, other sponsors, their agents, or our staff, misstatements and omissions in disclosure documents, or other illegal or improper activities that occur during the course of the underwriting process, which may adversely affect our business and operating results. Our equity underwriting services may also be affected by new rules and regulations, changes in the interpretation or enforcement of existing rules and regulations relating to the underwriting and sponsorship of securities offerings.

Our investment management business may be materially and adversely affected by poor performance of our investment portfolios, and the timing and receipt of carried interest from our investment funds are unpredictable and will contribute to the volatility of our cash flows.

Our investment management business primarily consists of private equity fund operations. In the event that any of our private equity funds were to perform poorly, our revenue, income and cash flow would decline because the value of our assets under management would decrease, which would result in a reduction in management fees, and our investment returns would decrease, resulting in a reduction in the carried interest we earn. Moreover, we could experience losses on our investments of our own principal as a result of poor investment performance by our investment funds. In addition, the partnership documents governing our private equity funds generally include a “clawback” provision that, if triggered, may give rise to a contingent obligation requiring the general partner to return amounts to the fund for distribution to the fund investors at the end of the life of the fund. Under a clawback obligation, upon the liquidation of a fund, the general partner is required to return, typically on an after-tax basis, previously distributed carry to the extent that, due to the diminished performance of later investments, the aggregate amount of carry distributions received by the general partner during the term of the fund exceed the amount to which the general partner was ultimately entitled, including the effects of any performance thresholds. If, as a result of poor performance of later investments in a carry fund’s life, the fund does not achieve certain investment returns for the fund over its life, we will be obligated to repay the amount by which carried interest that was previously distributed to us exceeds amounts to which the relevant general partner is ultimately entitled.

Poor performance of our funds could make it more difficult for us to raise new capital. Investors and potential investors in our funds continually assess our investment funds’ performance. If the performance of our investment funds is unsatisfactory to our investors or potential investors, or is unable to outperform our competitors, investors might decline to invest in future investment funds we raise and ultimately affects our management fee revenue. Alternatively, in the face of poor fund performance, investors could demand lower fees or fee concessions for future funds which would likewise decrease our revenue.

In addition, the timing and receipt of carried interest from our investment funds are unpredictable and will contribute to the volatility of our cash flows. For example, carried interest is distributed to the general partner of a fund we manage with a clawback provision only after all of the following are met: (i) a realization event has occurred (e.g., sale of a portfolio company, dividend, etc.); and (ii) the vehicle has achieved positive overall investment returns since its inception, in excess of performance hurdles where applicable. Carried interest payments from investments depend on our funds’ performance and opportunities for realizing gains, which may be limited. It takes a substantial

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period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value (or other proceeds) of an investment through a sale, public offering or other exit. To the extent an investment is not profitable, no carried interest will be received from our funds with respect to that investment and, to the extent such investment remains unprofitable, we will only be entitled to a management fee on that investment. Furthermore, certain vehicles and separately managed accounts may not provide for the payment of any carried interest at all. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash. We cannot predict when, or if, any realization of investments will occur.

In addition, if finance providers, such as commercial and investment banks, make it difficult for potential purchasers to secure financing to purchase companies in our investment funds' portfolio, it may decrease potential realization events and the potential to earn carried interest. A downturn in the equity markets would also make it more difficult to exit investments by selling equity securities. If we were to have a realization event in a particular quarter, the event may have a significant impact on our cash flows during the quarter that may not be replicated in subsequent quarters. A decline in realized or unrealized gains, or an increase in realized or unrealized losses, would adversely affect our investment income, which could further increase the volatility of our quarterly results. The timing and amount of carried interest may also vary with the life cycle of our private equity funds. Our private equity funds that have completed their investment periods and are able to realize mature investments, generally referred to as being in a harvesting period, are more likely to make larger distributions than our carry paying funds that are in their fundraising or investment periods that precede the harvesting period. During times when a significant portion of our assets under management is attributable to carry paying funds that are not in their harvesting periods, we may receive substantially lower carried interest distributions.

We have investments, primarily through our private equity businesses, in relatively high-risk, illiquid assets, and we may fail to realize any profits from these activities for a considerable period of time or lose some or all of the principal amounts of these investments.

All of our existing funds invest a significant portion of their assets in securities that are not publicly traded. In many cases, there may be prohibition by contract or by applicable laws from selling such securities for a period of time or there may not be a public market for such securities. Even if the securities are publicly traded, large holdings of securities can often be disposed of only over a substantial length of time, exposing the investment returns to risks of downward movement in market prices during the disposition period. Accordingly, under certain conditions, our funds may be forced to either sell securities at lower prices than they had expected to realize or defer, potentially for a considerable period of time, sales that they had planned to make. Investing in these types of investments can involve a high degree of risk, and our funds may lose some or all of the principal amount of such investments, including our own invested capital.

Also, we have limited control over our portfolio companies. We are subject to the risk that the majority shareholders or the management of our portfolio companies may act in a manner that does not serve our interests. The general operational risks, such as inadequate or failed internal control of our portfolio companies, may also expose our investments to risks. Furthermore, our portfolio companies may fail to abide by their agreements with us, for which we may have limited or no recourse. If any of the foregoing was to occur, our business, reputation, financial condition and results of operations could be materially and adversely affected.

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In recent years, there has been increased competition for private equity investment opportunities resulting from the increased amount of capital invested in alternative funds and the increased competition for investment opportunities may reduce our returns in the future.

Separately, we have made investments from time to time using our own capital, and record certain strategic minority equity investments under investments in associates on our consolidated statements of financial position. Fluctuation in the carrying amounts of these investments will be reflected in our share of results of associates, which in turn may affect our results of operations. As of December 31, 2015, 2016, and 2017, and March 31, 2018, the carrying value of our strategic minority equity investments in associates was US\$0.6 million, US\$3.8 million, US\$5.0 million, and US\$5.2 million, respectively. In addition, these companies may not declare dividend, or even if they do, we may not be able to secure liquidity conveniently until we receive such dividend.

Our investment management business and our ability to continue to raise funds for our investment management business may be materially and adversely affected if we lose business from our investors.

We rely on our investors to raise funds for our investment management business. Our investors can be new investors who are investing in our funds for the first time, or recurring investors who have already invested in portfolios managed by us. Any unsatisfactory performance of the investment portfolio we invested on behalf of them may have an adverse impact on our relationship with our investors, both new and recurring, and undermine their trust on us. If that were to happen, we may face the risk of losing business from our recurring investors and also adversely impact our ability to attract new investors. The loss of all or a substantial portion of the investment management business provided by our investors could have a material impact on income derived from management fees and incentive allocations, as well as our ability to raise funds for our investment management business and consequently have a material adverse effect on our investment management business and results of operations or financial condition.

The due diligence that we undertake in the course of our business operations is inherently limited and may not reveal all facts that may be relevant in connection with such businesses.

In the course of providing financial advisory services, equity underwriting services, and investment management services, we endeavor to conduct due diligence review that we deem reasonable and appropriate based on relevant regulatory and market standards as well as the facts and circumstances applicable to each deal. When conducting due diligence, we are often required to evaluate critical and complex business, financial, tax, accounting, environmental, regulatory, and legal issues. Outside consultants, such as legal advisors, and accountants may be involved in the due diligence process in varying degrees depending on the type of deal. Nevertheless, when conducting due diligence and making an assessment, we are limited to the resources available, including information provided by the target company or the issuer and, in some circumstances, third party investigations. The due diligence investigation that we conduct with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating potential risks, which may subject us to potential penalties in the case of securities underwriting, or failure of investment in the case of private equity fund investment. Moreover, such an investigation will not necessarily result in the successful completion of a deal, which may adversely affect the performance of our business. In Hong Kong IPOs where we act as a sponsor, failure to perform our duties as sponsor, including but not limited to conducting due diligence pursuant to the standards in the Practice

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Note 21 of the Listing Rules or keeping the necessary records of due diligence may also result in reputation damages, regulatory investigations, sanctions and fines, and may result in jeopardizing our SFC license in CRS (Hong Kong).

Any significant disruption in our overseas operations and failure to manage the risks associated with overseas expansion could have a material adverse effect on our overall business.

We conduct our international business through our subsidiaries in Hong Kong and New York. Our international operations subject us to additional challenges and risks, such as compliance with complex local laws and regulations, different cultural, commercial and operating environment, internal risk management, employment matters, among others. Any significant disruption in our overseas operations could have a material adverse effect on our business, financial condition, results of operations and prospects. We plan to continue to expand our overseas business and explore opportunities in other overseas markets. We intend to continue to enter into markets where we have limited or no operating experience. As a result, we may not be able to attract a sufficient number of new clients due to our limited presence and brand recognition in such overseas markets and may fail to compete effectively in these markets. In addition, such expansion may increasingly subject us to risks inherent in conducting business internationally, including but not limited to:

- we may be unable to obtain sufficient financing to support our overseas expansion;
- local political instability, civil unrest or terrorism in such regions;
- economic uncertainties and recessions in such regions;
- failure to comply with laws and regulations, approval or license requirements, as well as industry or technical standards of the overseas markets into which we expand;
- challenges in administering and providing support to overseas operations;
- differences in cultural, commercial and operating environments and corporate governance; and
- failure to recruit and retain competent personnel.

In particular, despite our efforts to comply with all applicable regulations in jurisdictions where we operate, we may fail to do so. Overseas regulators may bring administrative or judicial proceedings against us or our employees, representatives, agents, and third-party service providers. If we are unable to manage the risks resulting from our existing international business or expansion outside China, our business, reputation, financial condition, and results of operations may be adversely affected.

Reduction in our brokerage clients' trading activities or our brokerage commission rates, or our failure to expand our client base could adversely affect our business, financial condition, and results of operations.

Revenue from our sales, trading, and brokerage services depends significantly on the number of trades that we execute for our clients, which in turn is influenced by market conditions in China, Hong Kong, the United States, and other jurisdictions where we operate our businesses. Trading volume is influenced by macro-economic and market conditions, government monetary policies, geopolitical development, fluctuations in interest rates and investor behavior, all of which are beyond our control. Our brokerage business could also be adversely affected by a reduction in our brokerage commissions as a result of increased price competition in the brokerage industry. We believe that price competition

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and pricing pressure will continue as investors are increasingly less willing to pay for brokerage services, and some of our competitors seek to obtain market share by further reducing brokerage fees and commissions. As a result, our brokerage revenues could decline in the future, which could adversely affect our results of operations and financial condition.

We face additional risks as we offer new products and services, transact with a broader array of clients and counterparties and expose ourselves to new asset classes and markets.

We are committed to providing new products and services in order to strengthen our market position in the financial services industry and the securities industry. We expect to expand our product and service offerings as permitted by relevant regulatory authorities, transact with new clients not in our traditional client base and enter into new markets. Meanwhile, we expect to further expand our overseas business. These activities expose us to new and increasingly challenging risks, including, but not limited to:

- we may have insufficient experience or expertise in offering new products and services and dealing with inexperienced counterparties and clients may harm our reputation; we may be subject to stricter regulatory scrutiny, or increased tolerance of credit risks, market risks, compliance risks and operational risks;
- we may be unable to provide clients with adequate levels of service for our new products and services;
- our new products and services may not be accepted by our clients or meet our profitability expectations; and
- our new products and services may be quickly copied by our competitors so that its attractiveness to our clients may be diluted.

If we are unable to achieve the expected results with respect to our offering of new products and services, our business, financial condition, operating results and prospects could be materially and adversely affected.

Also, as the markets in which we operate continue to evolve, we continue to respond by expanding our business and adjusting our strategies accordingly. New business initiatives often result in new products and services or transactions with individuals or entities that are not our traditional clients or counterparties. These business activities expose us to new risks, including reputational risks, when dealing with less sophisticated counterparties and investors, greater regulatory scrutiny and increased credit, and operational and market risks.

A significant decrease in our internal or external liquidity, or potential lack of access to credit could adversely affect our business and reduce clients' confidence in us.

Maintaining adequate liquidity is crucial to our business operations as we continue to expand our investment banking, investment management, Huajing Securities businesses with substantial cash requirements. We meet our liquidity needs primarily through cash generated from operating activities and debt financing. A reduction in our liquidity could reduce the confidence of our clients or counterparties in us, which may result in the loss of business and client accounts.

Factors that may adversely affect our liquidity position include, among others, a significant increase in our services and products which provide financing for our clients, large underwriting on a

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firm commitment basis in our investment banking business, failure to liquidate financial asset investments at reasonable prices, over-concentration of holdings in certain assets or assets classes, early redemption of our products by clients, mismatch of durations of assets and liabilities, and increased regulatory capital requirements or other regulatory changes. We may need to seek further financing or sell assets to meet our liquidity needs. During periods of adverse credit and capital market conditions, potential sources of external financing could be limited or unavailable at all, and our financing costs could increase. In addition, our ability to sell assets may be impaired if other market participants are seeking to sell similar assets at the same time, which is likely to occur in a liquidity crunch or other market crisis. Under such circumstances, we may have to curtail our business activities and increase our cost of funding, which could adversely affect our business, financial condition, and results of operations.

In addition, we will need to satisfy various liquidity requirements in order to maintain or expand our scope of business, especially innovative products and services. Failure in the future to comply with the mandatory liquidity requirements, or any heightened requirements for specific business, may result in self-regulatory measures imposed by the CSRC or the SAC. Any of these could have a material adverse effect on our business development and reputation.

Our interest expenses resulting from our indebtedness increased from nil in 2015 to US\$0.02 million in 2016 and further to US\$1.4 million in 2017. The substantial increase in our interest expenses from 2016 to 2017 was due to a bank loan utilized in November 2017. We are obligated to repay such bank loan, together with any accrued and unpaid interest, within ten business days after the closing of the Global Offering. Going forward, we may continue to incur substantial amount of debts, and our interest expenses may continue to increase. A higher level of indebtedness could adversely affect us in a number of ways, such as (i) limiting our ability to obtain any future financing needed for working capital, strategic investment, debt service requirements or other purposes; (ii) limiting our flexibility in planning for or reacting to changes in our business; (iii) placing us at a competitive disadvantage with competitors that have lower levels of debt; (iv) increasing our financing costs; (v) making us more vulnerable to a downturn in our business or the economy generally; (vi) subjecting us to the risk of being forced to refinance our debts at higher interest rates; or (vii) requiring us to use a substantial portion of our cash to pay principal and interest on our debt instead of for other purposes such as working capital and other capital requirements. Any such increase could adversely affect our business, financial conditions, results of operations, or prospects.

We had negative operating cash outflows in 2017 and cannot guarantee that we will always generate positive operating cash flows in the future.

We had positive net cash flows from operating activities in 2015 (US\$40.8 million) and 2016 (US\$78.0 million), but recorded negative net cash flows of US\$5.8 million in 2017 due to operating loss from Huajing Securities. We cannot assure you that we will be able to generate positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected by the negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all. If we continue to have negative operating cash flows in the future, our liquidity and financial condition may be materially and adversely affected.

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The fair value measurement of certain of our assets and liabilities is subject to significant uncertainties and risks and the fair value changes of such assets and liabilities may materially and adversely affect our results of operations.

We make estimates and assumptions when valuing certain of our assets and liabilities. The fair value of financial assets and liabilities that are not traded in an active market, such as our convertible redeemable preferred shares, is determined using valuation techniques. We use our judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Changes in these assumptions and estimates could materially affect the respective fair value of these assets and liabilities. We have used the discounted cash flow method to determine the underlying equity value of our Company and adopted the equity allocation model to determine the fair value of our convertible redeemable preferred shares. For a discussion of assumptions and other information regarding our valuation methodologies, see “Appendix I—Accountants’ Report—Notes to the Consolidated Financial Statements—Critical Accounting Judgments and Key Sources of Estimation Uncertainty.” The valuation methodologies that we use may involve a significant degree of management judgment and are inherently uncertain, and may result in material adjustment to the carrying amounts of certain assets and liabilities, which in turn may materially and adversely affect our results of operations.

During the Track Record Period, we issued convertible redeemable preferred shares, which are designated as financial liabilities at fair value through profit or loss. We also made investments in various kinds of financial assets. The fair value measurement of these assets and liabilities is subject to significant uncertainties and risks.

Our convertible redeemable preferred shares are managed on a fair value basis rather than by maturity dates because we recognize convertible redeemable preferred shares at fair value through profit or loss. The fair value of our convertible redeemable preferred shares is affected by changes in our equity value. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2018, our fair value loss of convertible redeemable preferred shares was US\$34.0 million, US\$14.0 million, US\$25.7 million, and US\$73.8 million, respectively. The increase in the fair value loss was primarily due to the increase in the valuation of our Company. The fluctuation in the fair value of our convertible redeemable preferred shares may materially and adversely affect our results of operations for the year ended December 31, 2018, although we will not incur any fair value loss of our convertible redeemable preferred shares following the Listing, upon which all of our convertible redeemable preferred shares will be converted into ordinary shares.

In addition, the inherent uncertainties and risks associated with investment in private companies may affect the fair value of our financial assets. Unsatisfactory results of operations of these private companies for a prolonged period, failure to achieve our intended objectives or benefits in making these investments, or other negative market or industry conditions may result in significant decrease in the value of our financial assets, which in turn may materially and adversely affect our results of operations.

Our substantial amounts of deferred tax assets are subject to uncertainties.

Our deferred tax assets increased significantly from US\$1.7 million as of December 31, 2015 to US\$14.3 million as of December 31, 2017 and further to US\$17.4 million as of March 31, 2018. Based on our accounting policies, the recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where

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the actual future profits generated are less than expected, a material reversal of deferred assets may arise, which will be recognized in profit or loss in the periods in which such a reversal takes place. In cases where the actual future profits generated are higher or lower than expected, the deferred tax assets will be adjusted accordingly and the corresponding amounts will be recognized in the consolidated statements of profit or loss and other comprehensive income in the periods in which such a situation takes place.

In the application of our accounting policies, our management is required to make judgments, estimates, and assumptions that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Therefore, actual results may differ from these accounting estimates.

We face risks associated with our investment in structured entities securitization arrangements.

During the Track Record Period, we held interests in certain unconsolidated structured entities, which include (i) cash management products issued by financial institutions and investments in third-party private equity funds in our capacity as a limited partner, and (ii) our own private equity funds where we act as a general partner. For more details of these unconsolidated structured entities, see “Appendix I—Accountants’ Report—Notes to the Consolidated Financial Statements—Structured Entities—Unconsolidated structured entities.” We cannot assure you that we may not enter into similar arrangements, or invest in other types of structured entity in the future to achieve improved liquidity or optimize investment return, as we deem appropriate. The success of such securitization arrangement rests upon a broad range of factors, many of which are beyond our control, including the cash flow of underlying assets, performance of the portfolio companies of private equity funds, and general economic and regulatory environment in China. Changes in any of these factors may materially and adversely affect our interests in these structured entities. In addition, we may need to consolidate structured entities if we acquire control over these structured entities under IFRS. If such consolidation is required, our total financial assets may enlarge significantly and the impact of fair value measurement of financial assets on our results of operations may materially and adversely increase. For more details of the risk associated with the fair value measurement of some of our assets and liabilities, see “Risk Factors—Risks Relating to Our Business and Industry—The fair value measurement of certain of our assets and liabilities is subject to significant uncertainties and risks and the fair value changes of such assets and liabilities may materially and adversely affect our results of operations.”

Our risk management and internal control systems, as well as the risk management tools available to us, may not fully protect us against various risks inherent in our business.

Currently, we follow our comprehensive internal risk management framework and procedures to manage our risks, including but not limited to, reputational risk, legal risk, regulatory and compliance risk, operational risk, market risk, liquidity risk, and credit risk. However, our risk management policies, procedures and internal controls may not be adequate or effective in mitigating our risks or protecting us against unidentified or unanticipated risks. In particular, some methods of managing risks are based upon observed historical market behavior and our experience in the securities industry. These methods may fail to predict future risk exposures, which could be significantly greater than those indicated by our historical measures. Other risk management methods depend upon an evaluation of available information regarding operating and market conditions and other matters, which may not be accurate, complete, up-to-date or properly evaluated. In addition, the capital markets in China are rapidly developing, the information and experience that we rely on for our risk

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management methods may become quickly outdated as capital markets and regulatory environment in China continue to evolve. Deficiencies in our risk management and internal control systems and procedures may adversely affect our ability to identify or report our deficiencies or non-compliance. Any of these may have a material and adverse effect on our business, financial condition, and operating results.

Operational risks relating to the failure of our or any third party's data processing systems or other information technology systems, or any errors in the operation of such systems by our employees may disrupt our investment management business, result in losses, limit our business operations and growth, and damage our reputation.

Our businesses rely heavily on financial, accounting, trading and other data processing systems, as well as our employees to, among other things, execute, confirm, settle and record transactions across markets and geographic locations in a time-sensitive, efficient and accurate manner. If any of these systems does not operate properly or are disabled, or any failure by our employees in the operation of these systems, we could suffer financial loss, a disruption of its business, liability to us, regulatory intervention and/or reputational damage. In addition, our businesses are highly dependent on information systems and technology, and the cost of maintaining such systems may increase from its current level. Any failure to accommodate the operational needs of our businesses, or an increase in costs related to such information systems, could have a material adverse effect on us, both with respect to a decrease in the operational performance of its investment management business and an increase in costs that may be necessary to improve such systems.

Our business, profitability and liquidity may be adversely affected by deterioration in the credit quality of, or defaults by, our clients and counterparties.

We are exposed to the risk that our clients and counterparties may default on their obligations to us as a result of bankruptcy, lack of liquidity, operational failure or other reasons, or default of any credit product we invested. We regularly review our credit exposure to specific clients and counterparties and to specific industries that we believe may present credit concerns. For risk management measures we have taken, see "Risk Management." However, default risks may arise from events or circumstances that are difficult to detect or foresee. We may also fail to receive all relevant information with respect to the trading risks of our clients and counterparties. In addition, concerns about, or a default by, one institution could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect us.

Our operations may be adversely affected if we fail to obtain or maintain necessary approvals for conducting a particular business or offering specific products.

Due to the highly regulated nature of the financial industry in jurisdictions where we operate, many aspects of our business depend on obtaining and maintaining approvals, licenses, permits or qualifications from relevant regulators in China, Hong Kong and the United States. Obtaining such approvals, licenses, permits or qualifications is contingent on our compliance with regulatory requirements. Our failure to comply with regulatory requirements could limit the scope of businesses in which we are permitted to engage. Furthermore, additional regulatory approvals, licenses, permits or qualifications may be required by relevant regulators in China, Hong Kong and the United States in the future, and some of our current approvals, licenses, permits or qualifications are subject to periodic renewal. The failure to obtain or maintain our required approvals, licenses, permits or qualifications could adversely affect our results of operations and financial condition.

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Certain of our subsidiaries are subject to regulatory capital requirements, any increase or stricter enforcement or interpretation of which may adversely affect our business activities.

Certain of our subsidiaries are subject to regulatory capital requirements. For example, CRS (Hong Kong), CR Asset Management, and Maxson Securities Limited are subject to various requirements of minimum paid-up capital and minimum liquidity under the SFO in Hong Kong. CRS (US) is subject to minimum net capital and other requirements under the SEC rules in the United States. In addition, Huajing Securities is subject to minimum capital and other requirements under the Measures for the Risk Control Indexes of Securities Companies (《證券公司風險控制指標管理辦法》) in China. During the Track Record Period and up to the Latest Practicable Date, all of these foregoing subsidiaries have been in compliance with the relevant capital requirements. If any of these subsidiaries fail to meet regulatory capital requirements in the relevant jurisdictions, the local regulatory authorities may impose penalties on us or limit the scope of our business, which could, in turn, have a material adverse effect on our financial condition and results of operations. Moreover, the relevant capital requirements may be changed over time or subject to different interpretations by relevant governmental authorities, all of which are out of our control. Any increase of the relevant capital requirements or stricter enforcement or interpretation of the same may adversely affect our business activities.

We may undertake acquisitions, investments, joint ventures or other strategic alliances, which could present unforeseen integration difficulties or costs and may not enhance our business as we expect.

Our strategy includes plans to grow both organically and through acquisitions, participation in joint ventures or other strategic alliances. Joint ventures and strategic alliances may expose us to new operational, regulatory and market risks, as well as risks associated with additional capital requirements. We may not be able, however, to identify suitable future acquisition candidates or alliance partners. Even if we identify suitable candidates or partners, we may be unable to complete an acquisition or alliance on terms commercially acceptable to us. Even when acquisitions are completed, we may encounter difficulties in integrating the acquired entities and businesses, such as difficulties in retention of clients and personnel, challenge of integration and effective deployment of operations or technologies and assumption of unforeseen or hidden material liabilities or regulatory noncompliance issues. Any of these events could disrupt our business plans and strategies, which in turn could have a material adverse effect on our financial condition and results of operations. Such risks could also result in our failure to derive the intended benefits of the acquisitions, strategic investments, joint ventures or strategic alliances, and we may be unable to recover our investment in such initiatives.

Our historical growth may not be indicative of our future performance.

Our historical growth rate and results may not be indicative of our future growth or performance. There is inherent risk in using our historical financial information to project or estimate our financial performance in the future, as it only reflects our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue, gross profit margin and return on net assets for various reasons, including, but not limited to, deterioration in the market conditions of the financial services industry in China, macro-economic measures taken by the PRC government to manage economic growth and intensified competition among PRC securities firms.

In addition, our financial and operating results may not meet the expectations of public market analysts or investors, which could cause the future price of the shares to decline. Our revenue, expenses and operating results may vary from period to period due to a variety of factors beyond our

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control. As a result of these and other factors, there can be no assurance that our future revenues will increase or that we will continue to be profitable. Accordingly, investors should not rely on our historical results as an indication of our future financial or operating performance.

Fraud or misconduct by our directors, officers, employees, representatives, agents, clients, or other third parties could harm our reputation and business and may be difficult to detect and deter.

It is not always possible to detect and deter misconduct by our directors, officers, employees, representatives, agents, clients or other third parties. The precautions that we take to detect and prevent this activity may not be effective in all cases, and we may suffer significant reputational harm and financial loss for any misconduct by our employees. The potential harm to our reputation and to our business caused by such misconduct is impossible to quantify.

There is a risk that our directors, officers, employees, representatives, agents, clients or other third parties could engage in misconduct that materially adversely affects our business, including a decrease in returns on its own invested capital. We are subject to a number of obligations and standards arising from its businesses. The violation of these obligations and standards by any of our employees could materially adversely affect us and its investors. For instance, our businesses require that we properly deal with confidential information. If our directors, officers, employees, representatives, agents, clients or other third parties were to improperly use or disclose confidential information, we could suffer serious harm to our reputation, financial position and current and future business relationships. If one of our directors, officers, employees, representatives, agents, clients or other third parties were to engage in misconduct or were to be accused of such misconduct, the business and reputation of us could be materially adversely affected.

We may be subject to litigation and regulatory investigations and proceedings and may not always be successful in defending ourselves against such claims or proceedings.

The financial services industry and the securities industry face substantial litigation and regulatory risks, including the risk of lawsuits and other legal actions relating to information disclosure, sales or underwriting practices, product design, fraud and misconduct, as well as protection of personal and confidential information of our customers. From time to time we may be subject to lawsuits and arbitration claims in the ordinary course of our business brought by external parties or disgruntled employees or former employees, inquiries, investigations, and proceedings by regulatory and other governmental agencies. Actions brought against us, with or without merits, may result in administrative measures, settlements, injunctions, fines, penalties, negative publicities, or other results adverse to us that could have material adverse effect on our reputation, business, financial condition, results of operations, and prospects. Even if we are successful in defending ourselves against these actions, the costs of such defense may be significant.

In 2017, CRS (Hong Kong), one of our subsidiaries, was named as one of the defendants in three putative securities class actions filed for an unspecified amount of damages with relevant courts located in California, New York, and Alabama of the United States in connection with the IPO of ZTO Express (Cayman) Inc., or ZTO, where CRS (Hong Kong) served as an underwriter. These actions alleged, among others, that the registration statement and the prospectus filed in connection with the foregoing transaction violated Sections 11 and 12(a)(2) of the U.S. Securities Act. Defendants have filed a motion to dismiss with the court in New York and such motion to dismiss is pending decision by the court. The other two actions are currently stayed pending decision on motion to dismiss by the

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court in New York. We have not made any provisions on these litigations because we do not believe that these actions have any merits and ZTO is contractually obligated to indemnify us against all costs incurred under certain circumstances. However, we cannot assure you that we will successfully defend against these actions. If we lose any or all of these actions and ZTO fails to indemnify all costs incurred by us in connection with these actions, our financial conditions may be adversely affected.

On September 10, 2018, CRS (Hong Kong) received two securities class action complaints, both filed for an unspecified amount of damages with a state court of California in the United States. The complaints named CRS (Hong Kong) as one of the defendants in connection with the IPO of Pinduoduo Inc., where CRS (Hong Kong) acted as one of the underwriters. These two actions alleged, among others, that the registration statement and the prospectus filed in connection with the foregoing transaction violated Sections 11 and 12(a)(2) of the U.S. Securities Act. We do not believe that these two actions have any merits and Pinduoduo Inc. is contractually obligated to indemnify us against all losses, claims, damages, and liabilities incurred under certain circumstances. However, we cannot assure you that we will successfully defend against these actions. If we lose any or all of these actions and Pinduoduo Inc. fails to indemnify all losses, claims, damages, and liabilities incurred by us in connection with these actions, our financial conditions may be adversely affected.

As of the Latest Practicable Date, we had not made provision for the aforementioned actions, because we do not believe that these actions have any merits and thus the possibility of outflow of our resources is remote.

In market downturns, the number of legal claims and amount of damages sought in litigation and regulatory proceedings may increase. In addition, our affiliated organizations may also encounter litigation, regulatory investigations and proceedings for the practices in their business operations. Our clients may also be involved in litigation, investigation or other legal proceedings, some of which may relate to transactions that we have advised, whether or not there has been any fault on our part.

We may not be able to fully detect money laundering and other illegal or improper activities in our business operations on a timely basis or at all, which could subject us to liabilities and penalties.

We are required to comply with applicable anti-money laundering and anti-terrorism laws and other regulations in the jurisdictions where we operate. The anti-money laundering laws and regulations in China, Hong Kong and the United States require us to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Although we have adopted policies and procedures aimed at detecting, and preventing being used for, money-laundering activities by criminals or terrorist-related organizations and individuals or improper activities (including but not limited to market manipulation and aiding and abetting tax evasion), such policies and procedures may not completely eliminate instances where our networks may be used by other parties to engage in money laundering and other illegal or improper activities. If we fail to fully comply with applicable laws and regulations, the relevant government agencies may impose fines and other penalties on us, which may adversely affect our business.

We regularly encounter potential conflicts of interest, and our failure to identify and address such conflicts of interest could adversely affect our business.

As we expand the scope of our business and our client base, it is critical for us to be able to address potential conflicts of interest, including situations where two or more interests within our business naturally exist but are in competition or conflict. We have extensive internal control and risk management procedures that are designed to identify and address conflicts of interest. However, it is complicated and difficult to appropriately identify and address potential conflicts of interest. Conflicts of interest may exist between (i) our different businesses; (ii) us and our clients; (iii) our clients; (iv) us

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and our employees; or (v) our clients and our employees. Our failure to address conflicts of interest could harm our reputation and impair clients' confidence in us. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing could materially and adversely affect our business, financial condition, and operating results.

We may be subject to legal or regulatory liability if we are unable to protect the personal and other confidential information of our clients.

We are required to protect the personal data and confidential information of our clients under applicable laws, rules and regulations. The relevant authorities may impose sanctions or issue orders against us if we fail to protect the personal information of our clients, and we may have to pay compensation to our clients if we fail to do so. We routinely transmit and receive personal, confidential and proprietary information through the Internet and other electronic means. Any misuse or mishandling of such personal, confidential or proprietary information could result in legal liabilities, regulatory actions, reputational damage to us, and client confidence in us, which could in turn materially and adversely affect our business prospects and results of operation.

We are subject to the risks arising from any failures or inadequacies of our IT infrastructure, and heightened cyber-security risks may disrupt our businesses, result in losses, or limit our growth.

We may be subject to cyber-attacks on our critical data and we may not be able to anticipate or prevent all such attacks. We may not have the resources or technical sophistication to anticipate or prevent current or rapidly evolving types of cyber-attacks. Attacks may be targeted at us, our clients or our vendors. We may incur increasing costs in an effort to minimize these risks and could be held liable for any security breach or loss. While we have policies and procedures designed to prevent or limit the effect of the possible failure, interruption or security breach of our information and communication systems, there can be no assurance that any such failure, interruption or security breach will not occur or, if they do occur, that they will be adequately addressed. In addition, advances in computer capabilities, or other technological developments may result in the technology and security measures used by us to protect our systems being breached or compromised. Breaches can also occur as a result of non-technical issues, including intentional or inadvertent breach by our employees or by persons with whom we have commercial relationships. The occurrence of any failure, interruption or security breach of our information or communication systems could damage our reputation, result in a loss of business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability.

Certain issues relating to certain properties we lease may disrupt our occupancy and continuing use of those properties.

We have leased 27 properties for our business operations. For 8 of these leased properties, the landlords have not provided us with copies of building ownership certificates. For details, see "Business—Properties." We cannot assure you that these landlords have the right to lease the relevant properties to us. As advised by our PRC Legal Advisor, we may not be able to continue to use such properties. If ownership of the properties we have leased is disputed and/or the validity of such leases is challenged by third parties, we may not be able to continue to use those properties and have to relocate to other places, which could result in additional costs.

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Our insurance coverage may not be adequate, which could expose us to costs and business disruption.

We maintain certain insurance to cover risks in our business operations. See “Business—Insurance” for details. However, insurance companies in China generally do not offer as extensive an array of insurance products as insurance companies do in countries with more developed economies. Consequently, we do not maintain sufficient business interruption insurance or key man life insurance, which are not mandatory under PRC laws. We also do not maintain insurance policies against risks relating to the Contractual Arrangements. We believe we have obtained a prudent amount of insurance for the insurable risks relating to our business. However, there is no guarantee that the insurance policies we maintain are sufficient to cover risks in our business operations. Any business disruption, litigation, natural disaster, or accident may cause us to incur substantial costs and divert our resources, and we may have no insurance to cover such losses. As a result, our business, financial condition, and results of operations could be materially and adversely affected.

We may be subject to trademark infringement claims by third parties, which may adversely affect our business, operating results and prospects.

We are in the process of applying for the trademarks of “China Renaissance,” “华兴,” and “華興資本.” Any of these trademark applications may be rejected by any relevant trademark registration authorities, and we already had certain of such applications rejected by the Trademark Office of the SAIC for the reason that there are similar trademarks registered by third parties. As of the date of this document, we are in good communications with such third parties regarding the registered trademarks. Although we believe and as advised by our PRC Legal Advisor that the risk of us being found to be infringing the registered trademarks of third parties by PRC governmental authorities is relatively low, we cannot assure you that no third party would allege us for infringing their trademarks. Defending against such claim may subject us to costs, damages, and may harm our reputation and brand image, which may have an adverse effect on our business, operating results and prospects.

Our Controlling Shareholders are able to exercise significant influence over us, and their interests may not be aligned with our other shareholders’ interests.

Upon completion of the Global Offering, Mr. Bao, FBH Partners and CR Partners will together constitute a group of Controlling Shareholders. For details, see “Relationship with Controlling Shareholders.” As a result, by virtue of their ownership of our share capital and proxy arrangements, they will be able to exert significant influence over our business, including:

- election of our directors and supervisors;
- amount and timing of dividends and other distributions;
- acquisition of or merger with another entity;
- overall business strategies and policies;
- issuance of new securities; and
- amendments to our Articles of Association.

The interests of our Controlling Shareholders may not be consistent with the interests of our other shareholders. To the extent the interests of our Controlling Shareholders conflict with the interests of other shareholders, the interests of other shareholders can be disadvantaged and harmed.

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We may incur losses as a result of unforeseen or catastrophic events, including the emergence of a pandemic, terrorist attacks or natural disasters.

The occurrence of unforeseen or catastrophic events, including the emergence of a pandemic or other widespread health emergency (or concerns over the possibility of such an emergency), terrorist attacks or natural disasters, could create economic and financial disruptions, lead to operational difficulties (including travel limitations) that could impair our ability to manage our businesses, and expose our business activities to significant losses.

RISKS RELATING TO THE CONTRACTUAL ARRANGEMENTS

Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

In January 2015, the MOFCOM, published a discussion draft of the proposed Foreign Investment Law for public review and comments. Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of “actual control” in determining whether a company is considered a foreign-invested enterprise. Under the draft Foreign Investment Law, variable interest entities would also be deemed as foreign-invested enterprises if they are ultimately “controlled” by foreign investors, and be subject to restrictions on foreign investments. However, the draft law has not taken a position on what actions will be taken with respect to the existing companies with the “variable interest entity” structure, or the VIE structure, whether or not these companies are controlled by Chinese parties. It is uncertain when the draft would be signed into law and whether the final version would have any substantial changes from the draft.

Consequently, it is unclear whether we would be considered as ultimately controlled by Chinese parties or not. The draft Foreign Investment Law has not taken a position on what actions will be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by Chinese parties. Moreover, it is undetermined whether the services our Consolidated Affiliated Entities provides will be subject to the foreign investment restrictions or prohibitions set forth in the “negative list” to be issued. If the enacted version of the Foreign Investment Law and the final “negative list” mandate further actions, such as MOFCOM market entry clearance or certain restructuring of our corporate structure and operations, to be completed by companies with existing VIE structure like us, we face substantial uncertainties as to whether these actions can be timely completed, or at all, and our Contractual Arrangements, in the worst case scenario, may be regarded as invalid and illegal. As a result, we will not be able to operate business in China through the Contractual Arrangements and will lose our rights to receive the economic benefits from our Consolidated Affiliated Entities, such that the results of operations of our Consolidated Affiliated Entities would no longer be consolidated into our Group’s results of operations and we will have to derecognize their assets and liabilities according to the relevant accounting standards. In such case, the Stock Exchange may also consider us to be no longer suitable for listing on the Stock Exchange and cancel the listing of our Shares.

The draft Foreign Investment Law, if enacted as proposed, may also materially impact our corporate governance practice and increase our compliance costs. For instance, the draft Foreign Investment Law proposed to impose stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable foreign invested entities. Aside from investment implementation report and investment amendment report that are required at each investment and

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alteration of investment specifics, an annual report is mandatory, and large foreign investors meeting certain criteria are required to report on a quarterly basis. Any company found to be non-compliant with the information reporting obligations may potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible may be subject to criminal liabilities.

If the PRC government finds that the Contractual Arrangements that establish the structure for operating certain of our businesses in China do not comply with applicable PRC governmental restrictions on foreign investment in these businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

Our Consolidated Affiliated Entities are currently owned by shareholders who are PRC citizens. Our Consolidated Affiliated Entities entered into a series of contractual arrangements with our wholly foreign-owned subsidiary, Huagan Shanghai. We have been and are expected to continue to depend on our Consolidated Affiliated Entities and their respective subsidiaries to operate certain of our business in China. We do not have any equity ownership interest in our Consolidated Affiliated Entities and their respective subsidiaries but control their operations and receive the economic benefits attributable to our Group through the Contractual Arrangements.

There are uncertainties regarding the interpretation and application of current and future PRC laws, rules and regulations, including but not limited to the laws, rules and regulations governing the validity and enforcement of our contractual arrangements with our consolidated affiliated entities. We have been advised by our PRC Legal Advisor that the Contractual Arrangements for operating certain of our business in China (including our corporate structure and the Contractual Arrangements with the Consolidated Affiliated Entities) does not violate, breach, contravene or otherwise conflict with any applicable PRC laws, rules or regulations. However, our PRC Legal Advisor also advised that there are substantial uncertainties regarding the interpretation and application of the PRC laws, rules and regulations, including, but not limited to, those governing our business, or the enforcement and performance of our Contractual Arrangements with our Consolidated Affiliated Entities. These laws, rules and regulations may be subject to change, and their official interpretation and enforcement may involve substantial uncertainty. The PRC government has broad discretion in determining whether a particular contractual arrangement violates PRC laws, rules and regulations and the penalties for such violations. Thus we and our PRC Legal Advisor cannot assure you that the PRC regulatory authorities will not determine that our corporate structure and contractual arrangements violate existing PRC laws, rules or regulations, or will not adopt any new regulation to restrict or prohibit contractual arrangements in the business operations we conduct in the future.

If we, our Consolidated Affiliated Entities or any of their current or future subsidiaries are found to be in violation of any existing or future PRC laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of such entities;
- discontinuing or restricting such entities' operations;
- imposing fines, confiscating the income of our Consolidated Affiliated Entities or our income, or imposing other requirements with which we or our PRC subsidiaries and our consolidated affiliated entities may not be able to comply;

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- imposing conditions or requirements with which we or our PRC subsidiaries and our Consolidated Affiliated Entities may not be able to comply;
- requiring us or our PRC subsidiaries and our Consolidated Affiliated Entities to restructure our ownership structure or operations;
- restricting or prohibiting our use of the proceeds of our public offering to finance our business and operations in China; or
- taking other regulatory or enforcement actions that could be harmful to our business.

The imposition of any of these penalties would result in a material and adverse effect on our ability to conduct our business, and adversely affect our financial condition and results of operations.

We rely on Contractual Arrangements with our Consolidated Affiliated Entities and their shareholders for certain of our business operations in China, which may not be as effective in providing operational control or enabling us to derive economic benefits as through ownership of controlling equity interest.

We rely on and expect to continue to rely on the Contractual Arrangements with our Consolidated Affiliated Entities and their shareholders to operate our business in China, which are operated directly by our consolidated affiliated entities. Our wholly foreign-owned subsidiary Huagan Shanghai charges service fees from our Consolidated Affiliated Entities.

Although we have been advised by our PRC Legal Advisor that, the Contractual Arrangements with our Consolidated Affiliated Entities are valid under current PRC laws, these Contractual Arrangements may not be as effective in providing us with control over the variable interest entity as ownership of controlling equity interests would be in providing us with control over, or enabling us to derive economic benefits attributable to our Group from the operations of, our consolidated affiliated entities. If we had direct ownership of our consolidated affiliated entities, we would be able to exercise our rights as a shareholder to (i) effect changes in the board of directors of such entity, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level, and (ii) derive economic benefits attributable to our Group from the operations of such entity by causing it to declare and pay dividends. However, under the current Contractual Arrangements, as a legal matter, if the Consolidated Affiliated Entities or any of their shareholders fails to perform its, his or her respective obligations under these Contractual Arrangements, we may have to incur substantial costs and resources to enforce such arrangements, and rely on legal remedies available under PRC laws, including seeking specific performance or injunctive relief, and claiming damages, which we cannot assure you will be effective. For example, if shareholders of the Consolidated Affiliated Entities were to refuse to transfer their equity interests in the variable interest entity to us or our designated persons when we exercise the purchase option pursuant to the Contractual Arrangements, we may have to take a legal action to compel them to fulfill their contractual obligations.

If (i) the applicable PRC governmental authorities invalidate these contractual arrangements for violation of PRC laws, rules and regulations, (ii) the Consolidated Affiliated Entities or any of their shareholders terminate the Contractual Arrangements or (iii) the variable interest entity or any of their shareholders fail to perform their obligations under these Contractual Arrangements, our business operations in China would be materially and adversely affected, and the value of your shares would substantially decrease. Further, if we fail to renew these Contractual Arrangements upon their expiration, we would not be able to continue our relevant business operations unless the then-current PRC law allows us to directly operate these businesses in China.

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In addition, if the variable interest entity or all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of the relevant business activities, which could materially and adversely affect our business, financial position and results of operations. If any of the Consolidated Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate the relevant business, which could materially and adversely affect our business, our ability to generate revenues and the market price of your shares.

The Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. The legal environment in China is not as developed as in some other jurisdictions. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. In the event we are unable to enforce these Contractual Arrangements, we may not be able to exert effective control over our operating entities and we may be precluded from operating the relevant business, which may have a material adverse effect on our financial condition and results of operations.

Based on the advice of our PRC Legal Advisor, the corporate structure of our Consolidated Affiliated Entities and our subsidiaries in China are in compliance with all existing PRC laws and regulations. However, as advised by our PRC Legal Advisor, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations, and the PRC government may in the future take a view that is contrary to the above opinion of our PRC Legal Advisor. PRC laws and regulations governing the validity of the Contractual Arrangements which established our corporate structure for operating certain of our business in China are uncertain and the relevant governmental authorities have broad discretion in interpreting these laws and regulations.

The shareholders of our Consolidated Affiliated Entities may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

Conflicts of interest may arise between the dual roles of the individual who is an officer of us and a shareholder and director of our Consolidated Affiliated Entities, as well as the entities who are both affiliates of shareholders of us and shareholders of our Consolidated Affiliated Entities. These shareholders of our Consolidated Affiliated Entities may breach or cause our Consolidated Affiliated Entities to breach or refuse to renew the existing Contractual Arrangements, which will have a material adverse effect on our ability to effectively control the any of the Consolidated Affiliated Entities and receive economic benefits attributable to our Group from it. We do not have existing arrangements to address potential conflicts of interest these shareholders may encounter. We could, at all times, exercise our option under the exclusive call option agreements with our Consolidated Affiliated Entities' shareholders to cause them to transfer all of their equity ownership in our Consolidated Affiliated Entities to a PRC entity or individual designated by us, and this new shareholder of our Consolidated Affiliated Entities could then appoint new directors of our Consolidated Affiliated Entities to replace the current directors. In addition, if such conflicts of interest arise, Huagan Shanghai, our wholly foreign-owned PRC subsidiary, could also, in the capacity of the attorney-in-fact of the Consolidated Affiliated Entities' shareholders, as applicable, as provided under the related irrevocable power of attorney, directly appoint new directors of our Consolidated Affiliated Entities to replace the current directors. We rely on our Consolidated Affiliated Entities' shareholders to comply with the laws of China, which protect contracts and provide that directors of our Consolidated Affiliated Entities owe a duty of loyalty to our Consolidated Affiliated Entities and require them to

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avoid conflicts of interest and not to take advantage of their positions for personal gains. Although our independent directors or disinterested officers may take measures to prevent the parties with dual roles from making decisions that may favor themselves as shareholders of our Consolidated Affiliated Entities, we cannot assure you that these measures would be effective in all instances and when conflicts arise, these shareholders will act in the best interests of us or that conflicts will be resolved in our favor. The legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and those shareholders, we would have to rely on legal proceedings, which may materially disrupt our business. There is also substantial uncertainty as to the outcome of any such legal proceedings.

Contractual Arrangements with our Consolidated Affiliated Entities and our principal shareholders may be subject to scrutiny by the PRC tax authorities and may result in a finding that we and our Consolidated Affiliated Entities owe additional taxes or are ineligible for tax exemption, or both, which could substantially increase our taxes owed and thereby reduce our net income.

As a result of our corporate structure and the Contractual Arrangements between us and our Consolidated Affiliated Entities, we are primarily subject to 6% or 17% value-added tax, as well as enterprise income tax at the rate of 25% on revenues derived from our Contractual Arrangements with our Consolidated Affiliated Entities. Under applicable PRC laws, rules and regulations, arrangements and transactions among related parties may be subject to audits or challenges by the PRC tax authorities. We are not able to determine whether any of our transactions with our Consolidated Affiliated Entities and its shareholders will be regarded by the PRC tax authorities as arm's-length transactions. The relevant tax authorities may perform investigations to determine whether our contractual relationships with our Consolidated Affiliated Entities and their shareholders or our contracts with our principal shareholders were entered into on an arm's-length basis. If any of the transactions we have entered into among Huagan Shanghai, the Consolidated Affiliated Entities and their shareholders or with our principal shareholders are determined by the PRC tax authorities not to be on an arm's-length basis, or are found to result in an impermissible reduction in taxes under applicable PRC laws, rules and regulations, the PRC tax authorities may conduct transfer pricing adjustments and adjust the profits and losses of our subsidiaries or Consolidated Affiliated Entities and assess more taxes on them. In addition, the PRC tax authorities may impose late payment interest and other penalties on us for underpayment taxes. Our results of operations may be adversely and materially affected if the tax liabilities of our Consolidated Affiliated Entities increase or if it is found to be subject to late payment interests or other penalties.

The Contractual Arrangements may be considered by PRC tax authorities to require transfer pricing adjustments.

Under applicable PRC tax laws and regulations, arrangements and transactions between related parties may be subject to audit or scrutiny by the PRC tax authorities not exceeding ten years after the taxable year when the arrangements or transactions are conducted. The Contractual Arrangements were negotiated and executed based on an equal standing and reflect the true commercial intention of the parties thereto. Further, we entered into the Contractual Arrangements only in respect of those businesses which are subject to foreign ownership restrictions under the PRC laws and/or regulations. However, if the PRC tax authorities determine that the Contractual Arrangements were not entered into based on arm's-length negotiations and therefore constitute unfavorable transfer pricing arrangements, we may face material adverse tax consequences. Unfavorable transfer pricing arrangements may,

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among other things, result in an upward adjustment of the amount of tax we are required to pay. In addition, the PRC tax authorities may impose interest on late payments on the Consolidated Affiliated Entities or our Group for the adjusted but unpaid taxes.

We are not in a position to predict what position the PRC tax authorities may take in connection with the Contractual Arrangements. Our results of operations may be materially and adversely affected if the Consolidated Affiliated Entities' or WFOEs' tax liabilities increase significantly or if they are required to pay interest on late payments.

If we were required to obtain the prior approval of MOFCOM for or in connection with our corporate restructuring, our failure to do so may have a material adverse effect on our business.

Article 11 of the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules requires PRC domestic enterprises or domestic natural persons to obtain prior approval of MOFCOM when an offshore company established or controlled by them proposes to merge with or acquire shares or assets of a PRC domestic company with which such enterprises or persons have a connected relationship.

Our PRC Legal Advisor has advised us that the Contractual Arrangements, as a whole, did not constitute a merger or acquisition of shares or assets, and there are no provisions in the M&A Rules which classify the Contractual Arrangements as a type of merger or acquisition transaction falling under the M&A Rules.

However, our PRC Legal Advisor further advised that the M&A Rules are unclear in certain respects, including as to what constitutes a merger with or acquisition of PRC domestic enterprises and what constitutes circumvention of its approval requirements. If MOFCOM subsequently determines that its approval of the Contractual Arrangements should have been obtained, we may face regulatory actions or other sanctions by MOFCOM or other PRC regulatory agencies for not having obtained its or their approval before entering into the Contractual Arrangements. Actions that may be taken in such connection by the relevant PRC regulatory agency(ies) include: compelling us to terminate the contracts with our Consolidated Affiliated Entities, imposing such restrictions and limitations on the extent of our operation in China, imposing fines and penalties on us, delaying or restricting the repatriation of the net proceeds from the Global Offering into China, restricting or prohibiting the payment or remittance of dividends by WFOEs or others to their shareholders (including us). Any of the above actions may have an adverse effect on our business, financial condition, results of operations and prospects, as well as the trading price of our shares.

We conduct our business operation in China through our Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws and our ability to enforce the Contractual Arrangements between us and the variable interest entity's shareholders may be subject to limitations based on PRC laws and regulations.

Our Consolidated Affiliated Entities and their Registered Shareholders may fail to comply with the Contractual Arrangements and/or to take certain actions required for our business or to follow our instructions despite their contractual obligations to do so. In the event that we are not able to exert control over our Consolidated Affiliated Entities (for example, if the shareholders of our Consolidated Affiliated Entities refuse to transfer their equity interest in our Consolidated Affiliated Entities to us or

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our nominee when we exercise the call option pursuant to these Contractual Arrangements, or if they fail to increase the registered capital of our Consolidated Affiliated Entities, or if they otherwise act in bad faith toward us), then we may have to take legal action to compel them to fulfill their contractual obligations, including seeking specific performance or injunctive relief, which may not be effective without incurring significant time and cost, or at all.

All the Contractual Arrangements are governed by PRC laws and provide for dispute resolution by way of arbitration by an arbitral body (i.e. China International Economic and Trade Arbitration Commission) in accordance with its then prevailing arbitration rules. These contracts contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of our Consolidated Affiliated Entities, injunctive relief and/or winding up of our Consolidated Affiliated Entities. In addition, these contracts also contain provisions to the effect that courts of competent jurisdictions shall be empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal.

However, as advised by our PRC Legal Advisor, under PRC laws, some of the above contractual terms may not be enforceable. For instance, under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or equity-interest in our Consolidated Affiliated Entities in case of disputes. In addition, as our major assets and operations are situated and carried out in China, such remedies may not be available to us or our equity-owned subsidiaries, notwithstanding the contractual provisions contained in the Contractual Arrangements. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, PRC courts may not support such an award of the arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts or judicial authorities generally do not award injunctive relief or winding-up of our Consolidated Affiliated Entities as preliminary remedies for the purpose of protecting assets or shares in favor of any aggrieved party. Even though the Contractual Arrangements provide that overseas courts are given jurisdiction to grant and/or enforce interim remedies and support arbitral judgments and awards, such interim remedies (even if so granted by overseas courts in favor of an aggrieved party) may not be recognized or enforced by PRC courts.

For the above reasons, in the event of breach of any Contractual Arrangements by any of our Consolidated Affiliated Entities and/or their respective shareholders, and if we are unable to enforce the Contractual Arrangements, we may not exert effective control over our Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected.

Our ability to acquire the entire equity interest of our Consolidated Affiliated Entities is subject to restrictions.

We have entered into the Contractual Arrangements in order to manage our businesses in China, and we will unwind the Contractual Arrangements when PRC laws and regulations allow our businesses to be directly operated by us through the acquisition of the entire equity interests of our Consolidated Affiliated Entities. However, our acquisition of our Consolidated Affiliated Entities' equity interests may only be conducted to the extent as permitted by applicable PRC laws and may be subject to obtaining the prerequisite approvals and procedures under applicable PRC laws. In addition, our acquisition may be subject to a minimum price limitation (such as an appraised value for the entire equity interest or all assets of our Consolidated Affiliated Entities) or other limitations as imposed by applicable PRC laws, and may also be subject to substantial costs. The Registered Shareholders of our

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Consolidated Affiliated Entities have undertaken to us that if any minimum price is required to be paid by WFOEs or their respective nominee(s) to any of them, such price will be reimbursed to WFOEs or their respective nominee(s). However, the legality and enforceability of such undertakings are subject to the then applicable PRC laws and regulations. So long as the Contractual Arrangements have to be maintained, we will continue to face those risks relating to Contractual Arrangements as outlined above.

RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could reduce the demand for our services and materially and adversely affect our competitive position.

We conduct our business operations primarily in China. Accordingly, our business, financial condition, results of operations and prospects are significantly dependent on the economic, political and social conditions in China.

Although China's economy has been transitioning from a planned economy to a more market-oriented economy for almost four decades, a substantial portion of productive assets in China are still owned by the PRC government. The PRC government also exercises significant influence over the economy through allocating resources, controlling capital investment and foreign exchange, setting monetary policy and providing preferential treatment to particular industries or companies. In recent years, the PRC government has implemented reform measures emphasizing the utilization of market forces in economic development. These economic reform measures may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country.

China is one of the world's fastest growing economies as measured by GDP growth in the past 30 years and has become the world's second largest economy by gross GDP since 2010. However, there is no assurance that China's economy can sustain historical growth rates. Since the second half of 2008, the global economic slowdown, the weak U.S. economy and the sovereign debt crisis in Europe have collectively increased downward pressure on China's economic growth. China's real GDP growth rate has decreased from 10.6% in 2010 to 6.9% in 2017 and the economy is still facing considerable downward pressure. If the economic growth of China continues to slow down, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The PRC legal system has inherent uncertainties that could limit the legal protection available to you and uncertainties regarding interpretation and enforcement of the PRC laws and regulations may impose adverse impact on us.

Many of our operating subsidiaries are organized under PRC laws. The PRC legal system is based on written statutes. While prior court decisions may be cited for reference, they have limited precedential value. Many laws and regulations, including those providing for protection or restriction to various forms of foreign investments in China, have been promulgated and amended in China. Some of these laws, rules and regulations are promulgated in broad principles without clear and simultaneous implementation rules, or at all. Because of the limited volume of published decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and may be influenced by momentary policy changes imposed by the PRC government. In addition, the PRC legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until some time after the

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violation. Furthermore, the legal protection available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and it may also be difficult to enforce judgments and arbitration awards in China. Further, litigation may result in substantial costs and the diversion of resources and management attention, which in turn may have an adverse effect on our financial condition and results of operations.

As the PRC legal system develops, the promulgation of new laws or refinement and modification of existing laws may affect foreign investors. There is no assurance that future changes in legislation or the interpretation thereof will not have an adverse effect upon our business, operations or profitability. For example, our ownership of 48.82% of equity interest in Huajing Securities is subject to foreign ownership restrictions under the PRC laws and regulations. Pursuant to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單) (2018年版)》), which was promulgated on June 28, 2018 and became effective on July 28, 2018, the limit of ownership percentage by foreign investors in a securities company increased from 49% to 51%, and is expected to be lifted in 2021. For the six months ended June 30, 2018, we recorded a gain of US\$14.1 million under the fair value change of call option on our condensed consolidated statements of profit or loss and other comprehensive income. However, there can be no assurance that such foreign ownership restrictions will be lifted as expected. If the limit of ownership percentage by foreign investors in a securities company reverted back to 49% or lower, our results of operations may be adversely affected.

PRC regulations relating to offshore investment activities by PRC residents may increase our administrative burden and restrict our overseas and cross-border investment activity. If our shareholders fail to make any required applications and filings under such regulations, we may be unable to distribute profits and may become subject to liability under PRC laws.

The SAFE has promulgated several regulations that require PRC residents, including PRC individuals and PRC corporate entities, to register with and obtain approval from local counterparts of SAFE in connection with their direct establishment or indirect control of an offshore entity for the purpose of overseas investment and financing, or offshore special purpose vehicle, with such PRC residents' legally owned assets or equity interests in domestic companies or offshore assets or interests. These regulations apply to our direct or indirect shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under the currently applicable foreign exchange regulations, PRC resident shareholders must amend and update their foreign exchange registrations with the qualified banks when their offshore special purpose vehicles undergo material events or changes with respect to the basic information, such as changes to the name, the operation term or the identity of PRC resident shareholders, or increases or decreases in the investment amount, share transfers or exchanges, or mergers or divisions. In July 2014, SAFE promulgated Circular 37, pursuant to which, a PRC resident shareholder is only required to register the offshore special purpose vehicle that such shareholder directly owns the equity interests in, or the First Level SPVs. However, it is uncertain whether the PRC resident shareholders are required to amend the registrations if their offshore special purpose vehicles controlled by the First Level SPV undergo material events or changes. It is also uncertain whether Circular 37 would be retrospectively applicable to the transactions where the PRC resident shareholders should amend the relevant registrations in accordance with other foreign exchange regulations. If any PRC resident shareholder fails to make the required registration, update the previously filed registration, the PRC subsidiary of that offshore special purpose vehicle may be prohibited from distributing its profits and

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the proceeds from any reduction in capital, share transfer or liquidation to its offshore parent company, and the offshore parent company may also be prohibited from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We have requested our shareholders to make the necessary applications, filings and amendments as required under Circular 37 and other related rules if they are PRC resident shareholders. Currently, we do not have any shareholders who are PRC residents who are required to register with a local SAFE counterpart or local banks according to Circular 37. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in us, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under Circular 37 or other related rules. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, limit the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

Furthermore, as the interpretation and implementation of these foreign exchange regulations has been constantly evolving and may be uncertain under certain circumstances, it is unclear how these regulations, and any future regulation concerning offshore transactions, will be interpreted, amended and implemented by the relevant PRC governmental authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

In August 2006, six PRC regulatory authorities, including the MOFCOM, promulgated the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, which became effective on September 8, 2006 and were amended on June 22, 2009. Among other things, the M&A Rules and some other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the PRC Anti-Monopoly Law

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(《中華人民共和國反壟斷法》) requires that MOFCOM shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. We cannot preclude the possibility that MOFCOM or other governmental authorities may publish interpretations to broaden the scope of such security review in the future. Although we have no current plans to make any direct acquisitions in China, we may elect to grow our business in the future in part by directly acquiring complementary businesses. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from MOFCOM, may delay or inhibit our ability to complete such transactions.

PRC regulations on loans and direct investments by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC entities.

We are an offshore holding company primarily conducting our operations in China. We may make loans or additional capital contributions to our PRC subsidiaries subject to approvals by or registrations with relevant PRC governmental authorities.

Any loans to our PRC subsidiaries, which are treated as foreign invested enterprises, or FIEs, under PRC laws, are subject to PRC regulations and foreign exchange loan registrations. For example, any foreign loan procured by our PRC subsidiaries is required to be registered with or SAFE, or its local counterparts, and our PRC subsidiaries may not procure loans which exceed the difference between their respective registered capital and registered total investment amount. Additionally, any medium or long-term loan to be provided by us to our PRC subsidiaries must be recorded and registered by NDRC and SAFE or its local counterparts. We may also decide to finance our PRC subsidiaries by means of capital contributions. According to the relevant PRC regulations on FIEs in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System and registration with other PRC governmental authorities.

In March 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises (《關於改革外商投資企業外匯資金結匯管理方式的通知》), or SAFE Circular 19, which took effect on June 1, 2015. Although SAFE Circular 19 allows foreign-invested enterprises to settle their foreign exchange capital at their discretion, it also reiterates the principle that Renminbi converted from foreign currency-denominated capital of an FIE may not be directly or indirectly used for expenditures beyond its business scopes. In June 2016, SAFE promulgated the Circular on Reforming and Standardizing the Administrative Provisions on Capital Account Foreign Exchange (《關於改革和規範資本專案結匯管理政策的通知》), or SAFE Circular 16. SAFE Circular 16 reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using Renminbi converted from foreign currency-denominated registered capital of an FIE to issue Renminbi entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular

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16 may significantly limit our ability to transfer to and use in China the net proceeds from this offering, which may adversely affect our business, financial condition, and results of operations.

In light of the various requirements imposed by PRC laws and regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Increases in labor costs and enforcement of stricter labor laws and regulations in China may adversely affect our business and our profitability.

The economy in China has experienced increases in inflation and labor costs in recent years. As a result, average wages in China are expected to continue to increase. In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pension, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government authorities for the benefit of our employees. The relevant governmental authorities may examine whether an employer has made adequate payments to the statutory employee benefits, and those employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to control our labor costs or pass on these increased labor costs, our financial condition and results of operations may be adversely affected.

Failure to pay the social insurance and housing provident funds for and on behalf of our employees in accordance with the Labor Contract Law or comply with other PRC regulations may have an adverse impact on our financial conditions and results of operation.

Companies operating in China are required to participate in various employee benefit plans, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund and contribute to the plans in amounts equal to certain percentage of salaries, including bonuses and allowances, of their employees up to a maximum amount specified by the local government from time to time at locations where they operate their business.

According to applicable PRC laws and regulations, employers must open social insurance registration accounts and housing provident fund accounts and pay social insurance and housing provident funds for employees. During the Track Record Period, some of our subsidiaries or consolidated affiliated entities engaged third-party human resources agencies to pay social insurance and housing provident funds for some of their employees. As of the Latest Practicable Date, the human resources agencies paid insurance premium, including basic pension insurance, basic medical insurance, work injury insurance, unemployment insurance, and maternity insurance, and housing provident funds, none of these subsidiaries or consolidated affiliated entities had received any administrative penalty or labor arbitration application from employees for its agency arrangement with third-party human resources agencies. We may be subject to penalties imposed by the local social insurance authorities and the local housing provident fund management centers for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer.

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Dividends we receive from our subsidiaries located in China may be subject to PRC withholding tax, which could materially and adversely affect the amount of dividends, if any, we may pay our shareholders.

The PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), or the EIT Law, classifies enterprises as resident enterprises and non-resident enterprises. The EIT Law provides that an income tax rate of 20% may be applicable to dividends payable to non-resident investors, which (i) do not have an establishment or place of business in China or (ii) have an establishment or place of business in China but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within China. The PRC State Council reduced such rate to 10% through the implementation regulations of the EIT Law. Further, pursuant to the Double Tax Avoidance Arrangement between Hong Kong and China and the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties issued in February 2009 by the State Administration of Taxation (the “SAT”), if a Hong Kong resident enterprise owns more than 25% of the equity interest in a company in China at all times during the 12-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on dividends is reduced to 5% provided certain other conditions and requirements under the Double Tax Avoidance Arrangement between Hong Kong and China and other applicable PRC laws are satisfied at the discretion of the competent PRC tax authorities. We are a Cayman Islands holding company and we have a BVI subsidiary and three Hong Kong subsidiaries which in turn hold controlling equity interest of two PRC subsidiaries. If we and our Cayman and Hong Kong subsidiaries are considered as non-resident enterprises and each of our Hong Kong subsidiaries is considered as a Hong Kong resident enterprise under the Double Tax Avoidance Arrangement and is determined by the competent PRC tax authorities to have satisfied relevant conditions and requirements, then the dividends paid to our Hong Kong subsidiaries by its PRC subsidiaries may be subject to the reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, if the competent PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Notice on the Comprehension and Recognition of Beneficial Owner in Tax Treaties issued in October 2009 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, transferring or accumulating profits, shall not be recognized as beneficial owner and thus are not entitled to the abovementioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement. If we are required under the EIT Law to pay income tax for any dividends we receive from our subsidiaries in China, or if any of our Hong Kong subsidiaries is determined by PRC governmental authorities as receiving benefits from reduced income tax rate due to a structure or arrangement that is primarily tax-driven, it would materially and adversely affect the amount of dividends, if any, we may pay to our shareholders.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders.

Under the EIT Law and its implementation rules, enterprises that are registered in countries or regions outside the PRC but have their “de facto management body” located within China may be considered as PRC resident enterprises and are therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The implementation rules of the EIT Law define “de facto management body” as the body that exercises full and substantial control over and overall management

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of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued a circular, known as SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC resident enterprise by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise’s financial and human resource matters are subject to determination or approval by persons or bodies in China; (iii) the enterprise’s major assets, accounting books and records, company seals, and minutes and files of its board and shareholder meetings are located or maintained in China; and (iv) at least 50% of board members with voting rights or senior executives habitually reside in China.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management bodies.” As a majority of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that our holding company is a “resident enterprise” for PRC enterprise income tax purposes, a number of PRC tax consequences could follow. First, we may be subject to the enterprise income tax at a rate of 25% on our worldwide taxable income as well as PRC enterprise income tax reporting obligations; in our case, this would mean that income such as the proceeds of the Global Offering and other income sourced from outside China would be subject to PRC enterprise income tax at a rate of 25%. Second, the EIT Law provides that dividends paid between “qualified resident enterprises” are exempt from enterprise income tax. It is unclear whether the dividends we receive from PRC subsidiaries will constitute dividends between “qualified resident enterprises” and would therefore qualify for tax exemption, because the definition of qualified resident enterprises is unclear and the relevant PRC governmental authorities have not yet issued guidance with respect to the processing of outbound remittances to entities that are treated as resident enterprises for PRC enterprise income tax purposes. Third, dividends payable by us to our non-PRC resident enterprise investors and gains on the sale of shares by such non-PRC resident enterprise investors may be subject to PRC enterprise income tax at a rate of 10% and such dividends and gains earned by non-PRC resident individual investors may be subject to PRC individual income tax at a rate of 20%. It is unclear whether, if we were considered a PRC resident enterprise, our non-resident investors would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or regions.

In addition, there remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC tax authorities, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends to non-PRC resident individual holders of our Shares and on gains realized on the sale or other disposition of our Shares. The PRC tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our Shares may be materially affected.

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We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC shareholders.

On February 3, 2015, SAT issued the Circular on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (《關於非居民企業間接轉讓財產企業所得稅若干問題的公告》) (“Circular 7”), which, among other matters, abolished certain provisions in the previously issued Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (《關於加強非居民企業股權轉讓所得企業所得稅管理的通知》) (“Circular 698”) in 2009. Circular 7 provides guidelines relating to, and also heightened the PRC tax authorities’ scrutiny over, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“PRC Taxable Assets”).

In the circumstances where a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, Circular 7 provides that the PRC tax authorities are entitled to reclassify the nature of such indirect transfer of PRC Taxable Assets by disregarding the existence of the overseas holding company and considering the transaction as a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC enterprise income taxes and without any other reasonable commercial purpose. Although Circular 7 contains certain exemptions, it remains unclear whether any exemptions under Circular 7 will be applicable to the transfer of our Shares or to any future acquisition of assets and/or equity interest by us outside China involving PRC Taxable Assets, or whether the PRC tax authorities will reclassify such transaction by applying Circular 7. If the PRC tax authorities deem any transfer of our Shares by our shareholders that are non-resident enterprises, or any future acquisition by us outside China involving PRC Taxable Assets are subject to the foregoing regulations, our shareholders or we may be imposed with additional PRC tax reporting obligations or tax liabilities.

We may be required to register our offices outside of our corporate residence address as branch offices under PRC laws and any failure to do so may subject our offices to shut-down or penalties.

A company that uses an office in a location outside its corporate residence address to conduct business operation must register such office as a branch company with the competent local authority. In addition, as we expand our operations, we may need to register additional branch companies from time to time. As of the date hereof, we have not registered some of the locations outside of the corporate residence addresses as branch companies. However, whether an operating place will be deemed as having business nature or otherwise qualified for branch company registration is subject to the sole discretion of the government authorities. As advised by our PRC Legal Advisor, there is no legal impediment to register our offices outside our corporate residence address as branches in China. We cannot assure you that the governmental authorities will take the same view with us on whether an operating place is required or qualified to be registered as a branch company. We plan to apply for the registration of the relevant offices in the next 12 months to the extent necessary, and we cannot assure you whether the registration can be completed in a timely manner. Although we have not been subject to any query or investigation by any PRC governmental authorities regarding the absence of such registration, if the PRC regulatory authorities determine that we are in violation of the relevant laws and regulations, we may be subject to penalties, including fines, confiscation of income, and suspension of operation. If we become subject to these penalties, our business, results of operations, financial condition, and prospects could be materially and adversely affected.

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Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《關於境內個人參與境外上市公司股權激勵計畫外匯管理有關問題的通知》). Under such notice and other relevant rules and regulations, individuals participating in any stock incentive plan of any overseas publicly listed company who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year, subject to a few exceptions, are required to register with SAFE through a qualified PRC agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registrations with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas-entrusted institution or other material changes. We and our executive officers and other employees who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year and have been granted options will be subject to these regulations upon the completion of the Global Offering. Failure by these individuals to complete their SAFE registrations may subject us and them to fines and other legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to distribute dividends to us or otherwise materially and adversely affect our business, financial condition and results of operations. For a discussion of such rules on stock incentive plans, see "Regulations—PRC Regulations Relating to Stock Incentive Plans."

In addition, SAT has issued certain circulars concerning employee share options and restricted shares. Under these circulars, our employees working in China who exercise share options or are granted restricted shares will be subject to PRC individual income tax. Our PRC subsidiaries have obligations to file documents related to employee share options or restricted shares with relevant PRC tax authorities and to withhold individual income taxes of those employees who exercise their share options. If our employees fail to pay or we fail to withhold their income taxes according to relevant laws and regulations, we may face sanctions imposed by the tax authorities or other PRC governmental authorities.

It may be difficult to effect service of process upon us, our Directors or our executive officers that reside in China or to enforce against them or us in China any judgments obtained from non-PRC courts.

Most of our directors and executive officers reside in China. In addition, most of our assets and those of our directors and executive officers are located in China. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. As a result, it may not be possible for investors to serve process upon us or those persons in China, or to enforce against us or them in China, any judgments obtained from non-PRC courts.

On July 14, 2006, the Supreme People's Court of China and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters. Under such arrangement, where any designated People's Court or any designated Hong Kong court has made an enforceable final judgment requiring payment

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of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court or Hong Kong court for recognition and enforcement of the judgment. Although the arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement remains uncertain.

Governmental control of currency conversion may limit our ability to utilize our total income effectively.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Our PRC subsidiaries receive all of our total income in Renminbi. Our income primarily relies on dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations.

Under existing PRC foreign exchange regulations, Renminbi is freely convertible to foreign currencies with respect to “current account” transactions, but not with respect to “capital account” transactions. Approval or registration from SAFE or its local counterpart is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. Dividend payments are current account transactions, which can be made in foreign currencies by complying with certain procedural requirements but do not require prior approval from SAFE. In light of the flood of capital outflows from China in 2016 due to the weakening Renminbi, the PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting process have been put in place by SAFE to regulate cross-border capital account transactions. The PRC government may at its discretion further restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

Fluctuations in exchange rates of Renminbi and certain other currencies could adversely affect our financial condition and results of operations.

Because our financial statements are denominated in U.S. dollars and a significant portion of our revenues, costs and financial assets are also denominated in Renminbi, we are exposed to fluctuations in exchange rates.

The Renminbi exchange rate is affected by changes in PRC government policies, domestic and international economic and political developments, and supply and demand in the monetary market. Since July 2005, the PRC government has managed the Renminbi exchange rate within a floating band based on market supply and demand and with reference to a basket of currencies. The PBOC broadened the floating band for the trading price of Renminbi against the U.S. dollar on the inter-bank spot exchange market to 1% around the central parity rate in April 2012, and further broadened it to 2% in March 2014. The Renminbi depreciated significantly against major currencies in August 2015. In November 2015, the International Monetary Fund decided to include the Renminbi in the Special Drawing Rights basket used to value supplementary foreign exchange assets maintained by the International Monetary Fund beginning on October 1, 2016. While the immediate impact of this decision remains uncertain, the Renminbi's inclusion in the Special Drawing Rights basket is expected to encourage greater liberalization of PRC currency policies.

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In the event of a significant change in the exchange rates of Hong Kong and U.S. dollars against Renminbi, our ability to pay dividends and repay offshore debts in foreign currency may be adversely affected. In addition, for presenting the Historical Financial Information, the assets and liabilities of our foreign operations and their income and expenses are translated into our presentation currency. Any exchange differences are recognized in other comprehensive income and accumulated in equity under the heading of other reserve. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2018, our exchange differences on translating foreign operations were losses of US\$1.0 million and US\$9.7 million, and gains of US\$12.9 million and US\$18.9 million, respectively. Following the Global Offering, our exposure to foreign currency fluctuations may further increase as the net proceeds from the Global Offering will be denominated in Hong Kong dollars. Fluctuations in the exchange rates of Renminbi, Hong Kong dollars, and U.S. dollars could adversely affect our results of operations and financial condition.

We rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business.

We are a holding company and our business is substantially conducted through its operating subsidiaries in China. As a result, our ability to pay dividend depends on dividend and other distributions we received from our PRC subsidiaries. If our subsidiaries incur debts or losses, these may impair their ability to pay dividend or other distributions to us, which may in turn adversely affect our ability to pay dividend to the shareholders.

The ability of our subsidiaries to pay any dividend in a given year to us depends on the legal and regulatory requirements to which the relevant subsidiary is subject. In general, such subsidiaries may not declare and pay any dividend to us, if they do not have any distributable profits. The applicable PRC laws, rules and regulations also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. Limitations on the ability of such subsidiaries to remit their after tax profits to us in the form of dividend or other distributions may adversely affect our ability to grow, to invest, to pay dividend and otherwise fund, and to conduct our business. There is no assurance that such subsidiaries will generate sufficient earnings and cash flow to pay dividend or otherwise distribute sufficient funds to us to enable us to pay dividend to the shareholders.

In addition, restrictive covenants in bank credit facilities, joint venture agreements or other arrangements that any of our subsidiaries may enter into in the future may also restrict the ability of such members to pay dividend or make distributions to us. These restrictions generally reduce the amount of dividend or other distributions we may receive from our subsidiaries, which in turn may impact on our ability to pay dividend to our shareholders.

Under the EIT Law, we may in the future be deemed as a PRC resident enterprise by the PRC tax authorities. In addition, under the EIT Law, certain qualifying dividend payments between PRC resident enterprises are tax free. However, we are not sure as to whether we will be deemed to be a PRC resident enterprise, and that our subsidiaries incorporated in China or elsewhere do not need to pay dividend withholding income tax.

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RISKS RELATING TO THE GLOBAL OFFERING

There has been no previous public market for our Shares, and the liquidity and market price of our Shares may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of, and permission to deal in, our Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our Shares will develop, or if it does develop, will be sustained following the Global Offering, or that the market price of our Shares will not decline following the Global Offering. Furthermore, the price and trading volume of our Shares may be volatile. The following factors may affect the volume and price at which our Shares will trade:

- market perception, or any change in the market perception, of the reasonableness of our market capitalization;
- actual or anticipated fluctuations in our revenue and operating results;
- news regarding recruitment or loss of key personnel by us or our competitors;
- announcements of competitive product developments, acquisitions, or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries, and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us or other shareholders.

Moreover, the securities market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our Shares.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be the fifth Hong Kong business day after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

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Future sales or perceived sales or conversion of substantial amounts of our securities in the public market, could adversely affect the market price of our Shares and our ability to raise capital in the future, or may result in dilution of your shareholding.

The market price of our Shares could decline as a result of future sales of substantial amounts of our Shares or other securities relating to our Shares in the public market or the issuance of new Shares or other securities to interested investors in us, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate. In addition, our shareholders may experience dilution in their holdings to the extent we issue additional securities in future offerings to investors interested in us. Except as otherwise disclosed in this prospectus, we have not reached any agreement with interested investors or are subject to any obligations with respect to the issuance of our securities. See “Share Capital.” A certain amount of our Shares currently outstanding will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. See “Underwriting—Underwriting Arrangements and Expenses—The Hong Kong Public Offering—Undertakings pursuant to the Hong Kong Listing Rules and the Hong Kong Underwriting Agreement” of this prospectus. After these restrictions lapse or if they are waived or breached, future sales or perceived sales of substantial amounts of our Shares, or the possibility of such sales by us, could negatively impact the market price of our Shares and our ability to raise equity capital in the future.

U.S. withholding tax may be imposed on payments on the shares.

Provisions under the U.S. Internal Revenue Code of 1986, as amended (the “Code”) and U.S. Treasury regulations promulgated thereunder commonly known as “FATCA,” impose a 30% withholding tax on certain “foreign passthru payments” made by a non-U.S. financial institution (including an intermediary) that has entered into an agreement with the U.S. Internal Revenue Service (the “IRS”) to perform certain diligence and reporting obligations with respect to the financial institution’s U.S.-owned accounts (each such non-U.S. financial institution, a “Participating Foreign Financial Institution”). If we or any intermediary through which a holder may hold Shares is or becomes a Participating Foreign Financial Institution, this withholding may be imposed on payments on the Shares to any non-U.S. financial institution (including an intermediary) that is not a Participating Foreign Financial Institution or is not otherwise exempt from FATCA and other holders who do not provide sufficient identifying information to the payer, to the extent such payments are considered “foreign passthru payments.” Under current guidance, the term “foreign passthru payment” is not defined and it is therefore not clear whether or to what extent payments on the Shares would be considered foreign passthru payments. Withholding on foreign passthru payments would not be required with respect to payments made before January 1, 2019.

The United States has entered into intergovernmental agreements with certain jurisdictions (including an agreement in substance with China) that modify the FATCA withholding regime described above. It is not yet clear how the intergovernmental agreements between the United States and these jurisdictions will address “foreign passthru payments” and whether such agreements will require us or other financial institutions to withhold or report on foreign passthru payments. Prospective investors should consult their tax advisors regarding the consequences of FATCA, or any intergovernmental agreement or non-U.S. legislation implementing FATCA, to their investment in Shares.

RISK FACTORS

Since the initial public offering price of our Shares is substantially higher than the consolidated net tangible book value per share, purchasers of our Shares in the Global Offering may experience immediate dilution upon such purchases.

As the Offer Price of our Shares is higher than the consolidated net tangible assets per share immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible assets. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our Shares may experience further dilution of their interest if the International Underwriters exercise the Over-allotment Option or if we issue additional shares in the future to raise additional capital.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market for our Shares will be influenced by the research reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the price of our Shares would likely decline. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We have granted, and may continue to grant, share incentives, which may result in increased share based compensation expenses.

Our Company has granted share options under the ESOP for the purpose of granting awards to grantees, such as our employees, directors and officers of our Company and its affiliates to incentivize their performance in the future. The fair value of the options at the date on which they are granted with reference to the valuer's valuation will be charged as share-based compensation, which may materially and adversely affect our Company's results of operations. The exercise of options under the ESOP will result in the dilution to the percentage of ownership of the Shareholders and the net asset value per Share. See "Statutory and General Information—D. ESOP" in Appendix IV for details.

You may face difficulties in protecting your interests because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our Memorandum of Association and Articles of Association, the Cayman Companies Law and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some other jurisdictions. The Cayman Islands also has a less developed body of securities laws and corporate law compared to some other jurisdictions.

RISK FACTORS

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our Articles of Association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in Hong Kong or the United States.

Dividends declared in the past may not be indicative of our dividend policy in the future and our dividend policy and distributions in the future are subject to various factors.

For 2015, 2016 and 2017, we declared cash dividends of US\$4 million, US\$77.5 million and US\$4.2 million, respectively. However, dividends paid in prior periods may not be indicative of future dividend payments. We cannot guarantee when, if and in what form dividends will be paid in the future. Our Board of Directors has discretion in determining the frequency and amount of dividend distributions, which will be subject to the approval of our Shareholders at the Shareholders' meeting. A decision to declare or to pay any dividends and the amount of any dividends will depend on various factors, including but not limited to our results of operations, cash flows and financial condition, capital adequacy ratios, operating and capital expenditure requirements, distributable profits as determined under IFRS, our Articles of Association, statutory and regulatory restrictions on the payment of dividends and other factors that our Board of Directors deems relevant. See "Financial Information—Dividend." There is no assurance that we will adopt the same dividend policy as we have adopted in the past.

We may have significant discretion as to how we use the net proceeds of the Global Offering and you may not necessarily agree with how we use them.

Our management may use the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our shareholders. We plan to use the net proceeds from the Global Offering mainly to expand our investment banking business, expand our investment management business, develop private wealth management business, and invest in technology across all our business lines. See "Future Plans and Use of Proceeds—Use of Proceeds." However, our management will have discretion as to the actual utilization of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

Certain facts and statistics derived from government and third-party sources contained in this prospectus may not be reliable.

We have derived certain facts and other statistics in this prospectus, particularly those relating to China, China's economy and securities industry, from information provided by the PRC and other government agencies, industry associations, independent research institutes and other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been

RISK FACTORS

prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors, and, therefore, we cannot assure you as to the accuracy and reliability of such facts and statistics, which may not be consistent with other information compiled inside or outside China. The facts and other statistics include the facts and statistics included in the sections entitled “Risk Factors,” “Industry Overview” and “Business.” Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable with statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts or statistics.

Certain facts, forecasts and statistics contained in this prospectus with respect to China, Hong Kong, the United States, and their economies and securities industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date.

We have derived certain facts, forecasts and other statistics in this prospectus, particularly those relating to China, the PRC economy and the industry in which we operate, from information provided by the PRC and other government agencies, industry associations, independent research institutes or other third-party sources. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the underwriters or any of our or their respective affiliates or advisors, and, therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside China. Such facts, forecasts and statistics include the facts, forecasts and statistics used in “Risk Factors,” “Industry Overview” and “Business.” Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should consider carefully how much weight or importance you should attach to or place on such facts, forecasts or statistics.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles, forecasts, reports or other media regarding us or the Global Offering.

There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representations as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

RISK FACTORS

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, except as otherwise permitted by the Stock Exchange at its discretion, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of the issuers' executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. The Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of the Group are primarily based in China. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of our Company and the Shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

- (a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, as well as their alternative representative, to be the principal communication channel at all times between the Stock Exchange and the Company. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or email to promptly deal with enquiries from the Stock Exchange. Both of our authorized representatives are authorized to communicate on the Company's behalf with the Stock Exchange. At present, our two authorized representatives are Mr. Xie Yi Jing, our Executive Director, and Mr. Yee, Ming Cheung Lawrence, our Chief Compliance Officer and company secretary. Their alternate is currently Mr. Du Yongbo, our Executive Director. See "Directors and Senior Management" in this prospectus for more information about our authorized representatives.
- (b) we will implement a policy to provide the up-to-date contact details of each Director (such as office phone numbers, mobile phone numbers, fax numbers, and email addresses) to the authorized representatives, to their alternate, and to the Stock Exchange. This will ensure that the authorized representatives, their alternate, and the Stock Exchange will have the means to contact any of the Directors promptly as and when required, including when the Directors are traveling.
- (c) all Directors who are not ordinarily resident in Hong Kong have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required.
- (d) we have retained the services of joint compliance advisors, China Renaissance Securities (Hong Kong) Limited and Guotai Junan Capital Limited (the "**Joint Compliance Advisors**"), in accordance with Rule 3A.19 of the Listing Rules. The Joint Compliance Advisors will serve as an additional channel of communication with the Stock Exchange in addition to the authorized representatives of the Company. The Joint Compliance Advisors will provide us with professional advice on ongoing compliance with the Listing

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Rules. We will ensure that the Joint Compliance Advisors has prompt access to our authorized representatives and Directors. In turn, they will provide to the Joint Compliance Advisors such information and assistance as the Joint Compliance Advisors may need or may reasonably request in connection with the performance of the Joint Compliance Advisors duties. The Joint Compliance Advisors will also provide advice to us when consulted by us in compliance with Rule 3A.23 of the Listing Rules.

- (e) meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the Joint Compliance Advisors, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Joint Compliance Advisors in accordance with the Listing Rules.

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions that will constitute partially-exempt and non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Chapter 14A of the Listing Rules for these continuing connected transactions. For further details in this respect, see “Connected Transactions.”

WAIVER FROM STRICT COMPLIANCE WITH RULES 4.04(2) AND 4.04(4) OF THE LISTING RULES IN RELATION TO BUSINESS ACQUIRED AFTER THE TRACK RECORD PERIOD

Pursuant to Rules 4.04(2) and 4.04(4)(a) of the Listing Rules, the accountant’s report to be included in a listing document must include the income statements and balance sheets of any subsidiary or business acquired, agreed to be acquired or proposed to be acquired since the date to which its latest audited accounts have been made up in respect of each of the three financial years immediately preceding the issue of the listing document.

Pursuant to guidance letter HKEX-GL32-12 issued by the Stock Exchange (“GL32-12”), acquisitions of business include acquisitions of associates and any equity interest in another company. Pursuant to GL32-12, the Stock Exchange may consider granting a waiver of the requirements under Rules 4.04(2) and 4.04(4) of the Listing Rules on a case-by-case basis, and having regard to all relevant facts and circumstances including (i) the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of each acquisition are all less than 5% by reference to the most recent financial year of the applicant’s trading record period, (ii) the applicant is neither able to exercise any control, nor has any significant influence, over the underlying company or business, and (iii) the listing document should include the reasons for the acquisitions and a confirmation that the counterparties and the ultimate beneficial owners of the counterparties are independent third parties of the applicant and its connected persons.

Acquisition of Sumscope Shares

On May 22, 2018, we entered into a series of agreements, pursuant to which China Renaissance Capital Limited agreed to (i) subscribe for new shares in Sumscope Inc. for an aggregate consideration of approximately US\$10 million, and (ii) subscribe for a warrant to acquire additional shares in Sumscope Inc. for up to a total investment amount of US\$14 million (the “**Sumscope Warrant**”). On

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

the same date, we disposed our 30% equity interest in Shanghai Finrun Information Technology Services Co., Ltd. (上海凡潤信息技術服務有限公司) to an affiliate of Maple Cove Limited on the condition that Maple Cove Limited disposed their existing shares in Sumscope Inc. to us. As a result of these transactions (altogether, the “**Acquisition of Sumscope Shares**”), and assuming the Sumscope Warrant is not exercised, we will be holding 6.4581% of the share capital of Sumscope Inc. (on a fully converted and diluted basis without inclusion of shares in Sumscope Inc. that may be issued pursuant to the exercise of the Sumscope Warrant). Assuming the Sumscope Warrant is fully exercised at the pre-determined price without adjustment and no new shares are issued by Sumscope Inc. other than pursuant to the exercise of the Sumscope Warrant, we will be holding 9.5164% of the share capital of Sumscope Inc. on a fully converted and diluted basis, including the shares of Sumscope Inc. issued pursuant to the exercise of the Sumscope Warrant.

Sumscope Inc. is a financial technology company servicing RMB markets with a focus on fixed income and derivatives markets.

The reasons for the Acquisition of Sumscope Shares are for the benefit of the Group: (i) to obtain financial returns of Sumscope Inc. operating in China’s financial market data and analysis industry which contributes to and benefits from China’s prosperous capital market, especially fixed income and derivative market driven by stable economic growth, development and diversification of the domestic institutional investor base and Renminbi internationalization, as the Group views the investee company as one of the leading market data and analysis companies in China; (ii) to create strategic synergy with Sumscope Inc. by sharing respective business resources, and to help the Group establish broad networks with major institutional investors in China’s fixed income and derivative market; and (iii) to further expand the Group’s financial technology footprint.

To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, Sumscope Inc. and its ultimate beneficial owners are Independent Third Parties. The Company does not expect to use any proceeds from the Listing to fund any future acquisition of Sumscope Inc.’s shares.

Company A Investments

On July 25, 2018, Grand Eternity Limited (a wholly-owned subsidiary of our Company) entered into a series of agreements, pursuant to which it agreed to (i) subscribe for non-voting participatory shares in Starwick Investments Limited (“**Starwick**”) for an aggregate consideration of US\$9,500,000, and (ii) subscribe for non-voting participatory shares in East Image Limited (“**East Image**”) for an aggregate consideration of US\$20,500,000 (together, the “**Company A Investments**”). Starwick and East Image (the latter investing through Starwick) are both special purpose vehicles used for the sole purpose of investing in convertible bonds (the “**Company A Convertible Bonds**”) of Company A. Starwick is managed by Helix Capital Partners, an indirect subsidiary of our Company. Therefore, and as a result of the Company A Investments, the shares to be converted from the Company A Convertible Bonds at the pre-determined price without adjustment account for approximately 7.77% of the issued share capital of Company A as of June 30, 2018.

Company A is a leading medical technology company that develops, manufactures and sells high-end interventional medical devices.

The reasons for the Company A Investments are for the benefit of the Group: (i) to take advantage of China’s growing medical technology sector and obtain high financial returns for the

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

Group, as the Group views the investee company as one of the leading medical technology companies in China; and (ii) to share medical technology know-how and general business resources and strategies with the Group for further enhancement of the quality of the Group's financial advisory services, especially to medical technology start-up companies.

To the best of the knowledge, information and belief of our Directors, having made all reasonable enquiries, Company A is an Independent Third Party. The Company does not expect to use any proceeds from the Listing to fund any future acquisition of shares in Company A.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules in respect of the Acquisition of Sumscope Shares and the Company A Investments (together, the “**Acquisitions**”) on the following grounds:

1. Ordinary and usual course of business

Making equity investments of this nature is part of the ordinary course of business of our Group. Our Group started making investments in 2011 with the commencement of our investment management business, and conducted a total of 33 strategic investments during the Track Record Period. Our Company has an investment team responsible for conducting these investments on a full-time basis.

2. Percentage ratios of each of the Acquisitions are all less than 5% by reference to the most recent financial year of our Company's Track Record Period

Taking into account that the Acquisition of Sumscope Shares will be aggregated under Rule 14.22 of the Listing Rules, the percentage ratios for the Acquisition of Sumscope Shares are all less than 5% by reference to the most recent financial year of our Company's Track Record Period, and any subsequent investment in Sumscope Inc. is not expected to affect the accuracy of this statement. Accordingly, we consider that the Acquisition of Sumscope Shares does not have any material effect on the business, financial condition or operations of our Group.

Taking into account that the Company A Investments will be aggregated under Rule 14.22 of the Listing Rules, the percentage ratios for the Company A Investments are all less than 5% by reference to the most recent financial year of our Company's Track Record Period, and any subsequent investment in Company A is not expected to affect the accuracy of this statement. Accordingly, we consider that the Company A Investments do not have any material effect on the business, financial condition or operations of our Group.

3. The Company is neither able to exercise any control, nor has any significant influence, over the underlying companies and/or businesses

We have no shareholding in Company A and hold only minority equity interest in Sumscope Inc. after the Acquisitions. Furthermore, we do not control either of their board of directors, which is expected to remain the case. Due to the above, our Group is neither able to exercise any control nor has any significant influence over either Sumscope Inc. or Company A, and we are not in a position to compel Sumscope Inc., Company A and their respective majority shareholders to cooperate and provide the requisite information to compile financial information in compliance with Rules 4.04(2) and 4.04(4) of the Listing Rules. It is expected that the relevant parties will refuse any such request, and we are therefore unable to compile the financial information required.

4. Disclosure in the prospectus

In consideration of confidentiality and commercial sensitivity, the Company will use its reasonable efforts to disclose, in the prospectus, information relating to the Acquisitions that would have been classified as discloseable transactions under the Listing Rules (despite the fact that we consider such transactions within our ordinary and usual course of business). The proposed disclosure includes:

- (i) a general description of the transactions and counterparties (without disclosure of the name of Company A),
- (ii) the date of the transactions,
- (iii) whether the counterparties are Independent Third Parties, and
- (iv) the reasons for the Acquisitions.

1. DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. GLOBAL OFFERING

This document is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this document and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this document and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this document and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, and any of the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Global Coordinators. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Underwriters) and our Company on the Price Determination Date. The International Placing is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Offer Price is expected to be determined between the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around September 20, 2018 and, in any event, not later than September 24, 2018 (unless otherwise determined between the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Underwriters) and our Company on or before September 24, 2018, the Global Offering will not become unconditional and will lapse immediately.

See "Underwriting" for further information about the Underwriters and the underwriting arrangements.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

3. PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in “How to Apply for Hong Kong Offer Shares” and on the relevant Application Forms.

4. STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in “Structure and Conditions of the Global Offering.”

5. SELLING RESTRICTIONS ON OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this document and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this document and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this document may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this document and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

6. APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue (including the Shares converted from the 2018 Convertible Notes and the Preferred Shares) and the Shares to be issued pursuant to the Global Offering, the ESOP and the RSU Plan.

Dealings in the Shares on the Stock Exchange are expected to commence on September 27, 2018. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

7. OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in “Structure and Conditions of the Global Offering.” Assuming that the Over-allotment Option is exercised in full, the Company may be required to issue and sell up to an aggregate of 12,751,200 new Shares.

8. SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

9. SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our Principal Share Registrar and Transfer Office in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Placing will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

10. PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. It is emphasized that none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective affiliates, directors, supervisors, employees, agents or advisors or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares or exercising any rights attached to them.

11. EXCHANGE RATE CONVERSION

Solely for convenience purposes, this document includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK\$7.8494 to US\$1.00, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on September 7, 2018.

12. LANGUAGE

If there is any inconsistency between the English version of this document and the Chinese translation of this document, the English version of this document shall prevail unless otherwise stated.

INFORMATION ABOUT THIS DOCUMENT AND THE GLOBAL OFFERING

However, if there is any inconsistency between the names of any of the entities mentioned in this English document which are not in the English language and their English translations, the names in their respective original languages shall prevail.

13. ROUNDING

Any discrepancies in any table in this document between total and sum of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

For further information on our Directors, please refer to “Directors and Senior Management” of this prospectus.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. Bao Fan (包凡)	Unit 5622, The Harbourview Place, 1 Austin Road West, Kowloon Hong Kong, China	Chinese (Hong Kong)
Mr. Xie Yi Jing (謝屹璟)	Villa 6 Palm Spring Villa 3800 Long Dong Avenue Pu Dong, Shanghai 201210 China	Chinese (Hong Kong)
Mr. Du Yongbo (杜永波)	Flat 6A, Ligao Wangfulirong West, Tianzhu, Shunyi District, Beijing 101300 China	Chinese
Non-executive Directors		
Mr. Neil Nanpeng Shen (沈南鵬)	Unit 4B, Magazine Court, 5-7 Magazine Gap Rd, Mid-Levels, Hong Kong	Chinese (Hong Kong)
Mr. Li Shujun (李曙軍)	Flat 3, 11/F, Block 1, May Tower 1, 7 May Road, Central, the Mid-levels, Hong Kong	Chinese
Mr. Li Eric Xun (李世默)	Room C, Building 3, 32 Wyndham Street, Hong Kong	Chinese (Hong Kong)
Independent non- executive Directors		
Ms. Yao Jue (姚瑀)	Kangcheng Garden Villa, No. 9 Shuangqiao East Road, Chaoyang District, Beijing, China	Chinese
Mr. Ye Junying (葉俊英)	Room 502, No. 18 Huaxu Street, Tianhe District, Guangzhou, China	Chinese
Mr. Zhao Yue (肇越)	Olympic Village, Chaoyang District, Beijing, China	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Financial Advisor **China Renaissance Securities (Hong Kong) Limited**
Units 8107-08, Level 81
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Joint Sponsors **Goldman Sachs (Asia) L.L.C.**
68/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

ICBC International Capital Limited
37/F ICBC Tower
3 Garden Road
Hong Kong

Joint Representatives **China Renaissance Securities (Hong Kong) Limited**
Units 8107-08, Level 81
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

ICBC International Capital Limited
37/F ICBC Tower
3 Garden Road
Hong Kong

**Joint Global Coordinators and
Joint Bookrunners** **China Renaissance Securities (Hong Kong) Limited**
Units 8107-08, Level 81
International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

ICBC International Capital Limited

37/F ICBC Tower

3 Garden Road

Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower

50 Connaught Road Central

Hong Kong

Joint Bookrunners**CCB International Capital Limited**

12/F, CCB Tower

3 Connaught Road Central

Central, Hong Kong

**China Securities (International) Corporate Finance
Company Limited**

18/F Two Exchange Square

8 Connaught Place

Central

Hong Kong

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers

189 Des Voeux Road Central

Hong Kong

Futu Securities International (Hong Kong) Limited

11/F, Bangkok Bank Building

18 Bonham Strand West,

Sheung Wan

Hong Kong

Huanying International (Asia) Limited

21/F, Hip Shing Hong Centre

55 Des Voeux Road Central

Hong Kong

Joint Lead Managers**China Renaissance Securities (Hong Kong) Limited**

Units 8107-08, Level 81

International Commerce Centre

1 Austin Road West

Kowloon, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Goldman Sachs (Asia) L.L.C.

68/F Cheung Kong Center

2 Queen's Road Central

Hong Kong

ICBC International Securities Limited

37/F ICBC Tower

3 Garden Road

Hong Kong

ABCI Securities Company Limited

10/F, Agricultural Bank of China Tower

50 Connaught Road Central

Hong Kong

CCB International Capital Limited

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Futu Securities International (Hong Kong) Limited

11/F, Bangkok Bank Building

18 Bonham Strand West,

Sheung Wan

Hong Kong

Huanying International (Asia) Limited

21/F, Hip Shing Hong Centre

55 Des Voeux Road Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Legal advisors to the Company	<i>As to Hong Kong and U.S. laws</i> Skadden, Arps, Slate, Meagher & Flom and affiliates 42/F, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong
	<i>As to PRC law</i> Commerce & Finance Law Offices 6/F, NCI Tower A12 Jianguomenwai Avenue Beijing 100022, China
	<i>As to BVI and Cayman Islands law</i> Maples and Calder (Hong Kong) LLP 53/F, The Center 99 Queen's Road Central Hong Kong
Legal advisors to the Joint Sponsors and the Underwriters	<i>As to Hong Kong and U.S. laws</i> Clifford Chance LLP 27/F, Jardine House One Connaught Road Hong Kong
	<i>As to PRC law</i> Haiwen & Partners 20/F, Fortune Financial Center 5 Dong San Huan Central Road Chaoyang District Beijing 100020, China
Reporting accountant and independent auditor	Deloitte Touche Tohmatsu <i>Certified Public Accountants</i> 35/F, One Pacific Place 88 Queensway Hong Kong
Industry consultant	China Insights Consultancy Limited 10/F, Tomorrow Square, 399 West Nanjing Road Huangpu District, Shanghai, China
Receiving banks	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Standard Chartered Bank (Hong Kong) Limited
15/F Standard Chartered Tower
388 Kwun Tong Road
Kowloon, Hong Kong

CORPORATE INFORMATION

Principal place of business in China	Pacific Century Place, Gate 1, Space 8 No. 2A Workers' Stadium North Road, Chaoyang District Beijing 100027, China
Principal place of business in Hong Kong	Units 8107-08, Level 81 International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
Registered office in the Cayman Islands	The offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands
Company website	<u>http://www.huaxing.com/</u> <i>(the information contained on this website does not form part of this document)</i>
Company Secretary	Mr. Yee, Ming Cheung Lawrence (Solicitors of the High Court of Hong Kong (Non-practising)) Units 8107-08, Level 81 International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
Authorized representatives	Mr. Xie Yi Jing Villa 6 Palm Spring Villa 3800 Long Dong Avenue Pu Dong, Shanghai 201210 China Mr. Yee, Ming Cheung Lawrence Units 8107-08, Level 81 International Commerce Centre 1 Austin Road West Kowloon, Hong Kong
Audit Committee	Ms. Yao Jue (<i>Chairman</i>) Mr. Ye Junying Mr. Zhao Yue
Remuneration Committee	Mr. Ye Junying (<i>Chairman</i>) Mr. Bao Mr. Zhao Yue
Nomination Committee	Mr. Bao (<i>Chairman</i>) Ms. Yao Jue Mr. Zhao Yue

CORPORATE INFORMATION

Principal Share Registrar and Transfer Office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17 th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Joint Compliance Advisors	China Renaissance Securities (Hong Kong) Limited Units 8107-08, Level 81 International Commerce Centre 1 Austin Road West Kowloon, Hong Kong Guotai Junan Capital Limited 27/F Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal Banks	Industrial and Commercial Bank of China (Asia) Limited 33/F, ICBC Tower 3 Garden Road Central, Hong Kong Silicon Valley Bank 3003 Tasman Drive Santa Clara CA 95054, USA UBS AG, Singapore One Raffles Quay #50-01 North Tower Singapore China Merchants Bank, Head Office, Shenzhen, P.R.China China Merchants Bank Tower No. 7088 Shennan Boulevard, Futian District Shenzhen, 518000, China

INDUSTRY OVERVIEW

Certain information and statistics presented in this section and elsewhere in this document relating to the new economy in China, the financial service industry in China, the new economy-focused financial service industry in China, the PRC capital markets, Hong Kong capital markets, and the U.S. capital markets were derived from official government publications and other publicly available sources, as well as the CIC Report, a commissioned report from CIC, an Independent Third Party. The information from official government publications and other publicly available sources as well as the CIC Report may not be consistent with information available from other sources within or outside the PRC, Hong Kong and the United States. We believe that the sources of the information in this section are appropriate sources for such information and reasonable care has been taken in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information has not been independently verified by our Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in this Global Offering and no representation is given as to its accuracy or completeness of such information and statistics. Accordingly, you should not place undue reliance on such information and statistics. For discussions of risks relating to our industries, see “Risk Factors—Risks Relating to Our Business and Industry.”

SOURCES OF INFORMATION

We commissioned CIC, an independent market research and consulting company that provides industry consulting services, commercial due diligence, and strategic consulting to conduct a detailed research on and analysis of the new economy and the capital markets in China. We have agreed to pay a fee of RMB720,000 in connection with the preparation of the CIC Report. We have extracted certain information from the CIC Report in this section, as well as in “Summary,” “Risk Factors,” “Business,” “Financial Information,” and elsewhere in this document, to provide our potential investors with a more comprehensive presentation of the industry in which we operate.

During the preparation of the CIC Report, CIC performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the new economy and the capital markets in China. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the National Bureau of Statistics of China, and various industry associations. The information and data collected by CIC have been analyzed, assessed and validated using CIC’s in-house analysis models and techniques.

DEVELOPMENT OF CHINA’S NEW ECONOMY

Definition of the New Economy

Since the late 1990s, China’s economy has been undergoing a structural transformation. According to the CIC Report, the new economy has been playing a key role in driving this structural transformation. As broadly defined in the CIC Report, the new economy generally refers to businesses that realize rapid growth through entrepreneurship, technological advancements, and innovative business models, among others. The scope of the new economy is broad and expanding. In terms of industries, the new economy in China primarily includes industries that rely inherently on

INDUSTRY OVERVIEW

technological advancements, such as the internet, business services, hardware and software technologies, media and entertainment industries, and traditional industries that are being transformed as a result of innovations, such as retail, healthcare, finance, and new energy industries. As innovations in business models and advancements in technology continue, additional new industries will gradually emerge and the transformation of traditional industries will continue, and thus, expand the concept and scope of the new economy.

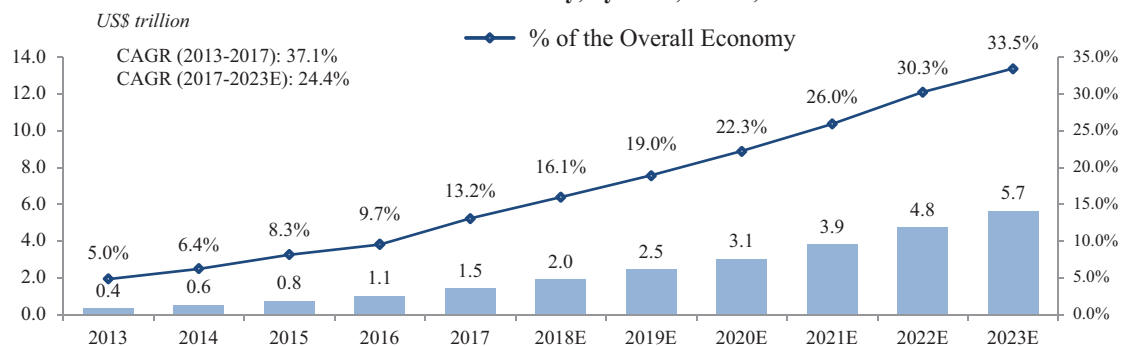
Capital investment has been playing a significant role in driving the development of the new economy, especially in sectors related to technology, internet, and healthcare. As the new economy continues to evolve and expand, there will be increasing needs for financial services, which in turn will drive the growth of the financial service market for the new economy in China.

Market Size of China's New Economy

China is now home to a dynamic cluster of technological innovators and leading global investors in the new economy. According to the CIC Report, the GDP for China's new economy increased from approximately US\$0.4 trillion in 2013 to approximately US\$1.5 trillion in 2017, representing a robust CAGR of 37.1%, which is more than four times faster than the growth of GDP for the overall economy during the same period. It is estimated that the GDP for the new economy will continue to grow and reach approximately US\$5.7 trillion in 2023, representing a CAGR of 24.4% from 2017 to 2023. The GDP for the new economy as a percentage of the GDP for the overall economy also increased from 5.0% in 2013 to 13.2% in 2017, and such percentage is estimated to reach 33.5% in 2023.

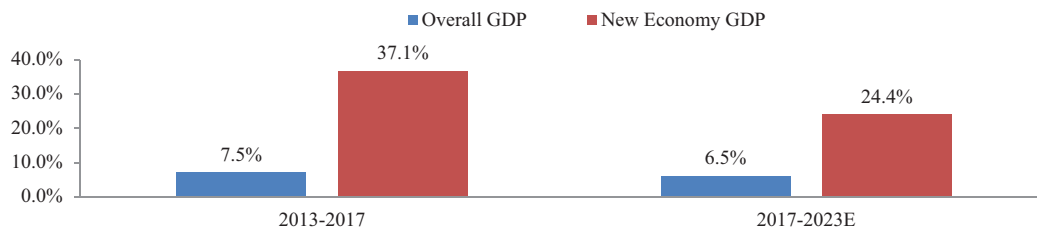
The following diagrams illustrate the market size of the new economy in China by GDP and a comparison between the growth of the overall economy and the growth of the new economy in terms of GDP in China, respectively.

Market Size of the New Economy, by GDP, China, 2013-2023E



Source: CIC Report

CAGR of Overall GDP vs. New Economy GDP, China, 2013-2023E



Source: CIC Report

Major Growth Drivers of the New Economy

Continued technological advancements and business model innovations

China has made significant technological advancements and business innovations in the past two decades partially because the whole society had a less developed infrastructure in the past. For example, the development of telecommunication infrastructure in certain under-developed areas skipped the landline and directly upgraded to mobile phones. As the use of mobile phones became more prevalent, a series of new technologies and business models based on mobile devices, such as mobile payment, were able to emerge and develop. Despite such achievements in technological advancements and business innovations, the development of technology in China is still at an early stage compared to developed countries and is expected to show a stronger growth momentum in the years ahead.

A rising enthusiasm for entrepreneurship

A rising enthusiasm for entrepreneurship has also contributed to the development of China's new economy. Such enthusiasm stimulated the establishment and development of numerous start-up companies in China. According to the CIC Report, the number of start-up companies in China exceeded 85,000 as of December 31, 2017, and there were over 5,000 start-up incubators in China providing comprehensive early-stage support to start-up companies. Some of these start-up companies scale up rapidly and eventually become unicorns.

Strong capital support

The rapid development of private equity markets in China over the past few years has provided strong capital support to the growth of new economy companies. According to the CIC Report, the total amount of capital raised by private equity firms based in Greater China from 2013 to 2017 on a cumulative basis exceeded US\$280.1 billion. In addition, top internet companies in China are also a major source of capital support for the growth of new economy companies. According to the CIC Report, the transaction value of the investments made by China's top five internet companies increased from approximately US\$2.2 billion in 2013 to approximately US\$22.8 billion in 2017, representing a CAGR of 78.5%. In 2017, over 8,600 start-up companies have received investments, according to the CIC Report.

A favorable regulatory environment

To further promote the development of the economy, the Chinese government has been encouraging innovation and entrepreneurship nationwide. To that end, it has promulgated various regulations and policies, such as State Council Opinions on Vigorously Advancing Certain Policies and Measures Relating to Entrepreneurship and Innovation (《國務院關於大力推進大眾創業萬眾創新若干政策措施的意見》) and State Council Opinions on the Vigorous Development of E-commerce to Accelerate the Fostering of New Driving Forces of the Development of Economy (《國務院關於大力發展電子商務加快培育經濟新動力的意見》). The favorable regulatory environment has also contributed to the development of the new economy.

The Impact of Rising New Economy Companies on the Financial Service Markets

According to the CIC Report, the aggregate estimated valuation of new economy companies in China as of December 31, 2017 amounted to approximately US\$3.6 trillion. These new economy

INDUSTRY OVERVIEW

companies generally grow at a faster pace under the favorable environment. According to the CIC Report, it generally takes approximately four years on average for Chinese unicorns to reach a US\$1 billion valuation, while it generally takes approximately seven years for U.S. unicorns to reach the same valuation. In terms of the number of unicorns, China also has the largest number of unicorns globally. According to the CIC Report, the number of Chinese unicorns accounted for approximately 40% of the total number of unicorns globally as of December 31, 2017, and half of the top ten unicorns in the world were China-based companies as of that date.

Upon reaching a certain level of scale or stage of development, new economy companies usually consider going public or conducting M&A activities to fuel their further growth. In terms of public listing, stock exchanges in Hong Kong, the United States and China are major listing venues for these companies. According to the CIC Report, in 2017, 15 out of the top 20 non-state-owned Chinese companies in terms of market capitalization were new economy companies, representing a significant increase from just five new economy companies in 2013.

The continuous growth of new economy companies generates substantial demand for capital investments and tailored financial services. The evolving dynamics and intensified competition have also driven new economy companies to invest significantly in technology development and innovations as well as talent recruitment to maintain their competitive advantages. As a result, continuous and diversified financing channels available in both private and public financing markets are important to the growth of new economy companies. However, new economy companies are often underserved by traditional financial service providers in China. This demand-supply mismatch opens up numerous opportunities for new economy-focused financial service providers with strong execution capabilities.

OVERVIEW OF THE FINANCIAL SERVICE MARKET FOR CHINA-BASED COMPANIES

China's financial service market has grown substantially over the past two decades. Such growth is largely driven by significant economic development, rapid growth in corporate earnings and a steady increase in financing demand which is met by the growing investment demands from various types of investors. For example, the total transaction value of IPO deals and private placement transactions for Chinese companies exceeded US\$170 billion in 2017. As the financial service market continues to evolve, companies' financing needs and investors' investment needs are becoming more diversified and sophisticated, which leads to a growing demand for professional financial services. This trend suggests that the financial service market for China-based companies still has significant growth potential. In 2017, the new economy investment banking revenue as a percentage of the total investment banking revenue in China was approximately 16.5%, demonstrating a substantial growth from approximately 8.5% in 2013, according to the CIC Report.

Generally, recipients of financial services can be categorized into companies, institutional investors and individual investors. Depending on the stage of development, financial services provided to companies generally include advisory services (primarily including private placement advisory and M&A advisory), equity and debt underwriting services, sales, trading, and brokerage services, and structured finance. Institutional investors typically need professional services in identifying and conducting due diligence on new investment targets as well as managing their existing investment portfolios. With the development of China's economy, especially the rapid development of the new economy, personal wealth has also increased significantly in the past decade, which will drive the growth of the financial services provided to individual investors, such as wealth management services and asset management services.

INDUSTRY OVERVIEW

THE NEW ECONOMY-FOCUSED FINANCIAL SERVICE MARKET FOR CHINA-BASED COMPANIES

Overview of the Market

Advisory services

Advisory services primarily include private placement advisory and M&A advisory. The growth in the demand for private placement advisory services has been driven by increased financing needs from new economy companies and investment appetite from private equity firms and large companies. In addition, M&A is a major way for new economy companies to realize expansion and establish their own ecosystem and for private equity firms to realize return or consolidate portfolio companies, which leads to extra demand for M&A advisory services. The following table shows the growth of the advisory services market for Chinese new economy companies for the periods presented:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2023E</u>	<u>13-17</u> <u>CAGR</u>	<u>17-23E</u> <u>CAGR</u>
	<u>(US\$ in millions except percentages)</u>							
Advisory Services								
Transaction value	43,420	92,441	235,913	198,783	185,902	885,201	43.8%	29.7%
Advisory revenue	217	471	1,215	1,055	1,013	4,899	47.1%	30.0%

Source: CIC Report

Equity capital market services

Equity capital market services primarily include underwriting service for IPOs and follow-on offerings. Stock exchanges in Hong Kong, the United States, and China are the major listing venues for Chinese new economy companies. All of the three markets experienced steady growth in the past few years. There are only few China-based financial service firms that are licensed and have expertise in all of the three major capital markets, which generally gives them competitive advantages in sourcing deals and gaining market share. The following table shows the growth of the equity capital markets in Hong Kong, the United States, and China in terms of the transaction value of and revenues generated from IPOs, follow-on offerings, exchangeable bonds, and convertible bonds in the new economy sector for the periods presented:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2023E</u>	<u>13-17</u> <u>CAGR</u>	<u>17-23E</u> <u>CAGR</u>
	<u>(US\$ in millions except percentages)</u>							
Equity Capital Market Services								
Hong Kong and United States								
—ECM transaction value	7,340	32,769	8,686	9,386	15,045	69,250	19.7%	29.0%
—ECM revenue	269	1,565	208	325	506	2,331	17.1%	29.0%
China								
—ECM transaction value	7,012	18,986	29,232	31,528	36,560	185,777	51.1%	31.1%
—ECM revenue	87	306	492	500	718	5,465	69.7%	40.2%

Source: CIC Report

INDUSTRY OVERVIEW

Institutional brokerage

The institutional brokerage services primarily include sales and trading services and research services to institutional investors. Depending on their trading strategies, institutional investors can be categorized into active investors and passive investors. Active investors, such as hedge funds, typically pay higher commission rate for brokerage services than passive investors. Market capitalization of new economy companies are expected to increase as a result of the Shanghai-Hong Kong Stock Connect (滬港通), Shenzhen-Hong Kong Stock Connect (深港通), reforms of Listing Rules in Hong Kong, and the launch of Chinese depository receipts. The following table shows the growth of total commission-based brokerage fees for institutional brokerage in each of Hong Kong, the United States, and China market for the periods presented:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2023E</u>	<u>13-17</u> <u>CAGR</u>	<u>17-23E</u> <u>CAGR</u>
	(US\$ in millions except percentages)							
Brokerage Fees								
Hong Kong	916	1,029	1,565	984	1,303	2,323	9.2%	10.1%
United States ⁽¹⁾	469	521	720	773	896	2,546	17.5%	19.0%
China	565	1,149	3,601	1,873	1,991	5,878	37.0%	19.8%

Source: CIC Report

Note:

(1) Only include brokerage fees potentially generated from trading stocks of China-based companies.

In addition to commission-based brokerage services, financial service providers may provide margin financing, securities lending and swaps to their clients. The balance sheet-based brokerage services have been a major revenue contributor to the institutional brokerage businesses in the United States and China. According to the CIC Report, margin debt level in the U.S. market increased from approximately US\$478.5 billion as of December 31, 2013 to approximately US\$642.8 billion as of December 31, 2017. In China, the outstanding balance of margin financing and securities lending amounted to US\$150.5 billion as of December 31, 2017, and 94 securities firms in China generated approximately US\$11.8 billion in balance sheet-based brokerage revenue in 2017, according to the CIC Report. As the PRC capital markets continue to mature and reform, China balance sheet-based brokerage revenue is expected to grow in the low double digits annually for the next decade, according to the CIC Report.

Investment management

Investment management service may be provided in the forms of private equity funds, real estate funds, credit funds, fund of funds, hedge funds, mutual funds, and exchange-traded funds. After the global financial crisis in 2008, Asia, especially China, rebounded more quickly than North America and Europe. Ample investment opportunities and positive returns have attracted an increasing number of institutional investors to invest in China.

Fund management fees, commission fees based on portfolio performance, and other advisory fees are the main components of asset management fund fees.

INDUSTRY OVERVIEW

Private equity

Benefiting from the emergence and development of start-up companies, there are ample investment opportunities in the market and the size of investment transactions continues to grow. According to the CIC Report, the amount of funds raised by Greater China-based private equity firms increased from approximately US\$21.3 billion in 2013 to approximately US\$57.3 billion in 2017. The number of new economy-focused funds is expected to increase in light of the growing importance of new economy companies and their potentials in generating high investment returns. Along with the growth of the capital raised, the management fees of private equity funds will also increase. The following table shows the growth of management fees of Greater China-based private equity firms for the periods presented:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2023E</u>	<u>13-17</u> <u>CAGR</u>	<u>17-23E</u> <u>CAGR</u>
	(US\$ in millions except percentages)							
Private Equity								
Management fees	2,804	3,791	4,598	5,208	5,951	11,086	20.7%	10.9%

Source: CIC Report

Real estate funds, credit funds, and fund of funds

Real estate funds generally make equity and/or debt investments in real estate-related assets. Securitization of real estate assets is gradually gaining momentum in China with the proposed launch of residential real estate investment trust that allows securitization of residential properties. Credit funds provide an alternative that allows companies to raise capital through debt financing. For investors who wish to diversify their portfolio allocation and have professional services from fund managers, fund of funds offer a solution to allocate capital into a wide array of asset classes. The following table shows the growth of management fees for Greater China-based real estate funds, credit funds and fund of funds for the periods presented:

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2023E</u>	<u>13-17</u> <u>CAGR</u>	<u>17-23E</u> <u>CAGR</u>
	(US\$ in millions except percentages)							
Management Fees								
Real estate funds	278	258	270	290	315	450	3.2%	6.1%
Credit funds	164	186	222	225	291	657	15.5%	14.5%
Fund of funds	158	204	242	287	553	1,029	36.7%	10.9%

Source: CIC Report

Hedge funds, mutual funds, and exchange-traded funds

The public market offers higher liquidity than the private market. Asset classes such as hedge funds, mutual funds and exchange-traded funds allow investors to apply their knowledge and expertise to achieve returns through trading of securities. According to the CIC Report, as of December 31, 2017, the total market capitalization of the Chinese new economy companies listed in Hong Kong, the United States, and China amounted to approximately US\$2.7 trillion, representing 18.1% of the total market capitalization of all Chinese companies listed in the three markets, and such numbers are expected to continue to grow. Given their increased importance in the public market, new economy companies will receive more attention from public market investors. The following table shows the

INDUSTRY OVERVIEW

growth of management fees of Greater China-based hedge funds, mutual funds, and exchange-traded funds for the periods presented:

	2013	2014	2015	2016	2017	2023E	13-17 CAGR	17-23E CAGR
	(US\$ in millions except percentages)							
Management Fees								
Hedge funds	840	1,031	1,249	1,538	1,862	4,542	22.0%	16.0%
Mutual funds	1,971	3,493	6,440	7,026	8,188	24,335	42.8%	19.9%
Exchange-traded funds	63	74	87	110	126	243	18.9%	11.6%

Source: CIC Report

Private wealth management

According to the CIC Report, with the rapid growth of personal wealth, China has become world's second-largest wealth management market. Private wealth management services generally refer to banking, investment and other financial services provided to high-net-worth individuals. High-net-worth individuals typically refer to individuals with more than RMB10 million investable assets, mainly comprising entrepreneurs and professionals. According to the CIC Report, in 2016, the number of high-net-worth individuals in China reached approximately 1.6 million, which was nearly nine times as many as it was in 2006. A major driving force of such growth is the rapid development of the new economy. According to the CIC Report, estimated investable assets of founders and senior management at top 100 Chinese unicorns and all listed Chinese new economy companies in Hong Kong, the United States, and China amounted to approximately US\$204.5 billion in 2017, and such number is expected to reach US\$498.1 billion by 2023, representing a CAGR of 16.0%. New economy-focused financial service providers with extensive coverage of high-net-worth founders and senior management of top new economy companies are better positioned to capture the growth of this market. Management fee that could be generated through family office and private banking services to these individuals in 2017 was US\$601.1 million and such number is expected to reach US\$1,849.4 million by 2023, representing a CAGR of 20.6%.

Key Success Factors for New Economy-focused Financial Service Providers

Financial service providers that offer a full spectrum of services, including complementary investment banking and investment management businesses, are well-positioned to capture the enormous opportunities in the new economy sector. The key success factors include:

Deep understanding of the market and profound industry insights

China's new economy is growing rapidly. Merely having market insights and professional expertise is no longer sufficient for financial service providers to maintain a competitive edge. In order to compete effectively, financial service providers have to be able to quickly adapt to the evolving financing needs of new economy companies and provide tailored services to address clients' various financing needs across different sectors in different stages. In addition, data resources and analytical capabilities are playing increasingly decisive roles in the competition. Current market players who have already accumulated a large volume of proprietary data generally set a high entry barrier for new entrants.

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Brand recognition

Strong brand and proven track record enable financial service providers to continue to attract entrepreneurs as clients and investors. According to the CIC Report, brand recognition is a key consideration when entrepreneurs choose financial service providers. The ability to understand and gain trust of these entrepreneurs at an early stage is especially critical. Furthermore, having a large number of entrepreneurs as potential client base helps financial service providers to attract best-in-class investors. A powerful network effect is created when a financial service firm becomes a conduit that successfully connects entrepreneurs and investors.

Discovering emerging winners and spearheading in landmark deals

The ability to identify and validate winning enterprises in each sector at early stage and continue to serve them throughout their development cycle enables financial service providers to secure a role in potential landmark deals in the future. Such ability is built upon broad and deep coverage across all new economy sectors, and enhanced by an institutionalized discovery process which combines accumulated experience, well-built network and domain knowledge into a proprietary data platform. In addition to identifying winners at early stage, leveraging expertise in new economy sector and quality professional services to spearhead in and successfully execute landmark deals will help building up track record and contribute greatly to industry reputation.

Comprehensive service offerings

New economy companies typically have frequent and diversified financing needs. Financial service providers with comprehensive service offerings are able to address various types of clients' investment and financing needs and eventually build continuing relationship with clients. These market players are well-positioned to benefit from multiple monetization opportunities. In addition, entrepreneurs of successful new economy companies usually are high-net-worth individuals with personal investment needs. This creates synergetic business opportunities for financial service providers that offer diversified wealth management and asset management services.

Talent recruitment and retention

Financial service professionals with strong deal sourcing capability and execution experience are important for financial service providers to become and remain as market leaders. Recruitment and retention of these individuals are essential to the success of financial service providers.

Development Trends of the New Economy-focused Financial Service Industry

More favorable regulatory environment

As evidenced by the promulgation of the State Council Opinions Regarding Further Boosting the Healthy Development of China's Capital Markets (《國務院關於進一步促進資本市場健康發展的若干意見》), the PRC government has been carrying out a series of reforms to further promote the development of the capital markets in China in recent years. In particular, the PRC government launched Shanghai-Hong Kong Stock Connect in 2014 and Shenzhen-Hong Kong Stock Connect in 2016, which allow investors in Hong Kong to trade certain stocks listed on China market and investors in China to trade certain stocks listed on Hong Kong market. The launch of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect increased the liquidity of the stock markets in both China and Hong Kong. In addition, the PRC government launched Chinese depositary receipt

INDUSTRY OVERVIEW

(中國存托憑證) to attract new economy unicorns or overseas-listed new economy companies to raise capital in China through the public offering and listing of the newly created Chinese depositary receipts. It is expected that the launch of Chinese depositary receipt will further boost the growth of China's capital markets.

The capital markets in Hong Kong have also been undergoing significant reforms. Hong Kong Listing Rules were amended to allow the listing of companies with weighted voting right structures and pre-revenue biotech companies, which will make Hong Kong capital markets more attractive for fast-growing new economy companies that were previously ineligible to list on Hong Kong Stock Exchange due to its shareholding structure or inability to meet listing requirements regarding revenue.

Internationalization

As China continues to play a major role in the global economy, financial service providers in China also need to improve their global expertise to better serve their clients in the context of globalization. Top-tier new economy companies have started to expand overseas through various ways such as acquisition, forming strategic partnership with overseas partners, or to list on overseas capital markets. Investors in China have also demonstrated strong interest in overseas markets. Such trend requires financial service providers in China to have sufficient knowledge of various overseas markets and familiarity with relevant laws and regulations in multiple jurisdictions so that they can offer services on a global scale. On the other hand, as evidenced by the growing inbound acquisitions by foreign companies and the inclusion of A-share companies in the MSCI index, domestic capital markets, and investment opportunities also achieved strong growth. Abilities to advise and form strong business relationships with these foreign investors and companies will be critical to new economy-focused financial service providers in their transformation into international players.

Fast development of wealth management and asset management services

The rapid growth of the new economy and the IPO of leading new economy companies have created significant amount of individual wealth and increased the number of high-net-worth individuals. Due to the growing number of high-net-worth individuals and the rising awareness of wealth management, the demand for wealth management and asset management services, especially for high-end wealth management services, is expected to grow. New economy-focused financial service providers generally have first-mover advantages on such opportunity and are positioned to capture these individuals by providing tailored wealth management services/products.

COMPETITIVE LANDSCAPE OF CHINA'S NEW ECONOMY-FOCUSED FINANCIAL SERVICE INDUSTRY

Each major type of financial services has its own competitive landscape. As a comprehensive financial service provider focusing on new economy companies, we offer investment banking services and investment management services, covering all major segments of the financial service market. According to the CIC Report, we are the only market player with leading positions in advisory services, equity capital markets, and private equity investment focusing on new economy companies.

Advisory Services

The competition in advisory services market is intense in China. We are positioned in the market to provide private placement advisory services across various stages of development of a new

INDUSTRY OVERVIEW

economy company and M&A advisory services focusing on new economy companies. In 2017, the market size of China's new economy advisory services as measured by transaction value was US\$185.9 billion, which consists of US\$101.7 billion and US\$84.2 billion for the sizes of China's new economy private placement market and new economy M&A market, accounting for approximately 53.5% and approximately 12.2% of the sizes of China's overall private placement market and overall M&A market, respectively.

The following table sets forth market shares of the top five market players in terms of transaction value on a cumulative basis from 2013 through 2017:

	<u>Our Company</u>	<u>Company F</u>	<u>Company J</u>	<u>Company E</u>	<u>Company H</u>
Market Share	16.6%	14.4%	11.2%	8.3%	7.8%

Source: CIC Report

Private Placement

In 2017, the total transaction value of our completed private placement deals reached approximately US\$4.4 billion, representing a 13.7% market share of China's new economy private placement market, while the market shares of Company A, Company B, Company C, and Company D were approximately 7.2%, 6.2%, 5.3%, and 3.4%, respectively.

M&A

China's new economy M&A market has remained fragmented, with the top five players accounting for a 23.2% market share in 2017. We ranked first with a total transaction value of approximately US\$10.5 billion, or a 12.4% market share in 2017. Company E, Company F, Company G, and Company H ranked from second to fifth, with market shares of 4.9%, 3.1%, 1.6%, and 1.1%, respectively.

Equity Capital Markets

The equity capital markets in Hong Kong and the United States for new economy companies remain competitive for both international and domestic investment banks. In 2017, there were 44 Chinese new economy companies listed in China, Hong Kong, and the United States markets. In terms of the number of IPO deals underwritten for new economy companies in the five-year period from 2013 through 2017, we were ranked the first and the third among all domestic investment banks and all investment banks, respectively. The following table sets forth market shares of the top five market players in terms of the number of Hong Kong and U.S. IPO deals underwritten for new economy companies on a cumulative basis from 2013 through 2017:

Ranking among domestic investment banks					
	<u>Our Company</u>	<u>Company F</u>	<u>Company X</u>	<u>Company Y</u>	<u>Company Z</u>
Number of deals	21	15	8	7	6
Ranking among all investment banks					
	<u>Company I</u>	<u>Company J</u>	<u>Our Company/ Company K</u>	<u>Company L</u>	<u>Company AA/ Company F</u>
Number of deals	28	23	21	16	15

Source: CIC Report

INDUSTRY OVERVIEW

Hong Kong and U.S. IPO

In 2017, IPO underwritings for China's new economy sectors grew steadily in Hong Kong and the U.S. markets. In terms of deal count, we, along with Company F, ranked first among all domestic investment banks, and ranked fifth among global investment banks, with five deals. The second to third place being Company I, Company J, Company K, and Company L, with 9, 7, 6, and 6 deals, respectively.

China IPO

The equity underwriting market in China is relatively fragmented. According to the CIC Report, 63 different investment banks participated in 436 IPOs in China in 2017, with the top five banks completing 150 IPOs and accounting for 34.4% of total transactions. As competition intensifies, homogenous underwriting service is likely to move towards a market-oriented model with emphasis on providing comprehensive and innovative services to cater to varied client needs. This transformation will likely benefit investment banks with comprehensive product offerings and strong competitive advantages, such as our Company, in the fast-growing new economy sector.

In 2017, IPO underwritings for China's new economy sectors grew robustly in the China market. Company F ranked first with a transaction value of US\$188.0 million, or a 19.7% market share. The second to fifth financial institutions are Company G, Company M, Company E, and Company N, with market shares of 16.7%, 13.6%, 9.1%, and 6.8%, respectively. The following table sets forth market shares of the top five market players in terms of transaction value of China IPO deals underwritten for new economy companies in 2017.

	<u>Company F</u>	<u>Company G</u>	<u>Company M</u>	<u>Company E</u>	<u>Company N</u>
Market Share	19.7%	16.7%	13.6%	9.1%	6.8%

Private Equity Investment

Private equity market in China is relatively fragmented, with each market player accounts for a small percentage of the market share in terms of AUM. In 2017, the size of China's new economy-focused private equity market as measured by AUM was US\$126.9 billion, accounting for approximately 24.1% of the size of China's overall private equity market. Different types of funds tend to have varied strategic focuses and investment preferences. Large private equity funds with longer history in China generally focus on traditional industries, while venture capital funds typically focus exclusively on early-stage transactions. We are the only Greater China-based new economy-focused financial service provider that provides investment banking services in addition to private equity investment, which gives us a competitive edge in serving new economy companies.

Investment Management

The top 10 new economy-focused investors accounted for approximately 45.2% of the total AUM in 2017. Company O ranked first with a 11.0% market share in 2017 as measured by AUM. We ranked eighth with an AUM of approximately US\$3.3 billion, or a 2.6% market share in 2017.

	<u>Company O</u>	<u>Company P</u>	<u>Company Q</u>	<u>Company R</u>	<u>Company S</u>	<u>Company T</u>	<u>Company U</u>	<u>Our Company</u>	<u>Company V</u>	<u>Company W</u>
Market Share . . .	11.0%	7.6%	6.5%	3.5%	3.3%	3.1%	3.0%	2.6%	2.4%	2.3%

INDUSTRY OVERVIEW

As of June 30, 2018, according to Asset Management Association of China (中國證券投資基金業協會), over 450 private equity funds had an AUM of US\$1.0 billion or more, and the average size of private equity funds as measured by AUM ranged from approximately US\$70 million to approximately US\$90 million. Their funding sources are generally retail investors such as high-net-worth individuals and entrepreneurs, institutional investors such as banks, insurance companies, and other financial institutions, which are funded by pensions, sovereign funds, family trusts, and endowments.

In 2017, the average return of top tier private equity funds, as measured by IRR, was over 30.0%. Actual return can be significantly different for each private equity fund with varying portfolios and investment strategies.

Fund management fees, commission fees based on portfolio performance, and other advisory fees are the main components for private equity income. As a customary market practice, private equity funds in China charge 2% management fees on committed capital and could earn an additional 20% carried interest on investment returns.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

In 2005, Mr. Bao believed that a wave of new economy entrepreneurs was gaining ground and foresaw an increase in demand for financial advisory services dedicated to serving these entrepreneurs. Mr. Bao invited Mr. Xie Yi Jing to join him to found our Group in 2005. Mr. Du Yongbo and Mr. Wang Xinwei joined our Group in 2006 and 2007, respectively, and the four individuals have each since played pivotal management roles within our Group. Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 13, 2011 and is currently serving as the holding company of our business segments, namely, investment banking, investment management and Huajing Securities.

Mr. Bao, Mr. Xie Yi Jing, Mr. Du Yongbo and Mr. Wang Xinwei each has over 20 years of experience in the investment banking, investment management or financial advisory fields. See “Directors and Senior Management” for further details on the work experiences of Mr. Bao, Mr. Xie Yi Jing, Mr. Du Yongbo and Mr. Wang Xinwei.

BUSINESS MILESTONES

The following is a summary of our key business development milestones since our inception in 2005:

Year	Event
2005	Founded in Beijing, China
2005	Commenced private placement advisory services
2009	Commenced M&A advisory services
2012	Commenced financial advisory, equity underwriting, sales, trading, brokerage, and research services in Hong Kong
2013	Commenced financial advisory, equity underwriting, sales, trading, brokerage, and research services in the United States
	Launched investment management business
2014	Launched our early-stage advisory platform
2015	Established dedicated healthcare team
	Total capital commitment of our private equity operations exceeded US\$1 billion
2016	Commenced Huajing Securities business in China
2017	Total capital commitment of our private equity operations exceeded US\$2 billion
2018	Aggregate transaction value across all our businesses exceeded US\$100 billion
	Total capital commitment of our private equity operations exceeded US\$3 billion

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

The principal business activities and date of establishment or commencement of business of each member of our Group that made a material contribution to our results of operations during the Track Record Period are shown below:

Name of subsidiary	Principal business activities	Date of establishment or commencement of business
Huaxing Fanya	Financial advisory	December 21, 2005
Shanghai Huijia	Financial advisory	May 28, 2008
CRS (Hong Kong)	Financial advisory, equity underwriting, sale, trading, brokerage, and research	October 24, 2012
CRS (US)	Financial advisory, equity underwriting, sales, trading, brokerage, and research	July 24, 2013
Dazi Huashi	Financial advisory	October 20, 2014
Shanghai Huasheng	Investment management	November 25, 2014
Huasheng Youge	Investment management	October 28, 2015
Ningbo Huajie	Investment management	February 23, 2017
Huajing Securities	Securities brokerage, securities underwriting and sponsorship, securities asset management, securities investment consultancy in China	October 28, 2016

MAJOR SHAREHOLDING CHANGES OF OUR COMPANY

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 13, 2011 with an authorized share capital of US\$50,000 divided into 5,000,000 ordinary shares with a par value of US\$0.01 each.

Upon its incorporation on July 13, 2011, our Company issued one ordinary share with a par value of US\$0.01 to Avalon Ltd., an Independent Third Party. This one share was subsequently transferred to CR Partners on the same day.

On July 14, 2011, our Company issued an additional 599,999 ordinary shares with a par value of US\$0.01 each to CR Partners. As a result, CR Partners held 600,000 ordinary shares.

In late 2011, our Company underwent a series A financing round pursuant to which our Company issued 100,000 series A preferred shares to Renaissance Greenhouse HK Limited (then known as CW Renaissance Limited) on September 9, 2011, and 50,000 series A preferred shares to Greenhouse CR Holdings Co., Ltd. (then known as TBP Greenhouse Holdings Co., Ltd.) on October 28, 2011. See “—Pre-IPO Investments” in this section for further details of our series A financing round.

On March 1, 2013, our Company conducted a share subdivision pursuant to which each share in our then issued and unissued share capital (including the then series A preferred shares) was split into 100 shares of the corresponding class with par value of US\$0.0001 each (the “**2013 Share Subdivision**”), following which our issued share capital was divided into 60,000,000 shares and 15,000,000 series A preferred shares.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

See “—Pre-IPO Investments” in this section for subsequent shareholding changes in connection with completion of the relevant pre-IPO investments.

On June 5, 2018, pursuant to the exercise of certain options granted under the ESOP, our Company issued 1,060,000 shares to CR Partners, 1,993,500 shares to Honor Equity Limited and 766,000 shares to Sky Allies Development Limited, respectively.

On June 15, 2018, pursuant to the RSU Plan, our Company issued 3,000,000 shares to Honor Equity Limited and 7,000,000 shares to Sky Allies Development Limited, respectively.

On August 10, 2018, our Company conducted a share subdivision pursuant to which each share in our then issued and unissued share capital (including the then series A preferred shares, the then series B preferred shares, the shares to be converted under the 2018 Convertible Notes, the underlying shares of options granted under the ESOP, and all issued and unissued shares under the RSU Plan) was split into four (4) Shares of the corresponding class with par value of US\$0.000025 each (the “**2018 Share Subdivision**”), following which our authorized share capital was US\$50,000 divided into 1,820,000,000 ordinary Shares with par value of US\$0.000025 each, 80,000,000 Series A Preferred Shares with par value of US\$0.000025 each, and 100,000,000 Series B Preferred Shares with par value of US\$0.000025 each.

See also “History, Reorganization and Corporate Structure—Our Management’s Lock-up Arrangements.”

OUR MANAGEMENT’S LOCK-UP ARRANGEMENTS

To demonstrate commitment of Mr. Bao, Mr. Xie Yi Jing, Mr. Du Yongbo and Mr. Wang Xinwei to and their long-term confidence in our Company, CR Partners and its shareholders have agreed that Shares held by CR Partners representing the proportionate indirect interests attributable to or controlled by these four individuals (the “**Management Shares**”) are subject to a lock-up arrangement. Pursuant to such lock-up arrangement, save for permitted transferees (including (i) immediate family members of the transferors or any trust entities in connection with family trust arrangements of the transferors, and (ii) entities wholly-owned by the transferors) as confirmed by Mr. Bao, CR Partners shall not: (i) transfer any Management Shares prior to the end of the first six months of the Listing (the “**Relevant Lock-up Date**”); and (ii) transfer Shares exceeding 25%, 50% and 75% of the Management Shares prior to the first, second and third anniversary of the Relevant Lock-up Date, respectively.

MATERIAL INVESTMENTS

Investment in Unicorn funds

On January 23, 2015, the Company, two other individuals (together, the “**Unicorn Founders**”) and Unicorn Partners Advisors Ltd. (the “**Unicorn Advisor**”) entered into a shareholders’ agreement which was amended and restated on December 28, 2016 (the “**Unicorn Shareholders Agreement**”).

Based on the Unicorn Shareholders Agreement, the Company, the Unicorn Founders and the Unicorn Advisor established a series of general partners that launched a total of three Unicorn-branded limited partnership funds. As of March 31, 2018, the aggregate capital contributions that we had made to limited partnership funds amount to US\$10 million.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The Unicorn Shareholders Agreement was entered into on an arm's length basis among the Company, the Unicorn Founders and Unicorn Advisor, after taking into account the timing of the investment, the illiquidity of the shares as a private company, and the fair value of Unicorn Advisor's shares. The agreements establishing the Unicorn-branded general partners were on an arm's length basis between the parties to the agreements, taking into account the investment size and policy of the fund, the amount of investor interest, the timing of the investment, and the fair value of the Unicorn investment management business.

Our investment in Unicorn funds is a material step we took in developing our fund of funds business targeting emerging venture capital managers.

Maxson Securities Call Option

On November 17, 2017, Maxson Securities Limited (萬誠證券有限公司), a wholly-owned subsidiary of our Company ("Maxson"), and Shanghai Enlight Investment Holdings Limited (上海光線投資控股有限公司) ("Shanghai Enlight"), among others, entered into a joint venture agreement (the "**Huajing Securities JV Agreement**"), pursuant to which Maxson was granted a call option (the "**Call Option**") over all or any part of Shanghai Enlight's equity interests in Huajing Securities at the time of establishment of Huajing Securities, which can be exercised by Maxson at any time during the subsistence of the joint venture so long as it complies with the applicable laws and regulations. If the call option is fully exercised, Maxson will acquire an additional 32.82% of the issued share capital of Huajing Securities (calculated based on the issued share capital of Huajing Securities as of the Latest Practicable Date) for a consideration equivalent to the pro rata share of the audited book value of Huajing Securities.

The Huajing Securities JV Agreement was entered into on an arm's length basis among the parties, after taking into account the timing of the investment and the fair value of Huajing Securities' shares.

As advised by our PRC Legal Advisor, the Huajing Securities JV Agreement has been properly and legally executed, and all PRC regulatory approvals required have been obtained.

CORPORATE REORGANIZATION

The Reorganization

In preparation for the Listing, we underwent the Reorganization, which consisted of the following material reorganization steps:

1. Reorganization of our financial advisory businesses

Prior to the Reorganization, the Alpha team's business, namely its early-stage private placement advisory services (the "**Alpha business**") was primarily conducted through Dazi Huashi. See "Business—Investment Banking—Early-Stage Services—Alpha Team" for further details on the Alpha team's services. The Alpha team provides its clients ("**Alpha client companies**") with financial advisory services in exchange mainly for advisory fees, or as the case may be, for equity interests in the Alpha client companies ("**Alpha equity financing**"), or any combination of the above. Since the financial advisory services provided by the Alpha team are not subject to PRC foreign investment restrictions or prohibitions, we underwent reorganization steps to transfer the contracts of the Alpha business from Dazi Huashi to our wholly-owned subsidiary, Shanghai Huijia.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Since May 2, 2018 and to the extent feasible and necessary, the financial advisory contracts of the Alpha business (signed with Alpha client companies) were amended and restated such that Shanghai Huijia assumed Dazi Huashi's rights, obligations and liabilities, including the right to receive financial advisory fees, from each Alpha client company under each of the contracts. Going forward, our Alpha business will be conducted through our Company's wholly-owned subsidiaries.

To streamline our business, our Company disposed of certain equity interests in Alpha client companies held by it. The fair value of these equity interests is immaterial to our Group as a whole. The divestments were deemed completed on or before June 8, 2018. Through this reorganization step, we believe the Group's Alpha business would be streamlined, and the Alpha team will operate more efficiently as a result.

On June 20, 2018, Dazi Huashi transferred its entire equity interests in Beijing Zhulu to Shanghai Huijia for a consideration of RMB12,351,703.

2. Reorganization of our onshore investment management business

With a view to complying with the requirements under the Listing Decision LD43-3 to the extent practicable, we have also completed the following reorganization steps to the effect that (i) equity interests in the entities which are receiving management fees from our RMB funds in the capacity as fund management entity originally controlled by us through contractual arrangements, are transferred to Huagan Shanghai; (ii) for RMB funds which do not invest in portfolio companies conducting in businesses subject to PRC foreign investment restrictions or prohibitions, our equity interests in our general partner entities of such RMB funds are transferred to Huagan Shanghai or its wholly-owned subsidiaries; and (iii) we are able to receive the economic benefits generated by our Consolidated Affiliated Entities (and/or their subsidiaries) in their capacity as general partners of our RMB funds:

Huaxing Growth Capital RMB Fund Management Companies

On May 11, 2018, Shanghai Quanyuan and Shanghai Huasheng collectively transferred their entire equity interests in Huasheng Youge to Huagan Shanghai for a total consideration of RMB1,000,000.

On May 24, 2018, Shanghai Quanyuan transferred its 50% interest in Shanghai Huasheng to Huagan Shanghai for a consideration of RMB158,439.

Huaxing Growth Capital RMB Fund I

On July 10, 2018, Shanghai Huasheng withdrew its general partnership interest in Huasheng Xinxuan (the general partner of our Huaxing Growth Capital RMB Fund I), while Shanghai Quanyuan assumed all interests, rights and obligations as the general partner of Huasheng Xinxuan.

Huaxing Growth Capital RMB Fund II

On April 28, 2018, Shanghai Huasheng withdrew its limited partnership interest in our Huaxing Growth Capital RMB Fund II. On July 31, 2018, Shanghai Huasheng withdrew its limited partnership interest in Huasheng Xinhang (the general partner of our Huaxing Growth Capital RMB Fund II).

Huaxing Growth Capital RMB Fund III

On September 3, 2018, Ningbo Xinshou withdrew its general partnership interest in Huaxing Growth Capital RMB Parallel Fund III, while Tianjin Huahuang assumed all interests, rights and obligations as the new general partner.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Huaxing Healthcare Capital RMB Fund I

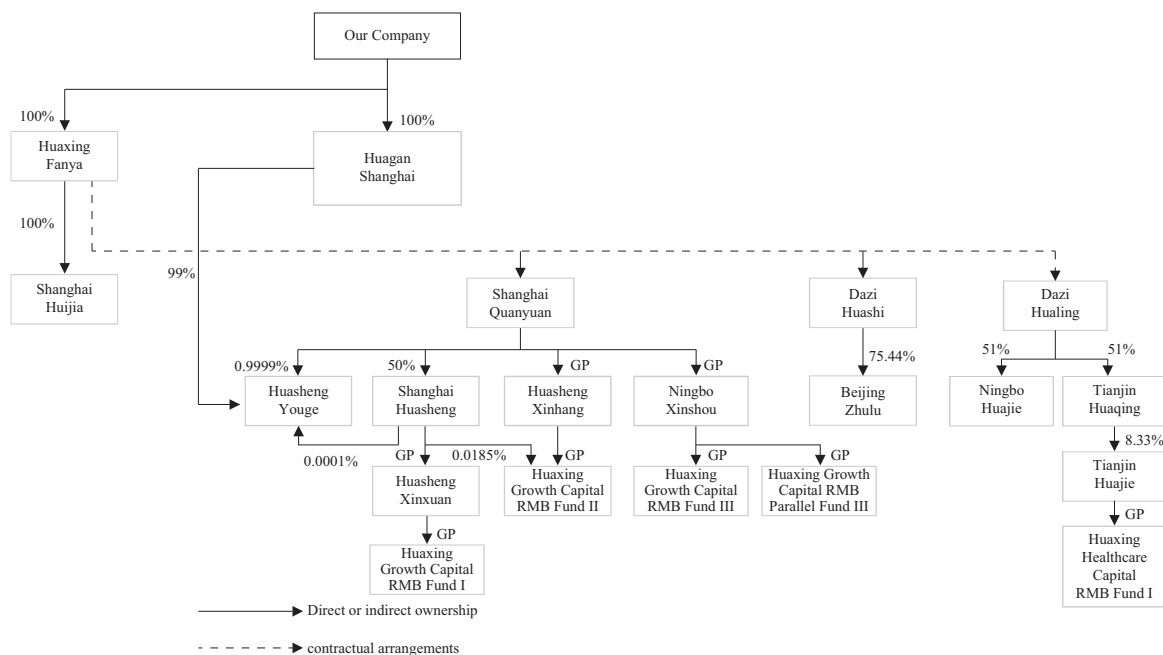
On May 4, 2018, Dazi Hualing transferred its equity interest in Tianjin Huaqing (being the general partner of Tianjin Huajie, which is the general partner of our Huaxing Healthcare Capital RMB Fund I) to Shanghai Weihong for a consideration of RMB510,000.

On May 15, 2018, Dazi Hualing transferred its equity interest in Ningbo Huajie (being the management company of our Huaxing Healthcare Capital RMB Fund I) to Huagan Shanghai for a consideration of RMB1,275,000.

3. Entry into the Contractual Arrangements to replace the Old Contractual Arrangements

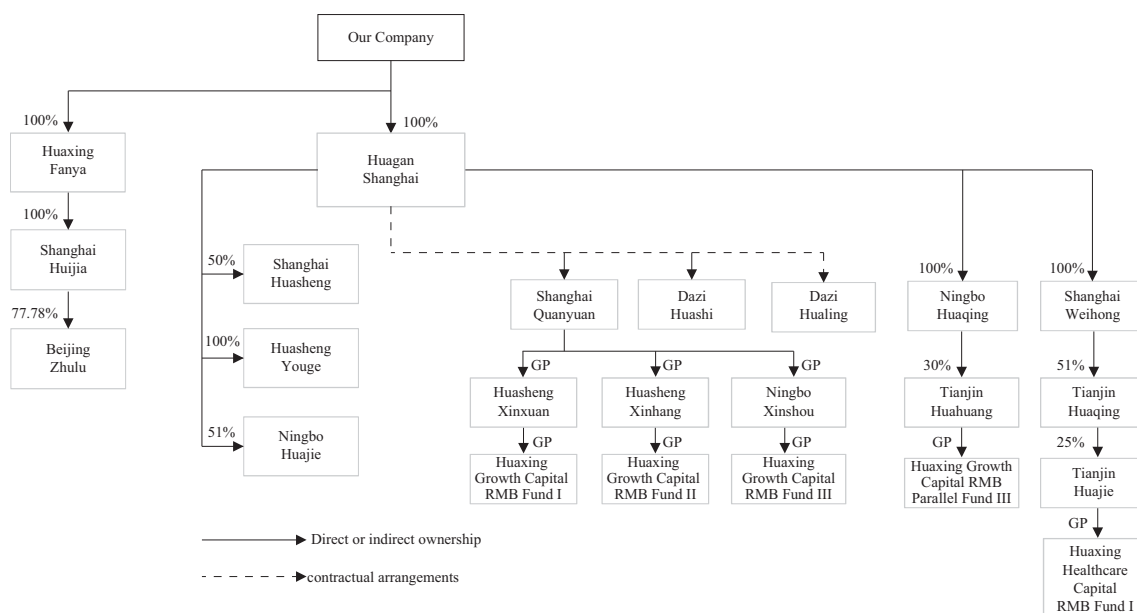
On April 25, 2018, the Contractual Arrangements were entered into to replace the Old Contractual Arrangements in place before the Reorganization. See “Contractual Arrangements” for further details.

Below is a simplified corporate structure before the Reorganization took place:



HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Below is a simplified corporate structure after completion of the Reorganization:



PRE-IPO INVESTMENTS

Overview

Our Company underwent the following rounds of Pre-IPO Investments:

Round 1

Our Company entered into a share purchase agreement dated August 8, 2011 (amended and restated on November 4, 2011) with, among others, Renaissance Greenhouse HK Limited (then known as CW Renaissance Limited) and Greenhouse CR Holdings Co., Ltd. (then known as TBP Greenhouse Holdings Co., Ltd.) pursuant to which the Company issued:

- 100,000 series A preferred shares to Renaissance Greenhouse HK Limited on September 9, 2011; and
- 50,000 series A preferred shares to Greenhouse CR Holdings Co., Ltd. on October 28, 2011.

Round 2

On August 10, 2015, our Company entered into a share subscription agreement with, among others, Bamboo Prime, L.P., Greenhouse CR Holdings II Co., Ltd., JenCap CR and Smart Group Global Limited pursuant to which the Company issued:

- 11,413,044 series B preferred shares to Bamboo Prime, L.P. on August 28, 2015;
- 3,260,870 series B preferred shares to Greenhouse CR Holdings II Co., Ltd. on September 25, 2015;
- 815,217 series B preferred shares to JenCap CR on September 25, 2015; and
- 815,217 series B preferred shares to Smart Group Global Limited on September 25, 2015.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- Round 3 On June 15, 2016, our Company entered into three convertible note purchase agreements (the “**2016 Convertible Note Purchase Agreements**”) pursuant to which the Company issued convertible notes to Greenhouse CR Holdings II Co., Ltd., Bamboo Green, Ltd. (“**Bamboo Green**”) and Gopher Harvest Fund LP with the principal amount of US\$4,000,000, US\$13,000,000 and US\$3,000,000, respectively.
- On April 26, 2017, Greenhouse CR Holdings II Co., Ltd., Bamboo Green, Ltd. and Gopher Harvest Fund LP fully exercised their conversion rights under the 2016 Convertible Note Purchase Agreements in exchange for 652,173, 2,119,565 and 489,130 series B preferred shares, respectively.
- Round 4 On April 26, 2017, our Company entered into a share subscription agreement with, among others, Renaissance Greenhouse HK Limited, pursuant to which the Company issued 1,527,271 series B preferred shares to Renaissance Greenhouse HK Limited on April 26, 2017.
- Round 5 On May 8, 2018, our Company entered into a convertible note purchase agreement with various investors, pursuant to which the Company issued the 2018 Convertible Notes with the total principal amount of US\$86,000,000. The issue of the 2018 Convertible Notes was completed on May 18, 2018.

The consideration for each of the Pre-IPO Investments set out above was determined based on arm’s length negotiations between our Company and the Pre-IPO Investors after taking into account the timing of the subscription, the illiquidity of the shares as a private company when the Pre-IPO Investments were entered into and the fair value of any relevant business contributed in conjunction with the Pre-IPO Investments (where applicable).

Principal terms of the Pre-IPO Investments

The below table summarizes the principal terms of the Pre-IPO Investments:

	Round 1	Round 2	Round 3	Round 4	Round 5
Date of the agreement	August 8, 2011 (amended and restated on November 4, 2011)	August 10, 2015	June 15, 2016	April 26, 2017	May 8, 2018
Date on which investment was fully settled	October 28, 2011	September 25, 2015	June 20, 2016	April 26, 2017	May 18, 2018
Cost per share paid by the investors ⁽¹⁾	US\$0.5 per Series A Preferred Share	Approximately US\$1.53 per Series B Preferred Share	Approximately US\$1.53 per Series B Preferred Share	Approximately US\$1.64 per Series B Preferred Share	Approximately US\$3.62 per Share upon conversion
Total consideration	US\$30 million	US\$100 million	US\$20 million	US\$10 million	US\$86 million
Discount to the Offer Price ⁽²⁾	88.2%	63.9%	63.9%	61.3%	14.7%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	Round 1	Round 2	Round 3	Round 4	Round 5
Use of Proceeds from the Pre-IPO Investments	We utilized the proceeds for the development and operations of our Group, including to make strategic investments in and acquisitions of appropriate investment targets, as seed investment funds, for the purpose of team expansion, and for other general working capital and general corporate purposes.				
Lock-up period (for Shareholders and Preferred Shareholders and not including the holders of the 2018 Convertible Notes)	Without the prior written consent of the managing underwriter, the Shareholders and Preferred Shareholders will not sell or otherwise transfer or dispose of any securities of the Company for a period of up to one hundred and eighty (180) days from the date of this prospectus. See “— Principal terms of the 2018 Convertible Notes” for further details of the lock-up period for holders of the 2018 Convertible Notes.				
Strategic benefits of the Pre-IPO Investors brought to our Company	At the time of the Pre-IPO Investments, our Directors were of the view that our Company could benefit from the additional capital that would be provided by the Pre-IPO Investors’ investments in our Company, as well as the Pre-IPO Investors’ knowledge and experience. Our Directors were also of the view that our Company could benefit from the Pre-IPO Investors’ commitment to our Company as their investment demonstrates their confidence in the operations of our Group and serves as an endorsement of our Company’s performance, strength and prospects.				

Notes:

(1) Based on the cost per share after the 2013 Share Subdivision and the 2018 Share Subdivision.

(2) Assuming the Offer Price is fixed at HK\$33.30, being the mid-point of the indicative Offer Price range.

Rights of the Pre-IPO Investors

In addition to the terms described above, the Preferred Shareholders have been granted certain special rights in relation to our Company. Such special rights are expected to automatically terminate prior to the Listing.

Principal terms of the 2018 Convertible Notes

The following is a summary of the key terms of the 2018 Convertible Notes:

Principal amount of the 2018 Convertible Notes	US\$86,000,000
Issuance date of the 2018 Convertible Notes	2018 Convertible Notes were issued to twelve investors on May 15, 2018 and to two investors on May 18, 2018
Maturity date of the 2018 Convertible Notes	The date that is 24 months following the issuance date (the “ Original Maturity Date ”), except that the Original Maturity Date can be extended (the “ Extended Maturity Date ”) in the event that (i) the ICBCI Loan has not been fully settled by the Company as at the Original Maturity Date, in which case the maturity date will be automatically extended by 7 months or a longer period but not exceeding 12 months as determined by the

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

	Company, or (ii) the ICBCI Loan has been fully settled by the Company as at the Original Maturity Date, in which case the Company may extend the maturity date for a period not exceeding 12 months.
Interest rate	A simple rate of 5% per annum from the issuance date to the Original Maturity Date, and in the event that the Original Maturity Date is extended to the Extended Maturity Date, a simple rate of 8% per annum from the Original Maturity Date to the Extended Maturity Date. No interest shall accrue if the 2018 Convertible Notes were converted into Shares by way of the Mandatory Conversion (as set out below).
Mandatory Conversion	The 2018 Convertible Notes will, immediately prior to the closing of a IPO, be automatically converted into such number of Shares of the Company which is equal to the quotient (rounded down to the nearest whole share) obtained by (i) dividing the outstanding principal balance under each 2018 Convertible Note on the date of such conversion, by (ii) the conversion price (as set out below).
Conversion price	Originally US\$14.4637 per share, subject to customary adjustments.
Lock-up	In the event of an IPO of the Company, holders of the 2018 Convertible Notes agree not to dispose of nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any equity securities of the Company during the period commencing on the date of this document and ending on the date specified by the Company and its managing underwriter (which must be no less than six months from the closing of the IPO).
Anti-dilution right	Each holder of the 2018 Convertible Notes shall have a preemptive right to subscribe for additional number of shares in the Company in and as part of an IPO that is equal to its “pro rata share” multiplied by the total number of new shares to be issued by the Company to subscribers in connection with such IPO. “Pro-rata share” means the ratio of (x) the number of shares issuable pursuant to conversion of the 2018 Convertible Notes based on the then applicable conversion price to (y) the total number of issued shares of the Company (on a fully diluted and converted basis). For the avoidance of doubt, the total number of issued shares of the Company shall not include the shares that may be issued by the Company pursuant to any over-allotment option granted by the Company. The additional shares granted pursuant to the anti-dilution right will be subscribed for at the IPO offer price.
Early redemption right	No early redemption mechanism at a fixed internal rate of return.

Capitalization of our Company

The below table is a summary of the capitalization of the Company as of the date of this document:

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Shareholders	Shares (ordinary)	Series A Preferred Shares	Series B Preferred Shares	Shares to be converted from 2018 Convertible Notes ⁽¹⁾	Shareholding percentage as of the date of this document ⁽²⁾	Shareholding percentage after conversion of 2018 Convertible Notes	Shareholding percentage of the Listing Date ⁽³⁾		
CR Partners ⁽⁴⁾	244,240,000	—	—	—	55.55%	52.70%	44.53%		
Honor Equity Limited ⁽⁵⁾⁽⁶⁾	19,974,000	—	—	—	4.54%	4.31%	3.64%		
Sky Allies Development Limited ⁽⁵⁾⁽⁶⁾	31,064,000	—	—	—	7.07%	6.70%	5.66%		
Renaissance Greenhouse HK Limited	—	40,000,000	6,109,084	—	10.49%	9.95%	8.41%		
Greenhouse CR Holdings Co., Ltd.	—	20,000,000	—	—	4.55%	4.32%	3.65%		
Greenhouse CR Holdings II Co., Ltd.	—	—	15,652,172	—	3.56%	3.38%	2.85%		
JenCap CR	—	—	3,260,868	—	0.74%	0.70%	0.59%		
Smart Group Global Limited	—	—	3,260,868	1,382,772	0.74%	1.00%	0.85%		
Bamboo Green, Ltd.	—	—	34,565,216	—	7.86%	7.46%	6.30%		
Gopher Harvest Fund LP	—	—	21,521,740	—	4.90%	4.64%	3.92%		
Hydrogen Element Limited	—	—	—	1,382,772	—	0.30%	0.25%		
New Hope Global Holding Co., Limited	—	—	—	1,382,772	—	0.30%	0.25%		
CHEN, Zhansheng	—	—	—	1,382,772	—	0.30%	0.25%		
J.P. Morgan Trust Company of Delaware ⁽⁷⁾	—	—	—	1,659,324	—	0.36%	0.30%		
Apoletto Asia Ltd	—	—	—	1,659,324	—	0.36%	0.30%		
LIANG, Jian Zhang	—	—	—	1,382,772	—	0.30%	0.25%		
ENLIGHT Shanghai Holdings Limited	—	—	—	1,659,324	—	0.36%	0.30%		
ZHANG, Xiaochun	—	—	—	1,382,772	—	0.30%	0.25%		
New-Wave Investment Holding Company Limited	—	—	—	1,659,324	—	0.36%	0.30%		
Wealth Strategy Holding Limited	—	—	—	1,659,324	—	0.36%	0.30%		
Red Start Limited	—	—	—	1,382,772	—	0.30%	0.25%		
LJA Holdings Ltd.	—	—	—	1,659,324	—	0.36%	0.30%		
Happy Cheer Investments Limited	—	—	—	1,659,324	—	0.36%	0.30%		
Other Public Shareholders	85,008,000	—	—	4,148,316	—	0.90%	0.76%		
Total	380,286,000	60,000,000	84,369,948	23,783,664	100%	100%	15.50%		

Notes:

(1) Based on the assumption that the 2018 Convertible Notes will be automatically converted into Shares immediately prior to the closing of the Global Offering at the conversion price of originally US\$14.4637 per Share (equivalent to approximately HK\$113.5314), adjusted for the 2018 Share Subdivision.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (2) Based on the assumption that each Series A Preferred Share or Series B Preferred Share, as applicable, is converted into one ordinary share of US\$0.000025 par value immediately prior to the Global Offering.
- (3) Assuming that the anti-dilution rights of the holders of the 2018 convertible Notes in connection with the Global Offering, the Over-allotment Option and the outstanding options granted under the ESOP are not exercised. This does not take into account the 12,000,000 Shares that will be issued after Listing under the RSU Plan.
- (4) CR Partners is not a Pre-IPO Investor. See “Relationship with Controlling Shareholders” for more information.
- (5) Honor Equity Limited and Sky Allies Development Limited are established for the sole purpose of holding the Company’s shares on trust for the ESOP Participants and the RSU Participants issued pursuant to the exercise of options under ESOP or pursuant to the RSU Plan.
- (6) The Shares held by Honor Equity Limited and Sky Allies Development Limited do not take into account the 12,000,000 Shares that will be issued after Listing under the RSU Plan.
- (7) J.P. Morgan Trust Company of Delaware is the trustee of NGM Family 2006 Irrevocable Trust, a trust created by Ms. Ning Zhao (an Independent Third Party) in a trust agreement dated December 20, 2006. J.P. Morgan Trust Company of Delaware holds shares in the Company solely on trust for NGM Family 2006 Irrevocable Trust. The beneficiaries of the trust are Ms. Ning Zhao’s family members.

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Public Float

Upon completion of the Global Offering (assuming the Over-allotment Option and the outstanding options under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan):

CR Partners will control or hold in excess of 10% of the issued Shares and therefore will not be considered as part of the public float.

Sky Allies Development Limited is controlled by a trustee company which is accustomed to take instructions from Mr. Bao, and therefore will not be considered as part of the public float pursuant to Rule 8.24(2) of the Listing Rules.

Bamboo Green is a company wholly controlled by Mr. Neil Nanpeng Shen, and therefore will be a close associate of a Director of our Company upon Listing and will not be considered as part of the public float.

Greenhouse CR Holdings Co., Ltd. and Greenhouse CR Holdings II Co., Ltd. are close associates of Mr. Li Shujun and therefore will not be considered as part of the public float.

The holders of the 2018 Convertible Notes are accustomed to take instructions from CR Partners, and therefore will not be considered as part of the public float.

The Shares held by the other Pre-IPO Investors will be counted towards the public float.

Information on the Pre-IPO Investors

Renaissance Greenhouse HK Limited, an investment holding company incorporated under the laws of Hong Kong, is an indirectly wholly-owned subsidiary of Chengwei Evergreen Capital, LP, a venture capital fund focusing on high growth-potential companies involved in the Chinese economy in a variety of industries such as internet, services, education, and consumer goods.

Greenhouse CR Holdings Co., Ltd. and Greenhouse CR Holdings II Co., Ltd., both investment holding companies incorporated under the laws of the British Virgin Islands, are wholly-owned subsidiaries of Trustbridge Partners IV, L.P. and Trustbridge Partners V, L.P. respectively. Trustbridge Partners IV, L.P. and Trustbridge Partners V, L.P. are Cayman Islands limited partnerships that operate as growth equity funds focusing on TMT, consumer, and healthcare sectors in China.

JenCap CR, an exempted company incorporated under the laws of the Cayman Islands, is a wholly-owned subsidiary of Jeneration Capital Partners L.P., a Cayman Islands limited partnership of which Jeneration Capital GP is the general partner. Jeneration Capital GP and its affiliates manage a global portfolio of private equity and public market investments.

Smart Group Global Limited is an investment holding company wholly-owned by Mr. LIU, Qiangdong (劉強東) (an Independent Third Party) and is incorporated under the laws of the British Virgin Islands. Mr. Liu is the founder, chairman and chief executive officer of the e-commerce firm JD.com, Inc., a company listed on Nasdaq with stock code JD.

Bamboo Green, Ltd., an exempted company incorporated under the laws of the Cayman Islands, is a wholly-owned subsidiary of Sequoia Capital China Growth Fund III, L.P.. Sequoia Capital China Growth Fund III, L.P. is an investment fund whose primary purpose is to make equity investments in private companies.

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Gopher Harvest Fund LP (formerly known as Gopher China Harvest Fund LP) (“**Gopher Fund**”) is an exempted limited partnership registered under the laws of the Cayman Islands. The general partners of Gopher Fund are Gopher Capital GP Ltd. and SC China Holdings II, Ltd.. Gopher Capital GP Ltd. shall have the exclusive right to manage and control Gopher Fund, and SC China Holdings II, Ltd.’s role is limited to providing investment advisory advice to the Gopher Fund. Gopher Capital GP Ltd. is a wholly-owned subsidiary of Noah Holdings Limited, a company incorporated in the Cayman Islands whose shares are listed on the New York Stock Exchange with stock code NOAH.

Hydrogen Element Limited is a company wholly-owned by Mr. ZUO Hui (左暉) (an Independent Third Party) and is incorporated under the laws of the British Virgin Islands. Mr. Zuo is the founder and chairman of Beijing Lianjia Real Estate Agency Co., Ltd. (“**Lianjia**”), a company that, together with its subsidiaries, primarily engages in the real estate agency services business through the operation of a data-driven real estate service platform integrating real estate trading and asset management services. Lianjia and its affiliates are clients of the Group, as well as portfolio investee companies of our Huaxing Growth Capital RMB Fund II.

New Hope Global Holding Co., Limited, an investment holding company incorporated under the laws of Hong Kong, is owned by New Hope Group as to 34%, Southern Hope Industry Co., Ltd. (南方希望實業有限公司) as to 33%, and Charis Investment Holdings Pte. Ltd. as to 33%. New Hope Group, together with its subsidiaries including Southern Hope Industry Co., Ltd. (南方希望實業有限公司), primarily engages in agriculture, animal husbandry and food processing businesses, with a view of developing its businesses in emerging innovative industries. Yongzhi Innovation Co., Ltd, an affiliate of New Hope Group, is a 1.42% shareholder of Huajing Securities. Charis Investment Holdings Pte. Ltd. is a company under common control with New Hope Group and holds an approximate 35.6034% equity interest in Southern Hope Industry Co., Ltd., and it primarily engages in investment holding.

Mr. CHEN, Zhansheng (陳展生), an Independent Third Party, is the chairman of the board of BKDR Financial Holding Group (寶凱道融投資控股有限公司), which is a financial services company primarily focusing on the provision of corporate management services, investment management services, financial advisory services, and credit and guarantee services for small to medium enterprises. BKDR Financial Holding Group is an affiliated company of Guangzhou Liby Investment Co., Ltd. (“**Liby Group**”). Liby Group is a 2.85% shareholder of Huajing Securities.

NGM Family 2006 Irrevocable Trust is a trust created by Ms. Ning Zhao (an Independent Third Party) in a trust agreement dated December 20, 2006, with J.P. Morgan Trust Company of Delaware as its trustee. The beneficiaries of the trust are Ms. Ning Zhao’s family members.

Apoletto Asia Ltd is a company incorporated under the laws of the Republic of Mauritius and is indirectly owned by Andromeda Trust acting by its trustee Newton (PTC) Limited as to 98.72%. The remaining 1.28% equity interest in Apoletto Asia Ltd is held by Apoletto Investments IV, L.P., a Cayman Islands limited partnership. Andromeda Trust does not have beneficiaries absolutely entitled to 10% or more of its assets.

Dr. LIANG, Jian Zhang (梁建章), an Independent Third Party, is the co-founder and executive chairman of the board of directors of Ctrip.com International, Ltd., a provider of accommodation reservation, transportation ticketing, package tour and corporate travel management, and other travel-related services in China.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

ENLIGHT Shanghai Holdings Limited is an investment holding company wholly-owned by Ms. MAO Jun (an Independent Third Party) and is incorporated under the laws of the British Virgin Islands, with investments in funds and projects as its primary business.

Ms. ZHANG, Xiaochun (張曉純) is an Independent Third Party.

New-Wave Investment Holding Company Limited is an investment holding company incorporated under the laws of the British Virgin Islands. It is wholly-owned by Every Metro Limited, which in turn is wholly-owned by Mr. Liu Yunli, an Independent Third Party.

Wealth Strategy Holding Limited (富策控股有限公司) is a company incorporated under the laws of Hong Kong in 2014, and primarily engages in the investment business. Its ultimate controlling shareholder is Mr. Kung Hung Ka (龔虹嘉), an Independent Third Party.

Red Start Limited is incorporated under the laws of the British Virgin Islands and is an investment holding company wholly-owned by Ms. Cheuk Yuen (卓玥), an Independent Third Party.

Happy Cheer Investments Limited is an investment holding company incorporated in Hong Kong and owned by various Independent Third party Investors, focusing on TMT and non-financial market industries.

LJA Holdings Ltd., incorporated under the laws of the British Virgin Islands, is an investment holding company wholly-owned by Mr. Li Jing (李璟) (an Independent Third Party) .

Compliance with Stock Exchange guidance

On the basis that (i) the consideration for the Pre-IPO Investments was settled more than 28 clear days before the date of our first submission of the listing application form, to the Listing Division of the Stock Exchange in relation to the Listing; and (ii) the special rights granted to the Pre-IPO Investors will terminate prior to the Listing, the Joint Sponsors confirm that the Pre-IPO Investments are in compliance with Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and updated in March 2017, Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017, and Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and updated in March 2017.

PRC REGULATORY REQUIREMENTS

Save as otherwise disclosed in this section, our PRC Legal Advisor has confirmed that the PRC companies in our Group as described in this section have been duly established and all regulatory approvals and permits in respect of the incorporation and changes of the PRC companies have been obtained in accordance with PRC laws.

M&A Rules

Under the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”) jointly issued by six PRC Governmental Authorities on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009 with immediate effect, a foreign investor is required to obtain necessary approvals when:

- (i) purchasing the equity of a domestic enterprise so as to convert and re-establish the domestic enterprise into a foreign-invested enterprise;

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- (ii) subscribing the increased capital of a domestic enterprise so as to convert and re-establish the domestic enterprise into a foreign-invested enterprise;
- (iii) establishing a foreign-invested enterprise through which it purchases the assets of a domestic enterprise by agreement and operates these assets; or
- (iv) purchasing the assets of a domestic enterprise by agreement, and then investing such assets to establish a foreign-invested enterprise which operates such assets.

The M&A Rules, among other things, further purport to require that a special purpose vehicle, formed for overseas listing purposes and controlled directly or indirectly by PRC companies or individuals through acquisitions of shares of or equity interests in PRC domestic companies, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

Our PRC Legal Advisor is of the opinion that prior CSRC approval for this offering is not required because:

- (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offerings like ours under this document are subject to the M&A Rules;
- (ii) our wholly-owned PRC subsidiaries were not established through mergers or acquisitions of domestic companies owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company; and
- (iii) that no provision in the M&A Rules clearly classified contractual arrangements as a type of transaction subject to the M&A Rules.

However, our PRC Legal Advisor further advises that there is uncertainty as to how the M&A Rules will be interpreted or implemented.

SAFE REGISTRATION IN CHINA

Pursuant to the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Financing and Round Trip Investment via Overseas Special Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular No. 37**”), promulgated by SAFE on July 4, 2014 with immediate effect which replaced the Circular of the SAFE on Foreign Exchange Administration of Equity Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “**Circular No. 75**”):

- a) a PRC resident must register with the local SAFE counterpart before he or she contributes assets or equity interests in an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and
- b) following the initial registration, the PRC resident is also required to register with the local SAFE counterpart for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Pursuant to the Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Notice on Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “SAFE Notice No. 13”), promulgated by SAFE on February 13, 2015 and became effective on June 1, 2015, the power of foreign exchange registration was delegated from the local SAFE counterpart to qualified local banks where the domestic entity was incorporated.

Currently, we do not have any shareholders who are PRC residents and are required to register with a local SAFE counterpart or local bank according to the Circular No. 37.

OUR CORPORATE STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

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HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Notes:

- (1) CR Partners is held as to 73.37% by FBH Partners, 11.99% by Sky Fortress Investments Limited, 11.92% by Ever Perfect Investments Limited (“**Ever Perfect**”), 1.38% by East Logic Limited, and 1.34% by High Fortune Investments Limited (“**High Fortune**”). FBH Partners is owned as to 79% by Mr. Bao and 21% by Ms. Hui Yin Ching, Mr. Bao’s spouse. As a result of a voting proxy granted by Ms. Hui Yin Ching over all her equity interest in FBH Partners, Mr. Bao controls 100% of the voting power at the general meetings of FBH Partners. Sky Fortress Investments Limited is controlled by Mr. Xie Yi Jing, Ever Perfect is controlled by Mr. Du Yongbo, East Logic Limited is controlled by Mr. Krzysztof Werkun, and High Fortune is controlled by Mr. Wang Xinwei.
- (2) Honor Equity Limited is wholly-owned by Cantrust (Far East) Limited, one of the trustees holding our Company’s Shares on trust for the benefit of the ESOP Participants and the RSU Participants.
- (3) Sky Allies Development Limited is wholly-owned by Infiniti Trust (Hong Kong) Limited, one of the trustees holding our Company’s Shares on trust for the ESOP Participants and the RSU Participants.
- (4) Prior to Listing, 32.84% of the total issued Shares of our Company is held by the Pre-IPO Investors excluding the holders of the 2018 Convertible Notes except Smart Group Global Limited (the “**Other Pre-IPO Investors**”). Upon Listing, the Other Pre-IPO Investors (which includes Smart Group Global Limited) will hold approximately 26.58% of the total issued Shares of our Company (assuming the anti-dilution rights of the holders of the 2018 Convertible Notes in connection with the Global Offering, the Over-allotment Option and outstanding options granted under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan). See “– Pre-IPO Investment – Capitalization of our Company” for the respective shareholdings of each Pre-IPO Investor.
- (5) Upon Listing, the 2018 Convertible Notes will be converted into ordinary Shares of our Company, and the holders of the 2018 Convertible Notes (but excluding Smart Group Global Limited) will hold approximately 4.08% of the total issued Shares of our Company (assuming the anti-dilution rights of the holders of the 2018 Convertible Notes in connection with the Global Offering, the Over-allotment Option and outstanding options granted under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan). The Shares of the holders of the 2018 Convertible Notes (including Smart Group Global Limited) will not be considered as part of the public float.
- (6) Huaxing Associates GP, LLC is undergoing reorganization which is expected to be completed prior to completion of the Global Offering and thereafter will be held as to 70% by CR Investments Corporation and 30% by Maxlink International Investments Limited (“**Maxlink International**”). Maxlink International is an Independent Third Party.
- (7) Huaxing Associates GP II, LLC is undergoing reorganization which is expected to be completed prior to completion of the Global Offering and thereafter will be held as to 60% by CR Investments Corporation and 40% by Maxlink International, an Independent Third Party.
- (8) Huaxing Capital Management, LLC is undergoing reorganization which is expected to be completed prior to completion of the Global Offering and thereafter will be held as to 60% by CR Investments Corporation and 40% by Maxlink International, an Independent Third Party.
- (9) Huaxing Associates, L.P. is a limited partnership controlled by its general partner, Huaxing Associates GP, LLC. The limited partners of Huaxing Associates, L.P., after its reorganization which is expected to be completed prior to the completion of the Global Offering, will be Maxlink International, FBH Partners, Value Scale Investments Limited, High Fortune, Dream Work Global Limited (“**Dream Work**”) and CR Investments Corporation. High Fortune is a close associate of Mr. Wang Xinwei, a connected person of our Company. Value Scale Investments Limited and Dream Work are Independent Third Parties. Huaxing Associates, L.P. is the general partner of Huaxing Capital Partners, L.P.
- (10) Huaxing Associates II, L.P. is a limited partnership controlled by its general partner, Huaxing Associates GP II, LLC. The limited partners of Huaxing Associates II, L.P., after its reorganization which is expected to be completed prior to the completion of the Global Offering, will be Maxlink International, CRP Holdings Limited, FBH Partners, High Fortune, Ever Perfect, CR Investments Corporation and Dream Work. CRP Holdings Limited and FBH Partners are close associates of Mr. Bao. Ever Perfect is a close associate of Mr. Du Yongbo, one of our Directors. Huaxing Associates II, L.P. is the general partner of Huaxing Capital Partners II, L.P.
- (11) Huaxing Associates III, L.P. is a limited partnership controlled by its general partner, Huaxing Associates GP III, Ltd. The limited partners of Huaxing Associates III, L.P., after its reorganization which is expected to be completed prior to the completion of the Global Offering, will be CR Investments Corporation, Maxlink International, FBH Partners, High Fortune, Ever Perfect, Global Fortune Corporate Limited and Dream Work. Global Fortune Corporate Limited is an Independent Third Party. Huaxing Associates III, L.P. is the general partner of Huaxing Growth Capital III, L.P.
- (12) Helix Capital Partners is owned as to 51% by Grand Eternity Limited and 49% by Mr. Zhang Junjie, an Independent Third Party.
- (13) Huajing Securities is owned as to 48.82% by Maxson Securities Limited, 34.24% by Shanghai Enlight Investment Holdings Limited (上海光線投資控股有限公司)(“**Shanghai Enlight**”), 3.49% by Wuxi Qunxing Equity Investment Management Co., Ltd. (無錫群興股權投資管理有限公司)(“**Wuxi Qunxing**”), 2.85% by Liby Group, 4.90% by Jiangsu Yunshan Capital Management Co., Ltd. (江蘇雲杉資本管理有限公司)(“**Yunshan Capital**”), 1.42% by Yongzhi Innovation Co., Ltd. (永智創新實業有限公司)(“**Yongzhi Innovation**”), 2.14% by Dazi Zehua Enterprise Management Co., Ltd. (達孜縣澤華企業管理有限公司)(“**Dazi Zehua**”), and 2.14% by Shenzhen Tongsheng Management Consultants Co., Ltd. (深圳同盛管理諮詢有限公司)(“**Shenzhen Tongsheng**”). Shanghai Enlight is a substantial shareholder of Huajing Securities. Wuxi Qunxing, Liby Group, Yunshan Capital, Yongzhi Innovation, Dazi Zehua and Shenzhen Tongsheng are Independent Third Parties.
- (14) Dazi Huashi is owned as to 50% by Mr. Du Yongbo and 50% by Mr. Wang Xinwei. See “Contractual Arrangements” in this document for further details.
- (15) Shanghai Quanyuan is owned as to 50% by Mr. Du Yongbo and 50% by Mr. Wang Xinwei. See “Contractual Arrangements” in this document for further details.
- (16) Dazi Hualing is owned as to 50% by Mr. Du Yongbo and 50% by Mr. Wang Xinwei. See “Contractual Arrangements” in this document for further details.
- (17) Dazi Huafeng is owned as to 50% by Mr. Du Yongbo and 50% by Mr. Wang Xinwei. See the section headed “Contractual Arrangements” in this document for further details.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (18) Shanghai Huasheng is owned as to 50% by Huagan Shanghai, 20% by Beijing Enlight Pictures Co., Ltd. (北京光線影業有限公司) (“**Beijing Enlight**”), and 30% by Shanghai Languo Equity Investment Management Center, L.P. (上海藍果股權投資管理中心 (有限合夥)). Beijing Enlight is an associate of Shanghai Enlight. Shanghai Languo Equity Investment Management Center, L.P. is an Independent Third Party.
- (19) Ningbo Huajie is owned as to 51% by Huagan Shanghai and 49% by Mr. Zhang Junjie, an Independent Third Party.
- (20) The general partner of Huasheng Xinxuan currently is Shanghai Quanyuan and the interests of Huasheng Xinxuan are owned as to 30% by Shanghai Quanyuan, 20% by Beijing Enlight, 20% by Shanghai Languo Equity Investment Management Center, L.P. (上海藍果股權投資管理中心 (有限合夥)), 15% by Mr. Wang Xinwei (a connected person of our Company) and 15% by Mr. Zhu Qing (an Independent Third Party) respectively. Beijing Enlight is an associate of Shanghai Enlight. Shanghai Languo Equity Investment Management Center, L.P. is an Independent Third Party.
- (21) Huasheng Xinhang is the general partner of Huaxing Growth Capital RMB Fund II. The interests of Huasheng Xinhang are owned as to 25% by Shanghai Quanyuan, 9.8% by Shanghai Gefei Asset Management Co., Ltd. (上海歌斐資產管理有限公司) and 2.5% by Shanghai Enlight, 20% by Mr. Du Yongbo (a connected person of our Company), 15% by Mr. Wang Xinwei (a connected person of our Company) and 27.7% by Ms. Liu Yang (an Independent Third Party). Shanghai Gefei Asset Management Co., Ltd. is an Independent Third Party. Shanghai Enlight is a substantial shareholder of Huajing Securities.
- (22) Ningbo Xinshou is controlled by its general partner, Shanghai Quanyuan. Ningbo Xinshou is the general partner of Huaxing Growth Capital RMB Fund III. The interests of Ningbo Xinshou are owned as to 30% by Shanghai Quanyuan, 25% by Mr. Du Yongbo (a connected person of our Company), 25% by Mr. Wang Xinwei (a connected person of our Company), 10% by Ms. Liu Yang (an Independent Third Party), and 10% by Ms. Chen Yilin (an Independent Third Party).
- (23) Tianjin Huaqing is owned as to 51% by Shanghai Weihong and 49% by Mr. Zhang Junjie, an Independent Third Party. Tianjin Huaqing is the general partner of Tianjin Huajie.
- (24) Tianjin Huajie is controlled by its general partner, Tianjin Huaqing. Tianjin Huajie is the general partner of our Huaxing Healthcare Capital RMB Fund I. The interests of Tianjin Huajie are owned as to 25% by Tianjin Huaqing, 12.25% by Shanghai Weihong, 10% by Mr. Bao (a connected person of our Company), 8% by Mr. Wang Xinwei (a connected person of our Company), 26.75% by Mr. Zhang Junjie (an Independent Third Party), 5% by Ms. Dong Jianjin (an Independent Third Party), 11% by Mr. Gu Zheyi (an Independent Third Party) and 2% by Ms. Chen Yang (an Independent Third Party) respectively.
- (25) Beijing Zhulu is owned as to 77.78% by Shanghai Huijia, and the remaining 22.22% all are owned by Independent Third Parties, including 8.33% by Hangzhou Binjiang Puhuatianqing Equity Investment Partnership L.P. (杭州濱江普華天晴股權投資合夥企業 (有限合夥)), 8.33% by Zhuhai Qianyiwtong Investment Fund Enterprise L.P. (珠海千意梧桐合投投資基金企業 (有限合夥)), 1.83% by Hejiahongli (Hangzhou) Venture Capital Partnership L.P. (合嘉泓勵 (杭州) 創業投資合夥企業 (有限合夥)), 1.78% by Ningbo Meishan Bonded Port Hairongcheng Equity Investment Partnership L.P. (寧波梅山保稅港區海容誠股權投資合夥企業 (有限合夥)) and 1.95% by Nantong Wofujinxin Equity Investment Fund Partnership L.P. (南通沃富金信股權投資基金合夥企業 (有限合夥)) respectively.
- (26) Dazi Huafeng Venture Capital Partnership L.P. (達孜鐮峰創業投資合夥企業 (有限合夥)) is controlled by its general partner, Dazi Huafeng. The interests of Dazi Huafeng Venture Capital Partnership L.P. (達孜鐮峰創業投資合夥企業 (有限合夥)) are owned as to 60% by Dazi Huafeng, 10% by Mr. Du Yongbo (a connected person of our Company), 10% by Mr. Wang Xinwei (a connected person of our Company), 11.25% by Mr. Xiang Wei (an Independent Third Party) and 8.75% by Ms. Liu Yang (an Independent Third Party).
- (27) Tianjin Huafeng Asset Management Partnership L.P. (天津鐮峰資產管理合夥企業 (有限合夥)) is controlled by its general partner, Dazi Hualing. Tianjin Huafeng Asset Management Partnership L.P. (天津鐮峰資產管理合夥企業 (有限合夥)) is owned as to 60% by Dazi Hualing, 18% by Mr. Wang Xinwei (a connected person of our Company), 18% by Mr. Xiang Wei (an Independent Third Party) and 4% by Ms. Liu Yang (an Independent Third Party).
- (28) Ningbo Meishan Bonded Port Area Rongjin Investment Management Limited (寧波梅山保稅港區榕錦投資管理有限責任公司) (“**Ningbo Rongjin**”) is owned as to 51% by Shanghai Weihong and 49% by Mr. Tian Hongsen, an Independent Third Party.
- (29) Ningbo Meishan Bonded Port Area Rongjia Investment Management Partnership L.P. (寧波梅山保稅港區榕嘉投資管理合夥企業 (有限合夥)) (“**Ningbo Rongjia**”) is controlled by its general partner, Ningbo Rongjin. The interests of Ningbo Rongjia are owned as to 25% by Ningbo Rongjin, 12.25% by Ningbo Huaqing, 12.75% by Mr. Tian Hongsen (an Independent Third Party), 30% by Mr. Wang Xinwei (a connected person of our Company) and 20% by Ms. Liu Yang (an Independent Third Party).
- (30) Tianjin Huahuang is controlled by its general partner, Ningbo Huaqing. The interests of Tianjin Huahuang are owned as to 30% by Ningbo Huaqing, 30% by Mr. Bao (a connected person of our Company), 5% by Mr. Wang Xinwei (a connected person of our Company), 15% by Ms. Yang Yimei (an Independent Third Party) and 20% by Mr. Hsin John Yao Chow (an Independent Third Party).

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR CORPORATE STRUCTURE IMMEDIATELY FOLLOWING THE GLOBAL OFFERING

The following diagram illustrates the corporate and shareholding structure of our Group immediately following the completion of the Global Offering (assuming the anti-dilution rights of the holders of the 2018 Convertible Notes in connection with the Global Offering, the Over-allotment Option and the outstanding options granted under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan):

Notes (1) to (30): Please refer to the details contained in the preceding pages.



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OUR MISSION

Our mission is to be the platform of choice connecting best-in-class new economy businesses with diversified sources of global capital.

OVERVIEW

We are the leading investment banking and investment management firm dedicated to China's new economy businesses, which are transforming traditional industries through entrepreneurship, technological advancement, and innovative business models. We have built our business specifically to discover best-in-class entrepreneurs and businesses and provide them with advisory and capital markets services and investment through all phases of their development. Our network of entrepreneurs and investors, developed over the last 13 years, plays a critical role in supporting investment capital flows into leading new economy businesses and structuring industry-shaping transactions. As of March 31, 2018, we had advised on approximately 700 transactions worth over US\$100 billion since our inception, and we had AUM of approximately US\$4.1 billion in new economy investments.

Our platform includes three principal business lines: investment banking, investment management, and Huajing Securities, which is our multi-licensed onshore securities joint-venture. Our new economy leadership is well recognized in the market.

- *Advisory Services.* Ranked no. 1 from 2013 through 2017, in terms of new economy transaction value, with US\$90.2 billion advised on a cumulative basis as of March 31, 2018.
- *Underwriting.* Ranked no. 1 among Chinese investment banks, and no. 3 among Chinese and global investment banks, in terms of the number of Hong Kong and U.S. IPOs underwritten for Chinese new economy companies in the five-year period from 2013 through 2017.
- *Investment Management.* Ranked among the top ten Chinese private equity funds that invest in the new economy as of December 31, 2017, with AUM of approximately US\$4.1 billion as of March 31, 2018.

Our role as advisor and investor generates multiple income streams including advisory fees, underwriting and brokerage commissions, management fees, performance fees, and returns from principal investments. We believe that our broad coverage of both public and private companies and the diversity of our income streams make us a unique proxy for investing in China's new economy.

Selected Financial Metrics

We have invested significantly over the Track Record Period to position our platform for growth. This includes investments in our early-stage startup coverage, equity distribution platform, research capabilities, investment management platform, the launch and expansion of Huajing Securities, and overall technology and human capital across our business lines to support our platform. While our investments affected our profit margins over the Track Record Period, we are today beginning to see the growth that is resulting from our initiatives.

The following table sets forth our total revenue, profit or loss attributable to owners of the Company, adjusted revenue, and adjusted net profit attributable to owners of the Company for the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and

BUSINESS

2018. See “Financial Information—Non-IFRS Measures” for a discussion of adjusted revenue and adjusted net profit attributable to owners of the Company.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Total revenues	120,171	133,363	139,414	23,406	38,833
Profit/(Loss) for the year/period attributable to owners of the Company	28,844	31,833	32	(1,135)	(65,262)
Non-IFRS Measures:					
Adjusted revenue (unaudited) ⁽¹⁾	143,041	143,923	212,450	33,773	92,921
Adjusted net profit attributable to owners of the Company (unaudited) ⁽²⁾	73,353	55,179	58,103	6,820	35,667

Notes:

- (1) We define adjusted revenue as total revenue adjusted for the impact of unrealized income from carried interest. Adjusted revenue is not a measure required by, or presented in accordance with, IFRS. The use of adjusted revenue has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. See “Financial Information—Non-IFRS Measures” for further details.
- (2) We define adjusted net profit attributable to owners of the Company as profit or loss for the year or period attributable to owners of the Company adjusted for the impact of (i) share-based compensation expenses, (ii) change in fair value of convertible notes, (iii) change in fair value of convertible redeemable preferred shares, (iv) unrealized income from carried interest, and (v) carried interest to management team and other parties. Adjusted net profit attributable to owners of the Company is not a measure required by, or presented in accordance with, IFRS. The use of adjusted net profit attributable to owners of the Company has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. For further details, see “Financial Information—Non-IFRS Measures.”

Our Entrepreneur-Centric Model

We founded China Renaissance in 2005 to serve a new generation of entrepreneurs that are transforming China’s economy with technology-driven innovation. We recognized a tremendous opportunity to address their unmet needs for strategic advice and financing by creating a platform that combined domain expertise, a deep network, and a comprehensive suite of financial services.

We have remained focused on China’s best-in-class entrepreneurs since our inception. As of December 31, 2017, our client base includes 15 of the top 20 Chinese new economy companies and 56% of unicorns as measured by market capitalization or valuation across China’s new economy.

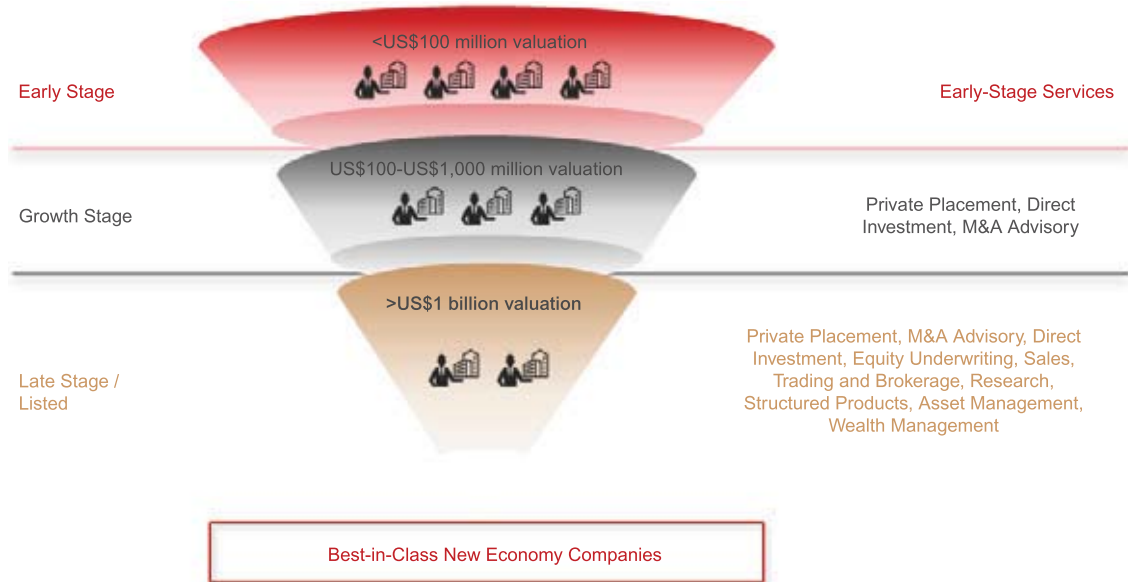
Why Best-in-Class Entrepreneurs?

We have centered our model on forming enduring, lifetime relationships with transformative entrepreneurs and the businesses they create. Several factors motivate this approach.

- Successful entrepreneurs will continue to play an outsized role in China’s new economy as creators of new business models and providers of industry shaping ideas. We believe that the top few businesses in each new economy vertical will capture the majority of the value created.
- Entrepreneurs often launch and fund multiple ventures, providing an opportunity for us to serve businesses at different stages in their lifecycle with both advisory services and direct investment.
- Entrepreneurs often become investors themselves, committing personal wealth to new economy opportunities through investment funds such as ours.

Our Model

Our business model involves identifying and engaging early-stage entrepreneurs and the businesses they create and serving them throughout their lifecycles. We selectively target the early stage as an entry point as it provides us an opportunity to add meaningful value and set the stage for a long-term relationship. We think of our coverage model as a funnel, where our coverage and focus narrow as our clients grow and require a broader suite of products, as illustrated below.



Our unmatched ability to engage leading entrepreneurs and businesses involves three stages—discovery, continuous engagement, and participation in value creation—which we describe as follows.

Discovery

Our discovery process rests on a data-intensive infrastructure that allows us to efficiently explore and monitor a broad landscape of opportunities and market trends. Recognizing how quickly certain new economy sectors develop, we aim to identify and engage those clients demonstrating the potential for market leadership and hence a long-term relationship as early as possible.

The core of our discovery process is a proprietary set of data resources enabling us to take a highly analytical approach to identifying and engaging new clients. We have accumulated over 13 years of relationships with entrepreneurs, corporations, and investors as well as our domain expertise in building what we believe is the industry's most comprehensive system to evaluate the new economy. From this we efficiently identify and validate promising clients.

Discovery is just one case for using our data resources, as we also develop powerful insights that are essential to our existing clients' most critical strategic decisions as well as our own private equity investments, and we intend to broaden practical applications of our analytical insights over time.

Continuous Engagement

Our long-term client relationships typically extend through multiple transactions, providing a stickiness that adds a recurring element to our revenue. Our suite of products and services ranges from seed financing through post-IPO advisory services and is tailored to the distinctive characteristics of

high-growth new economy business ventures in China. We believe that early engagement leads to higher quality relationships. As the trusted, and in many cases exclusive, financial advisor to our clients, we contribute regularly to idea generation and other ways to grow their businesses. We consistently re-evaluate and re-engineer this set of capabilities to meet the shifting demands of our clients. Among our top 20 clients as measured by cumulative revenue since 2005, the average length of each relationship is four years and includes an average of four transactions.

Participation in Value Creation Through Investment

We launched our investment management business in 2013, recognizing an opportunity to extend our platform and create deeper relationships with entrepreneurs and investors. Our independent fund management teams focus on technology, media, entertainment, and healthcare investment opportunities, including some within our advisory pipeline. In addition, with appropriate controls, our fund managers may work with our investment bankers to advise portfolio companies regarding capital raising, M&A, and other strategic activities. We believe that our broad sector coverage, thematic investment approach, and track record for investing in eventual market leaders have established us as the leading manager of new economy capital with access to the most competitive and sought-after investment opportunities. As of March 31, 2018, we managed U.S. dollar- and Renminbi-denominated funds with AUM of approximately US\$4.1 billion. We raise capital from both domestic and global institutional investors and high-net-worth individuals.

Powerful Network Effects

Our focus on entrepreneurs yields powerful network effects. Our community of established entrepreneurs, as clients, opinion leaders, and investors, serves as a remarkably effective referral network, feeding our deal pipeline. In turn, our pipeline of proprietary opportunities attracts more capital seeking new economy exposure. The depth and quality of our investor base create another draw for entrepreneurs, thus completing a virtuous and self-perpetuating cycle. Lastly, successful entrepreneurs become investors themselves, as they increasingly invest directly in our deals or channel capital through the funds we manage.

Our Market Dynamics

The continued growth of the China new economy coupled with significant change in China's financial services markets—two profound macroeconomic forces—supports nearly unbounded opportunity for our business:

- *China New Economy.* Our new economy clients are spread across industries and are transforming China's economy with innovative business models such as technology, media, entertainment, healthcare, and alternative energy. In 2017, the GDP for China's new economy was approximately US\$1.5 trillion, representing a CAGR of 37.1% since 2013, according to the CIC Report.

The new economy, our core addressable market, is disproportionately contributing to economic growth in China. According to the CIC Report, the GDP for the new economy as a percentage of the GDP for the overall economy increased from 5.0% in 2013 to 13.2% in 2017, and such percentage is estimated to reach 33.5% in 2023, as more sectors enter the new economy and existing new economy sectors expand faster than China's overall economy.

- *China Financial Services Industry.* New economy growth is contributing to the evolution of the domestic financial services industry. As the new economy continues to represent the majority of economic growth in China, a commensurate share of demand for advisory services as well as investment capital is coming from the new economy. As a consequence, the addressable markets of both the investment banking and investment management sectors are expanding rapidly, creating vast new opportunities:
 - *Investment Banking.* Sustained domestic growth as well as increased globalization, both in terms of overseas influence and the prospect for inbound foreign investment, are rapidly reshaping the investment banking landscape. Corporations are demanding wider reach, stronger industry expertise, and more sophisticated products from their advisors and underwriters.
 - *Investment Management and Wealth Management.* As the new economy disproportionately drives China's economic growth, participants in the new economy, including owners, investors, and employees, are generating massive demand for wealth management and asset management products. We expect that growing domestic wealth and changing investing behaviors, notably a shift from cash to securities, as well as inbound investment interest will serve to redefine the investment management industry over time.

This set of conditions has created a once-in-a-generation opportunity to gain meaningful market share across financial services. We believe that this opportunity will be most accessible to firms like us that are nimble and deliver a comprehensive platform including licenses, infrastructure, local knowledge, and efficient operations.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths contribute to our success and differentiate us from our competitors.

Unrivaled New Economy Platform, Expertise, and Brand

We have a data-driven, sustainable platform characterized by:

- pure play sector coverage with a concentrated focus on evolving alongside new economy entrepreneurs;
- targeted discovery and engagement of entrepreneurs, allowing us to nurture relationships from an early stage;
- a leading brand within the new economy, with 85% of entrepreneurs recognizing us as the most prominent private placement firm in China, according to the CIC Report;
- solid new economy domain expertise coupled with a full suite of products and services providing multiple points of monetization across a client's development lifecycle;
- a vast network of innovative entrepreneurs and successful investors; and
- complementary investment banking and investment management services.

Proven, Sustainable Ability to Discover Best-in-Class Entrepreneurs

We discover and engage emerging winners among successive generations of new economy entrepreneurs. Our ability to efficiently identify leading entrepreneurs, at an early stage, is built upon

broad and deep coverage across all new economy sectors. It is enhanced by an institutionalized discovery process that combines accumulated experience, relationships from our network, and domain knowledge into a proprietary data platform. This platform allows us to systematically canvas the new economy landscape and identify the best opportunities and with analytical rigor. The methodical nature of our process highlights a sustainable competitive advantage in growing our business.

Full Lifecycle Client Engagement Providing Multiple Points of Monetization

Our products and services extend from seed financing through post-IPO advisory support. By covering the full development lifecycle we have access to multiple points at which to establish and reinforce relationships. We support our people and offerings with advanced analytical tools, which generate insights providing a meaningful advantage in helping our clients make critical strategic decisions. We deliver our products and services from a fully supported infrastructure, which includes licenses in key capital markets. The breadth of our capabilities creates the opportunity to establish deep client relationships, yielding multiple points of monetization, and reinforcing our recurring platform model.

Synergistic Platform with Complementary Business Lines

Since inception, our offering suite has expanded organically. The result is a carefully curated platform of products and services across investment banking and investment management, which naturally serve our clients' needs, driving cross sales and other monetization opportunities. For instance, we can provide a client with full corporate lifecycle advisory coverage; we can invest directly through our private equity business; and we can provide all individual and institutional stakeholders with the opportunity for broader value participation as limited partners in our managed funds. These synergies strengthen our entrepreneur and corporate relationships while providing recurring revenue opportunities over time, supporting our continuous business growth.

Entrepreneurial and Innovative Culture

We are a community of financial entrepreneurs building a business together. Our track record demonstrates our commitment to certain values such as innovation, diversity, and collaboration, which in many respects aligns us with the core tenets of our clients and has allowed us to drive expansion. Over the course of our history, we have successfully expanded our business to include new services such as our M&A and capital markets advisory services and our growing investment management business. In many cases, we have entered into new markets and coverage earlier than our competitors.

We have inculcated our values into our team, fortifying a culture that we firmly believe will transcend generations of leadership. We are uniformly committed to the growth of our business as we are majority-owned by management and employees. We feel strongly that investment in people is critical to our success and have structured an executive equity incentive plan that ensures continued management ownership while maintaining a culture to attract and retain the best people.

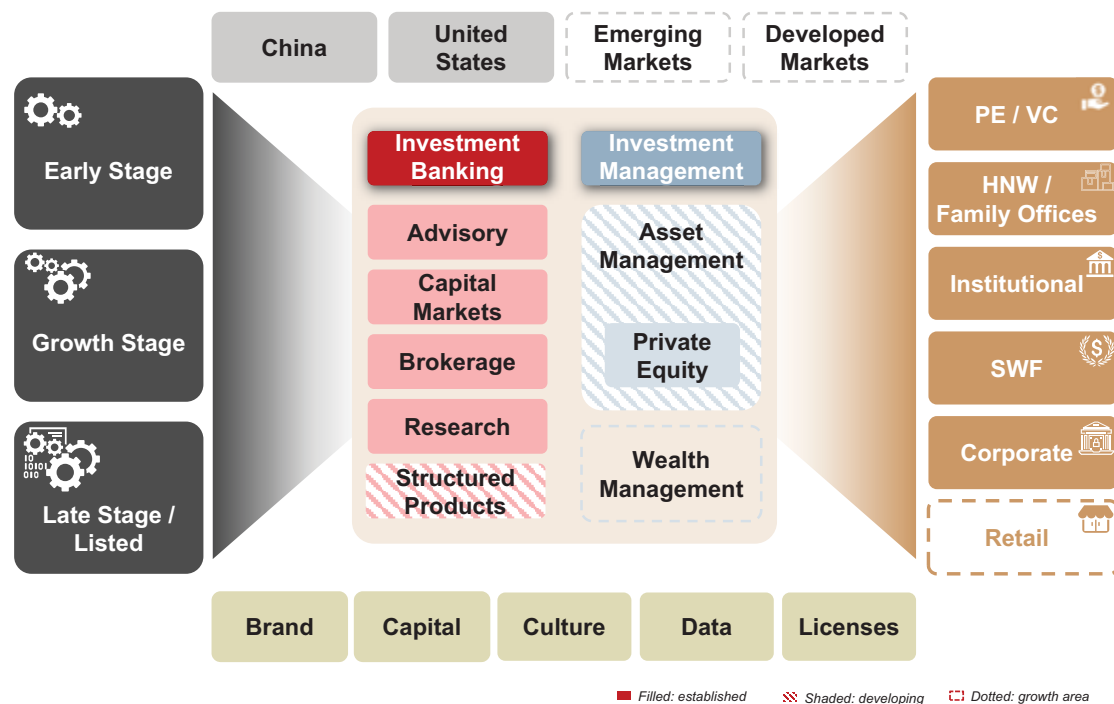
Strong and Scalable Financial Model

Our financial model is highlighted by multiple growth drivers. First, by serving the new economy, we are exposed to unique and often proprietary opportunities to monetize and invest in the growth of the sector. Second, our platform model provides multiple points of monetization across a lifecycle as well as a degree of revenue visibility. We have invested significantly to position our

platform for the current market opportunity, including into our equity distribution platform, research capabilities, overall technology and human capital, and Huajing Securities. We are starting to see financial returns on our past investments, as evidenced by our strong performance in investment banking and investment management businesses, and we will continue to invest in areas that will increase our long term value proposition.

OUR GROWTH STRATEGIES

We strive to be the leading financial services platform to China's new economy entrepreneurs, connecting best-in-class businesses with diversified sources of global capital. We intend to execute the following strategies to achieve this goal.



Broaden our New Economy Sector Coverage

We plan to broaden our sector coverage to mimic the growth of the new economy. Business model innovations and technological advancements are driving a two-pronged expansion in the new economy. The birth of new sectors such as biotechnology, and the transformation of traditional sectors, such as healthcare, retail, and transportation are constantly redefining the scope of the new economy. Within healthcare in particular we see the potential for a magnitude of transformation similar to that of consumer Internet over the last ten years, and are making corresponding investments in our capabilities to ensure we can capture this growth opportunity.

Continue to Develop our Offerings

We seek to remain ahead of the evolving and increasingly complex needs of our entrepreneurs and our investors:

- *Investment Banking.* We plan to continue the development of a full suite of capabilities. We plan to support our capital markets business with a broader equity distribution network. We plan to continue to grow our structured finance business to satisfy an

increasing new economy appetite for credit financing. We plan to strengthen our M&A franchise as more venture capital and private equity firms seek to exit portfolio company positions through sales. Finally, we plan to invest significantly in our domestic business as demonstrated by our launch and expansion of Huajing Securities in response to developing advisory and capital markets needs in China.

- *Investment Management.* We plan to leverage our private equity platform to add additional asset management capabilities. We aim to use our deal sourcing capabilities, brand, capital, and limited partner access to offer more types of funds, including buyout funds, real estate funds, credit funds, and, over time, public market funds.
- *Wealth Management.* We plan to use our private equity and asset management infrastructure, including proprietary products and our bankers' direct access to deals, to expand into wealth management, initially targeting our investment banking network and other new economy entrepreneurs and eventually expanding to serve other high-net-worth individuals. In turn, our wealth management platform will provide an additional channel to distribute our asset management products, benefiting our investment management platform as a whole. We expect to pursue this strategy either organically or through acquisitions, and strategic investments and alliances.

By selectively investing in additional capabilities, particularly those requiring expertise in the new economy, we will ensure that we continue to serve the needs of clients, and expand opportunities to monetize these relationships based on a deeper delivery of value.

Expand Internationally

We plan to extend our international footprint to ensure we can continue to stay ahead of our clients' global ambitions, both within investment banking and investment management:

- we plan to continue to expand our capabilities in Hong Kong and the United States, our two most important offshore markets;
- we plan to develop our presence and expertise in both developed and emerging markets to be able to advise our Chinese clients' cross-border acquisitions and investments, although we had not decided on any particular locations for such plan as of the Latest Practicable Date;
- we plan to establish an infrastructure to create international asset management products for our domestic investment management clients; and
- we plan to work to identify high quality international new economy businesses and connect them with various sources of capital.

Enable our People

We will improve the effectiveness of our people, particularly around platform and data capabilities. We plan to apply for more domestic and international licenses, expanding our operational footprint, and supporting our global brand. Regarding data, we have invested in a number of sources and structured data providers, and will continue to do so along with organically cultivating our proprietary data sets. We intend to develop increasingly sophisticated analytical tools to transform our rich datasets into actionable insights, empowering our investment bankers and fund managers with informed, differentiated points of view.

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Invest in Talent

We plan to continue to invest in financial entrepreneurs to enhance our leadership position and expand our influence across the new economy. We will recruit to support each level and function across our organization and our portfolio companies. We will prepare our next generation of leadership through development programs such as our young leadership program, designed to provide selected young professionals with senior mentoring, access to firm strategy discussions, and a special equity incentive plan with shares set aside through a dedicated trust. We have further established an incentive structure to foster a natural transition of leadership to subsequent generations, ensuring we remain independent with significant management ownership and helping us maintain the entrepreneurial spirit that defines our brand.

OUR BUSINESS MODEL

From our founding in 2005, we have focused on serving entrepreneurs and the businesses they create. We began by offering private placement advisory services to early-stage businesses. Over time, our suite of offerings expanded alongside the evolving needs of our earliest clients, positioning us to address their needs through a lifecycle.

The following table sets forth our major milestones since our establishment.

Our Milestones

Year	Event
2005	Founded in Beijing, China Commenced private placement advisory services
2009	Commenced M&A advisory services
2012	Commenced financial advisory, equity underwriting, sales, trading, brokerage, and research services in Hong Kong
2013	Commenced financial advisory, equity underwriting, sales, trading, brokerage, and research services in the United States Launched investment management business
2014	Launched our early-stage advisory platform
2015	Established dedicated healthcare team Total capital commitment of our private equity operations exceeded US\$1 billion
2016	Commenced Huajing Securities business in China
2017	Total capital commitment of our private equity operations exceeded US\$2 billion
2018	Aggregate transaction value across all our businesses exceeded US\$100 billion Total capital commitment of our private equity operations exceeded US\$3 billion

Our Engagement Approach

Our business model begins with discovering and engaging a broad range of promising early-stage businesses and selectively nurturing them through various stages of their development. We have built a comprehensive product suite in order to cater to the full lifecycle of our clients.

The process of acquiring entrepreneurs and businesses includes discovery and engagement. Our discovery process involves identifying, connecting with, monitoring, and engaging with new economy companies. We have institutionalized this process, and in doing so, we have massively expanded the universe of opportunities we can effectively evaluate. This model provides us with the best opportunity to connect with leading entrepreneurs and businesses early, while minimizing our client acquisition costs. Our focus narrows as we engage companies that perform well and become market leaders. The overall process is as follows:

- *Identification.* The first step in engagement is identifying opportunities, which is a research intensive process. We identify potential clients, both entrepreneurs and businesses, through a number of channels, some of which are proprietary:
 - formal and informal networking led by our over 280 investment banking and investment management professionals, which we believe constitutes the largest new economy-focused coverage team in China;
 - inbound entrepreneur and business inquiries, largely on the strength of our brand and track record, and in many cases seeking inclusion within our StarUp platform, which aggregates financing transactions and facilitates direct contact between entrepreneurs and investors; and
 - industry conferences, including those hosted by us, which last year attracted over 1,000 of our existing clients and other attendees.

Virtually every interaction is logged to a shared database accessible across our firm, enabling multiple investment bankers to pursue a lead with the benefit of a history of interactions. After collecting basic information during the introduction process, we periodically update and augment our company and investor profiles using various sources of information and market data, providing us a real-time vantage point into each target client.

- *Connectivity.* Upon identifying and logging a new opportunity, we subject the underlying company to preliminary validation. We apply our understanding of the respective new economy landscape as well as our internal network to make a preliminary judgment regarding potential fit as a client. If a new opportunity is judged to represent potential for a mutually beneficial, enduring relationship, we directly contact the entrepreneur or leverage our network to facilitate an introduction. For example, we connected with approximately 6,300 startups in 2017.
- *Monitoring.* Through the introduction process we typically seek to collect basic information to assist our understanding of the business and our ability to provide meaningful insights going forward. This includes data around select key performance indicators, financial metrics, growth trends, and capital structure. The data is used to provide depth to our understanding of the business and is benchmarked against other comparable companies. We thoroughly safeguard all data collected. We leverage our company data to provide tailored insights, such as matching entrepreneurs and businesses with investors specifically seeking certain financial, business, and risk profiles.
- *Engagement.* We seek to engage those promising clients with advisory, capital markets, and investment management needs. Once a client is engaged, they are exposed to our full suite of capabilities to address any and all strategic financial needs.

Full Lifecycle Coverage

We built our business model to address investment banking and investment management needs across a lifecycle, ranging from early-stage and private placement advisory to post-IPO services and investment management. We stay close to our clients through a lifecycle in order to understand and anticipate their needs. While our coverage extends across a lifecycle, our individual services are highly tailored, with a collaborative overlay, specifically:

- *Early Stage.* Our early-stage engagement is driven by our Alpha team, a group specifically dedicated to early-stage financing. Our early-stage clients, and investors, are further supported by the StarUp platform, an online platform connecting early-stage investment needs with vetted capital partners.
- *Growth Stage.* Our growth-stage coverage, which extends to unicorns, primarily delivers private placement services across both equity and debt, as well as broader advisory services around IPO preparation and M&A opportunities, both buy- and sell-side.
- *Late Stage / Listed.* In addition to growth stage product offerings, for our late stage clients, we offer both onshore and offshore equity underwriting, supported by our capital markets franchise with sales, trading, brokerage and research.

While our professionals tend to be focused on individual sectors or products, collaboration is encouraged and widespread, allowing individual professionals to serve an individual client or entrepreneur across a lifecycle alongside product specialists.

Our history of serving the growth of JD.com provides a case study of our full lifecycle coverage.

<u>Year</u>	<u>Our Engagement in Major Events of JD.com</u>	<u>Role</u>
February 2018	JD Logistics—private placement	Sole Financial Advisor
March 2017	JD Finance—spin-off from JD.com	Financial Advisor
April 2016	Dada Nexus—merger with JD Daojia ⁽¹⁾	Sole Financial Advisor to Dada
January 2016	JD Finance—private placement	Sole Financial Advisor
December 2014	JD.com—U.S. follow-on offering	Joint Bookrunner
May 2014	JD.com—U.S. IPO and listing on Nasdaq	Joint Bookrunner
March 2014	JD.com—strategic cooperation of JD.com and Tencent	Financial Advisor
March 2011	JD.com—private placement	Sole Financial Advisor

Note:

(1) We advised Dada Nexus in its merger with JD Daojia, through which we streamlined the sector strategy of JD.com.

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Our Business Lines

The following table sets forth the current structure of our business lines.

Investment Banking	Investment Management	Huajing Securities
● Early-Stage Services ● Advisory Services ● Equity Underwriting ● Sales, Trading, and Brokerage ● Research	● Private Equity	● Underwriting ● Asset Management ● Research ● Sales, Trading, and Brokerage ● Wealth Management

The following table sets forth a breakdown of revenues by our business segments for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
	US\$'000				
Business Segments					
Investment Banking	112,318	105,179	98,864	14,883	21,398
Investment Management	7,853	26,119	28,349	5,760	11,875
Huajing	—	2,065	12,201	2,763	5,560
Total revenue	120,171	133,363	139,414	23,406	38,833
Non-IFRS Measure:					
Adjusted revenue (unaudited) ⁽¹⁾	143,041	143,923	212,450	33,773	92,921

Note:

(1) We define adjusted revenue as total revenue adjusted for the impact of unrealized income from carried interest. Adjusted revenue is not a measure required by, or presented in accordance with, IFRS. The use of adjusted revenue has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. For further details, see “Financial Information—Non-IFRS Measures.”

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AWARDS AND RECOGNITION

During the Track Record Period and up to the Latest Practicable Date, we received awards and recognition for our achievement, some of which are set forth below.

<u>Awards/Recognition</u>	<u>Year</u>	<u>Awarding Agency</u>
Annual Innovative Securities Firm (Huajing Securities)	2017	Peng Pai
China's Best Boutique Investment Bank	2007—2017	China Venture
Caixin Capital Market Achievement Award	2016—2017	Caixin Insight, Dealogic
Technology, Media & Telecom M&A Financial Advisor of the Year . .	2017	Mergermarket
Top 3 China PE Fund	2017	China Private Equity Summit
Best IPO—US\$1.2 billion Hong Kong IPO of China Literature	2017	Finance Asia
Best Singapore Deal—US\$2.5 billion Private Equity Financing of Grab	2017	Finance Asia
Best Hong Kong M&A Deal—Strategic Partnership of 58 Express and GOGOVAN	2017	The Asset
Best Private Financing Deal—US\$4.5 billion Private Equity Financing of Didi Chuxing	2016	Finance Asia
Best Domestic M&A Deal—Strategic Transaction of Meituan and Dianping	2016	The Asset
Best Private Equity Deal—Private Equity Financing of Ganji by Carlyle	2015	Finance Asia

INVESTMENT BANKING

We provide China's new economy with a full suite of investment banking services, including early-stage services, advisory services, equity underwriting, sales, trading brokerage, and research. We advise senior management, boards of directors, and business owners on their most complex, critical, and financially significant business decisions. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2018, the aggregate transaction value of our investment banking business was US\$36.8 billion, US\$21.6 billion, US\$18.7 billion, and US\$4.0 billion, respectively, and the aggregate number of transactions of our investment banking business was 114, 123, 174, and 35, respectively.

The following table sets forth a breakdown of the transaction value of our investment banking business by major service type for the periods indicated.

	<u>For the Year Ended December 31,</u>			<u>For the Three Months Ended March 31,</u>	
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>	<u>2018</u>
	US\$ in millions				
Transaction Value					
Advisory Services ⁽¹⁾	35,854	21,542	14,895	1,094	1,435
Equity Underwriting ⁽²⁾	97	6	235	150	80
Total	35,951	21,548	15,130	1,244	1,515

Notes:

(1) Includes our early-stage services.

(2) Includes only our share of the transaction value based on the percentage of our equity underwriting services provided in the relevant transaction.

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The following table sets forth a breakdown of the number of transactions of our investment banking business by major service type for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
Number of Transactions					
Advisory Services ⁽¹⁾	111	122	167	34	31
Equity Underwriting	<u>3</u>	<u>1</u>	<u>7</u>	<u>3</u>	<u>4</u>
Total	<u>114</u>	<u>123</u>	<u>174</u>	<u>37</u>	<u>35</u>

Note:

(1) Includes our early-stage services.

Our investment banking teams focus on the quality of client relationships rather than transaction value or number of transactions. We believe that we are differentiated from competitors based on the following:

- *Proven experience.* We assist our clients with the benefit of proven experience accumulated over the course of 13 years.
- *Tailored industry insights.* Our advice is influenced by insights tailored to our clients' unique circumstances and based upon experience and a unique data advantage, providing us the benefit of reacting faster and more precisely than our competitors.
- *Relationships.* Our ability to be the leading platform connecting new economy businesses with global capital is largely based on our relationship network, providing our clients unrestricted access to the best capital partners.
- *Full-service capabilities.* Our clients are served with a full suite of offerings. We do not expect a client's financial advisory needs will evolve such that we cannot meet them.
- *Client focus.* We focus on clients rather than individual transactions, a practice we believe enhances our access to entrepreneurs and senior management teams over time. We build strong, enduring relationships, allowing us to anticipate client needs, reinforcing the strength of the partnership.
- *Senior level attention.* While our senior advisors are responsible for maintaining our most important relationships, they also participate in, and in some cases drive, deal execution and client service.

The following table sets forth a breakdown of our investment banking revenue by major service type for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
			US\$'000		
Investment Banking Revenue					
Advisory Services ⁽¹⁾	106,571	101,633	85,854	7,082	18,358
Equity Underwriting	<u>3,377</u>	<u>889</u>	<u>7,606</u>	<u>7,014</u>	<u>1,225</u>
Sales, Trading, and Brokerage	<u>2,370</u>	<u>2,657</u>	<u>5,404</u>	<u>787</u>	<u>1,815</u>
Total	<u>112,318</u>	<u>105,179</u>	<u>98,864</u>	<u>14,883</u>	<u>21,398</u>

Note:

(1) Includes our early-stage services.

We derive transaction and advisory fees from our investment banking business. We generally charge fees or commissions based on a percentage of the relevant transaction value. Such percentage is negotiated and can vary depending on the transaction value of a particular project. During the Track Record Period, the typical fee rates for our advisory services (including early-stage services), equity underwriting, and trading brokerage services ranged from approximately 0.3% to 4%, 1.75% to 7%, and 0.05% to 0.2%, respectively.

Early-Stage Services

Our early-stage services connect promising startups with reputable investors. Early-stage is the entry point of our funnel and plays a critical role in identifying and capturing emerging new economy industry trends, helping us build relationships with promising and leading startups at their earliest stage of development, therefore keeping us at the forefront of China's new economy development. Our early-stage services are carried out by our Alpha team and through the StarUp platform.

Alpha Team

The Alpha team provides startups with efficient private placement advisory services. We help startups: (i) focus on operations and strategies while we help with the logistics of securing financing; (ii) reassess their competitive positioning and better understand their business logic; and (iii) broaden their access to capital and additional resources from reputable institutional investors. As of March 31, 2018, we had advised on approximately US\$1.2 billion series B or earlier financings on a cumulative basis.

We believe we have the broadest coverage of early-stage startups as well as institutional investors. In 2017, we visited approximately 6,300 startups, launched approximately 200 financing transactions, and completed over 100 financing transactions. Our transaction coverage also translates into close relationships with institutional investors. Our Alpha team has identified many promising startups at relatively early stages of their development, for lifecycle coverage by our other teams. Our Alpha team has been responsible for securing some of our most enduring relationships, including Renrenche, mobike, and Zhangmen One-on-One, all of which have become important clients of our other services.

We formally collect and organize data on investors' backgrounds and their investment preferences, enabling us to match investors with appropriate opportunities more precisely.

Services for Startups

Our Alpha team delivers a suite of services to chaperon a startup throughout the financing process, which includes document and presentation preparation, identifying suitable investors for deal launch, coordinating deal execution and ongoing post-deal support.

Our Alpha team collaborates with leading service providers to source data and organize roadshow services and other events. For example, we work with companies in which we have made strategic investments, such as IT Juzi (IT桔子), a leading business information service provider covering the broad TMT industry, with access to voluminous structure data for financing activities across the new economy industries. We have also worked with Turbo, our own marketing and promotional service provider, to arrange roadshows with targeted institutional investors.

Our Alpha team offers a Scout Rewards Program (星探) to facilitate our startup services by incentivizing submission of startup information with cash awards. Anyone who recommends a new economy startup that is accepted by our Alpha team as a client can receive a cash award.

Services for Investors

Our Alpha team provides institutional investors with efficient, high-quality deal sourcing and information sharing. This includes deal sourcing, portfolio company financing and topical brainstorming events.

StarUp Platform

In addition to our Alpha team, we introduced our early-stage deal discovery and matching platform in 2015, which eventually developed into the StarUp platform (星起). It is an open, online platform, accessible through a mobile application and web interface, designed to enhance the efficiency and user experience of matching startups and institutional investors. StarUp is a true open platform that aggregates deal sourcing information and facilitates interactions between entrepreneurs and our advisory team, third party financial advisors and in many cases, directly with investors. Its value propositions are:

- *To entrepreneurs.* A trusted platform to access pre-screened financial advisors and investors. The flexibility to interact directly with investors, or via financial advisors if more advice is required.
- *To investors.* A comprehensive platform to discover pre-screened deals, schedule meetings directly with the entrepreneurs, and access latest market research.
- *To third-party financial advisors.* Access to pre-screened deals and investors, FA SaaS system providing convenient deal management and tracking.

The StarUp platform is at the top of our funnel alongside the Alpha team. Its purpose is not for immediate revenue generation, but for accumulating knowledge and deal activity information. As an open platform with more participants, we attract more entrepreneur deal listings, which in turn attracts more investors and third party financial advisors to the platform, creating a virtuous cycle. The data insights generated from these interactions improves deal-investor matching efficiency and accuracy, which further attracts more entrepreneurs, investors and other participants to the StarUp platform. This process allows us to capture more data from these early-stage deal interactions, and to discover emerging market trends earlier than the general market. Such proprietary insights allow us to stay at the forefront of China's new economy development and continuously attract promising deals into our funnel.

As of March 31, 2018, on a cumulative basis since its launch in 2015, there were approximately 8,200 verified individual investors affiliated with over 3,600 institutional investors, summary information for approximately 14,000 financing projects directly listed on the StarUp platform, and company information of over 260,000 companies on the StarUp database. In 2017, the StarUp platform recommended approximately 500 selected transactions to investors, including both our self-sourced and third-party-sourced transactions, and helped facilitate the completion of approximately 200 transactions.

Advisory Services

Our advisory services include private placement and M&A advisory. Private placement advisory for companies at a growth or later stage was our focus when we started China Renaissance, and remains our core strength today. We have since extended our private placement offerings upstream to encompass early-stage advisory services—our Alpha team—to better capture emerging market trends and entrepreneurs at the earliest stage of their development. For a discussion of our Alpha team, see “—Investment Banking—Early-Stage Services—Alpha Team.” We also established our dedicated healthcare and life sciences advisory team in 2015 as we saw tremendous growth in this sector in China but recognized the required skillset to be inherently different from other new economy sectors.

As entrepreneurs enter the growth stage, their needs evolve beyond initial business establishment and survival, into longer-term, strategic and financial planning needs. These clients have complex and constantly changing financial and strategic advisory needs. Access to investors and financial advisory capabilities alone can no longer satisfy these clients. At this stage, critical success factors include: The ability to offer proprietary market intelligence; trusted relationships with key investors and industry decision makers; and capabilities to engineer and broker innovative deal structures and partnerships.

We believe that we seized a unique first mover advantage in advisory services when our founding team focused on advising the then emerging best-in-class entrepreneurs and investors at the dawn of China’s new economy. We have since expanded our capabilities and grown alongside our clients, and have built enduring relationships with the leaders in China’s new economy sector. We believe that our platform is hard to replicate as it took years to build relationships with entrepreneurs and investors, and to understand their behaviors and latest views, which we capture real time and feed into our database as institutional knowledge. Many of these advisory services involve tailored solutions. Our firsthand knowledge in structuring these deals allows us to leverage our experience, propose structures and introduce investors that other advisors may not have thought possible. Our professional and systematic research capability supports our team and clients across the entire platform.

Our leadership is evidenced by our no. 1 rank in advisory services for deals in China’s new economy sectors. According to the CIC Report, we have been consistently ranked no. 1 in providing private placement and M&A advisory services in terms of transaction value on a cumulative basis from 2013 through 2017 in China’s new economy sectors.

The following table sets forth our top market position in advisory services for China’s new economy businesses.

	Advisory Services (2013—2017)
Rank ⁽¹⁾	No. 1
Aggregate Transaction Value (US\$ in billions)	85.5
Market Share ⁽²⁾	16.6%
Number of Transactions Completed ⁽³⁾	481

Sources: IT Juzi, Dealogic, and CIC Report

Notes:

(1) Based on aggregate value of transactions advised on during the applicable period and number of deal advised.

(2) Based on transaction value on a cumulative basis from 2013 through 2017.

(3) Includes early-stage private placement transactions.

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Private Placement

Our private placement business assists growth-stage companies in raising private capital, and represents our original advisory offering. Our services include the origination and execution of private placements in equity, debt and related securities. In conjunction with any private placement advisory role, we will advise on capital structure and assist in long-term capital planning, as a private placement engagement often represents our initial touchpoint with a client, and is the base from which to subsequently cross-sell M&A, underwriting or other services.

We believe our business is differentiated from our local market competitors by the depth of information available to us, by our general product expertise and by our systematic and specialized research capabilities.

As of March 31, 2018, we advised on 574 private placement transactions raising US\$41.0 billion since inception on a cumulative basis. The following table sets forth announced private placement transactions on which we advised during the Track Record Period and up to the Latest Practicable Date, each raising over US\$100 million.

Business Name	Date	Financing Size
Grab	August 2018	US\$2 billion
Ziru	January 2018	RMB4 billion
mobike	June 2017	US\$600 million
Kuaishou	March 2017	US\$350 million
mobike	February 2017	US\$300 million
Meituan Dianping	January 2016	US\$3.3 billion
Didi Chuxing	June 2016	US\$4.5 billion
Didi Chuxing	July 2015	US\$2 billion

We are well-connected with reputable institutional investors, including sovereign wealth funds, venture capital funds, private equity funds, and strategic institutional investors. As of the Latest Practicable Date, we maintained a network of over 3,000 institutional investors. This network of institutional investors in turn provides us with an additional pipeline of deals.

Our success in private placements generates cross-selling opportunities for our other services, such as equity underwriting, and private equity. Our first-hand experience in financing and structuring emerging companies has fostered a deep understanding of China's new economy. We are seeking to strengthen our market leadership in our private placement advisory business by actively participating in the global expansion of China's new economy.

M&A Advisory

We advise China-based clients operating new economy businesses on a wide range of complex domestic and cross-border M&A transactions. Our M&A advisory services facilitate access to quality onshore and offshore targets by domestic acquirers, and connect international institutional investors with onshore quality new economy opportunities. As of March 31, 2018, we had advised on M&A transactions with an aggregate value of US\$49.2 billion since inception on a cumulative basis. Our platform expertise, deep industry knowledge, and close relationships with entrepreneurs and investors, allow us to be originators of deals. In many instances, we are advisor to both sides of the M&A transaction, such as the merger of Didi and Kuaidi, and the strategic transaction between Meituan and Dianping. This reflects our ability to form trusted relationships and to be engaged as a strategic financial advisor, instead of solely for deal execution.

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We continue to invest in our M&A advisory practice given the increasing importance of portfolio company sales for venture capital and private equity firms. Furthermore, large Internet players are increasingly selling non-core assets as their respective missions evolve.

Our typical buy-side engagement includes, depending on the circumstances, strategic assessment, valuation analyses, financing advice, assisting due diligence and formulating and negotiating key transaction terms including governance, timing, structure and pricing.

Our typical sell-side engagement includes, depending on circumstances, assessing sale and liquidity alternatives, process construction, identifying and engaging buyers, coordinating process and due diligence and negotiating key transaction terms including governance, timing, structure and pricing.

The following table sets forth a summary of the high-profile strategic M&A transactions involving market leaders that we have advised during the Track Record Period.

Strategic M&A	Significance	Year
Acquisition of mobike by Meituan Dianping	Entering the transportation sharing market	2018
Merger of Maoyan and Weying	Ending a three-way race and resulting in the largest Internet entertainment platform	2017
Spinoff and strategic restructuring of Maoyan	Creating a comprehensive Internet entertainment platform	2016
Strategic transaction of Ganji.com and 58.com	Resulting in a new market leader with reduced marketing expenses	2015
Strategic transaction of Meituan and Dianping	Resulting in a new market leader	2015
Merger of Didi Chuxing and Kuaidi Dache	Resulting in the largest transport sharing platform in China	2015
Strategic cooperation of JD.com and Tencent	Shaping the landscape of e-commerce	2014

Our M&A advisory services have assisted internet giants and market leaders, such as Tencent, Baidu, Alibaba, JD.com, Meituan Dianping, and Didi Chuxing, in closing completing multi-billion dollar strategic M&A transactions. Through these services, we have established close yet independent relationships with these internet leaders, reflecting the strength of our broad platform.

Healthcare Advisory

We established our dedicated healthcare advisory team in 2015 recognizing tremendous sector growth potential in China. The growth, we believe, is driven by significant unmet medical needs, an aging population, ongoing healthcare regulatory reform and rising disposable incomes leading to increases in healthcare spending. In addition, we are witnessing rapid advances in healthcare technology globally, including biotechnology, genomics, and medical equipment, leading to greater applications of technology and more entrepreneurial activities.

Healthcare industry fundamentals are inherently different from other new economy sectors. The complexity of the industry requires a detailed understanding of competitive dynamics coupled with a scientific knowledge base to understand the evolution of the technology, each of which are essential to attract and retain client relationships. As such, we have recruited professionals with comprehensive healthcare experience and as of March 31, 2018, the healthcare advisory team consisted of

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approximately 20 professionals, including five healthcare industry specialists. Their relevant industry background and ongoing dialog with chief executive officers and senior executives of our clients enable us to gain insights into industry technology and trends.

We place strong emphasis on analyzing and understanding each specific niche of the broad healthcare industry. As of March 31, 2018, we covered more than ten niche industries, such as cell therapy, genomics, and biological drugs, with an aggregate of more than 300 companies. Our broad coverage enables us to analyze and perform comparisons for each company, understand their strategy and capital market needs, and then mobilize resources including private placement, underwriting, and investment products and services within China Renaissance to serve selected clients with a tailor-made solution.

Our annual healthcare and life science leadership summit is emblematic of our emerging prominence in the industry where we bring together chief executive officers, key opinion leaders, and capital providers to exchange ideas on the latest industry and capital markets developments. In 2017, the summit attracted more than 100 chief executive officers and more than 200 investment institutions, providing an opportunity to attract new clients through demonstrated thought leadership.

The following table sets forth selected announced private placement transactions on which we advised during the Track Record Period and up to the Latest Practicable Date.

Business Name	Date	Financing Size
Innocare	February 2018	US\$55 million
Genetron	January 2018	RMB400 million
Genova	December 2017	US\$50 million
Wuxi NextCode	September 2017	US\$240 million
Ascentage	December 2016	RMB500 million

Since our inception, we have advised more than 50 healthcare transactions and have accumulated in-depth relationships with more than 200 healthcare focused investors. We believe that our dedicated healthcare advisory team, with in-depth industry expertise and deal experience, is well recognized by healthcare entrepreneurs and investors.

Equity Underwriting

We are one of the few China-based financial institutions that is licensed to offer underwriting services in Hong Kong, United States, and China. For further details on our licensed underwriting services in China through Huajing Securities, see “—Huajing Securities.” We began offering underwriting services in 2012, as many of our original advisory services clients prepared to access the public markets. Since then, we have built our Hong Kong and United States equity capital markets capabilities to become a trusted IPO advisor, with an independent role advising execution strategy, market timing, pricing, and allocations.

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The following table sets forth selected equity offerings for which we acted as underwriters up to the Latest Practicable Date.

Issuer	Offering Size ⁽¹⁾	Year	Offering Type
iQiyi	US\$2.4 billion	2018	U.S. IPO
Huami	US\$126.5 million	2018	U.S. IPO
Lexin Fintech	US\$124.2 million	2017	U.S. IPO
Jianpu Technology	US\$213.7 million	2017	U.S. IPO
China Literature	US\$1.2 billion	2017	Hong Kong IPO
YY	US\$462.9 million	2017	U.S. follow-on Offering
GDS	US\$200.7 million	2016	U.S. IPO
ZTO Express	US\$1.4 billion	2016	U.S. IPO
CAR	US\$537.7 million	2014	Hong Kong IPO
Momo	US\$308.4 million	2014	U.S. IPO

Note:

(1) Including exercises of over-allotment options.

We believe that our high-growth client base, broad coverage of China's new economy and our strong track record have greatly enhanced our success in establishing a market position and brand in the equity underwriting markets in Hong Kong and the United States.

We operate our offshore equity underwriting services through our subsidiaries in Hong Kong and the United States. In 2012, we established CRS (Hong Kong), which was licensed by the SFC in the same year to provide various services covering securities advisory, securities underwriting, sales, trading, brokerage, and research. In 2013, we established CRS (US), which is an SEC-licensed broker dealer. In June 2018, CRS (Hong Kong) was licensed by the SFC to act as a sponsor for Hong Kong IPOs. For details of our various licenses relating to our Equity Capital Markets services, see “—Licenses, Permits, and Approvals.”

During the Track Record Period, the total transaction value of our equity underwriting engagements was US\$7.4 billion. In addition, we are currently involved in three announced IPOs, namely Zhaogang.com Inc, Meituan Dianping, and our Company. In line with market practice, we generally split underwriting commissions and fees with other underwriters based on (i) the percentages of our underwriting commitment, (ii) our other contributions, and (iii) commercial negotiations on a case by case basis, and otherwise in accordance with the relevant underwriting agreements.

Since the inception of our equity underwriting services, we have acted as an underwriter for 28 equity offerings in Hong Kong and the United States, which raised capital in an aggregate amount of US\$14.1 billion, including through exercise of over-allotment options. According to the CIC Report, among all domestic and foreign investment banks in China, we ranked third in underwriting overseas IPOs of China-based new economy companies from 2013 through 2017 in terms of number of transactions, and we ranked first among all Chinese investment banks.

Sales, Trading, and Brokerage

We provide sales, trading, and brokerage services as an agent for our institutional clients in connection with equity securities. We assist our equity underwriting services in the distribution of the equity securities that we underwrite to our international institutional clients. We earn commissions by providing trade execution and investment advisory services for our international institutional clients in the secondary market. We believe that our distribution and book-building capability is one of the important factors that a prospective issuer would consider in selecting an underwriter.

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Our sales, trading, and brokerage services also provide us a bridge to the public markets, helping us stay informed regarding macro and microeconomic events critical to our clients.

We execute equity trades as an agent in the secondary market for a range of international institutional clients, including asset managers, hedge funds, family offices, insurance companies, and other institutions. Our team is comprised of experienced professionals dedicated to target sectors within China's new economy, which allows us to develop a knowledge base that differentiates our sales, trading, and brokerage capabilities from those of many of our competitors.

Our sales professionals provide corporate access services to our international institutional clients through meetings and networking with senior management of our new economy clients, which in turn helps our new economy clients increase visibility within the international institutional investor community. We believe that our unique ability to connect China's new economy entrepreneurs with the investor community has been instrumental in developing our brokerage services.

Research

Research plays a critical part in building our institutional knowledge and providing content to our clients. Our research team presents original investment ideas in China's new economy with company-specific valuations and research analyses, as well as industry and thematic perspectives. Our analysts hold a unique position on the research landscape, established through our deep relationships with entrepreneurs and new economy companies during the rise of the Internet pioneers and innovators that now underpin China's new economy.

Our research team covers a broad range of new economy focused sectors, including Internet software, e-commerce, logistics, online entertainment, fintech, technology, healthcare, gaming, lodging, and tourism. Our experienced international team of analysts is based in Hong Kong, New York, and Shanghai and provide investment insights, value-added corporate access, and industry know-how to our institutional investor base across the world.

INVESTMENT MANAGEMENT

We started our investment management business in 2013 and launched our first U.S. dollar-denominated fund in the same year. Our investment management business primarily focuses on the formation, management, and investment of private equity funds. We believe our brand name, in-depth sector knowledge, competitive deal discovery capability, profound and trusted relationships with entrepreneurs and the investor community, and our ability to provide a full suite of financial services for portfolio companies, are all factors valued by institutional investors and help us attract limited partners during fundraising. Our leadership position in China's new economy sector allows us to attract a team of experienced investment professionals, with years of experience and strong track record. We believe that our investment management business is a natural extension of our advisory services, allowing us to participate in our clients' value creation by leveraging our platform and network strengths to bring significant value to both portfolio companies and limited partners.

We plan to leverage our private equity platform, which consists of growth equity funds and will add additional asset management products, including buyout funds, real estate funds, credit funds and, over time, public market securities funds. This will provide the products necessary for our future wealth management platform, which will act as additional distribution channel for these alternative assets, mutually reinforcing each other. For a discussion of our wealth management strategy, see

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“—Huajing Securities—Asset Management.” Such a platform will help us to continuously attract top fund managers to partner with us and further increase our product offerings.

Private Equity Funds

As of the Latest Practicable Date, we managed seven main private equity funds, including six under our Huaxing Growth Capital and a specialized healthcare fund, Huaxing Healthcare Capital RMB Fund I under our Huaxing Healthcare Capital. As of the same date, we also managed 21 dedicated project funds that each invests in a single portfolio company. For further details, see “—Investment Management—Fund Structuring and Operations.”

We have been deploying diversified and balanced strategies to expand our investment management businesses. Our Huaxing Growth Capital focuses on growth- and late-stage investments in leading new economy companies, primarily in areas supported by the themes of consumption upgrade, technology innovation, and industry transformation in China. Our Huaxing Healthcare Capital invests in broad healthcare segments, such as medical device, medicine, and healthcare services. Our project funds extend and supplement the operations of our main private equity funds with more capital.

The capital commitment of our private equity funds increased from US\$62.0 million to US\$3.1 billion as of March 31, 2018, representing a CAGR of 233.2%. Since the launch of our first private equity fund in 2013 through March 31, 2018, we have invested US\$1.9 billion in approximately 90 companies across the new economy industries. As of March 31, 2018, our private equity operations had AUM of approximately US\$4.1 billion.

The following table sets forth certain operation information of our private equity funds as of the dates indicated.

	As of December 31,			As of March 31,	
	2015	2016	2017	2017	2018
	US\$'000				
Committed Capital	1,066,025	1,674,928	2,675,797	1,682,554	3,080,151
Invested Capital	379,833	1,146,102	1,600,718	1,222,480	1,864,266
AUM	1,192,957	1,864,733	3,272,616	1,937,000	4,123,354

The following table sets forth the AUM of our private equity funds as of the dates indicated.

	As of December 31,			As of March 31,	
	2015	2016	2017	2017	2018
	US\$'000				
AUM					
Huaxing Growth Capital USD Fund I	132,120	129,329	159,104	131,772	160,456
Huaxing Growth Capital USD Fund II	126,795	184,354	202,326	186,030	223,074
Huaxing Growth Capital USD Fund III ⁽¹⁾	—	—	—	—	—
Huaxing Growth Capital RMB Fund I	223,160	238,899	279,832	238,450	308,600
Huaxing Growth Capital RMB Fund II	629,621	812,400	1,060,210	851,151	1,175,972
Huaxing Growth Capital RMB Fund III	—	—	624,573	—	804,061
Huaxing Healthcare Capital RMB Fund I	—	—	162,313	—	168,324
Project Funds ⁽²⁾	81,261	499,751	784,258	529,597	1,282,867
Total	1,192,957	1,864,733	3,272,616	1,937,000	4,123,354

Notes:

(1) As of March 31, 2018, Huaxing Growth Capital USD Fund III was not yet formed.

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(2) Excluding project funds from which we do not derive management fees and income from carried interest. For details, see “—Investment Management—Fund Structuring and Operations.”

The following table sets forth further details of our seven main private equity funds.

<u>Fund Name</u>	<u>Fund Inception Date</u>	<u>Fund Life</u>	<u>Investment Type</u>	<u>Industry Focus</u>
Huaxing Growth Capital USD Fund I	June 2013	Up to 10 years	Securities, including stock, notes, bonds, debentures, partnership interests, interests in limited liability companies, and evidence of indebtedness	TMT, consumption, and healthcare
Huaxing Growth Capital USD Fund II	May 2015	Up to 12 years	Securities, including stock, notes, bonds, debentures, partnership interests, interests in limited liability companies, and evidence of indebtedness	TMT, consumption, and healthcare
Huaxing Growth Capital USD Fund III	August 2018	Up to 12 years	Securities, including stock, notes, bonds, debentures, partnership interests, interests in limited liability companies, and evidence of indebtedness	TMT, consumption, and healthcare
Huaxing Growth Capital RMB Fund I	December 2014	7 years	Equity, convertible bonds, and other similar interests, business and asset investment	TMT, digital media, e-commerce, consumption, and healthcare
Huaxing Growth Capital RMB Fund II	September 2015	Up to 8 years	Equity, convertible bonds, and other similar interests, business and asset investment	TMT, digital media, e-commerce, consumption, and healthcare
Huaxing Growth Capital RMB Fund III	November 2017	Up to 9 years	Equity, convertible bonds, and other similar interests, business and asset investment	TMT, consumption, financial technology, and healthcare
Huaxing Healthcare Capital RMB Fund I	April 2017	Up to 8 years	Equity investment, secondary market private placement, and convertible bonds	Healthcare

We derive management fees and income from carried interest from our private equity funds. The management fees for each of our private equity funds are charged by a percentage of the committed capital of the fund, which ranges from 1.7% to 2.0% for our main private equity funds and ranges from 0% to 2.0% for our project funds. The income from carried interest from each of our private equity funds is determined only after the fund has achieved its applicable contractual hurdle rate and is based on a percentage of the difference of fair value of investments net of expenses over invested capital, which ranges from 18.7% to 20.0% for our main private equity funds and ranges from 0% to 10.0% for our project funds. The hurdle rate of our private equity funds is typically 8.0% per annum, and its achievement is assessed by comparing the fair value of investments with the contributed capital.

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The following table sets forth certain performance information of our private equity funds as of the dates indicated.

	Committed Capital	Invested Capital	Fair Value of Investments			Gross Multiple of Invested Capital ⁽²⁾
			Realized ⁽¹⁾	Unrealized	Total	
			US\$'000 except multiples			
As of March 31, 2018						
Huaxing Growth Capital USD Fund I	61,600	53,722	40,445	157,881	198,326	3.7
Huaxing Growth Capital USD Fund II	179,306	118,576	—	170,471	170,471	1.4
Huaxing Growth Capital USD Fund III ⁽³⁾	—	—	—	—	—	—
Huaxing Growth Capital RMB Fund I	168,711	153,154	19,243	302,741	321,984	2.1
Huaxing Growth Capital RMB Fund II	861,672	684,978	—	1,026,771	1,026,771	1.5
Huaxing Growth Capital RMB Fund III	808,352	57,569	—	57,569	57,569	1.0
Huaxing Healthcare Capital RMB Fund I	169,876	78,615	—	78,615	78,615	1.0
Project Funds ⁽⁴⁾	830,634	717,652	3,949	1,169,609	1,173,558	1.6
Total	3,080,151	1,864,266	63,637	2,963,657	3,027,294	1.6
As of December 31, 2017						
Huaxing Growth Capital USD Fund I	61,600	53,722	40,445	156,270	196,715	3.7
Huaxing Growth Capital USD Fund II	179,306	112,239	—	142,559	142,559	1.3
Huaxing Growth Capital USD Fund III ⁽³⁾	—	—	—	—	—	—
Huaxing Growth Capital RMB Fund I	162,356	147,386	18,387	273,563	291,950	2.0
Huaxing Growth Capital RMB Fund II	829,219	597,774	—	852,555	852,555	1.4
Huaxing Growth Capital RMB Fund III ⁽⁵⁾	625,680	—	—	—	—	—
Huaxing Healthcare Capital RMB Fund I	163,478	35,963	—	35,963	35,963	1.0
Project Funds ⁽⁴⁾	654,158	653,634	3,267	784,330	787,597	1.2
Total	2,675,797	1,600,718	62,099	2,245,240	2,307,339	1.4
As of December 31, 2016						
Huaxing Growth Capital USD Fund I	61,600	53,722	28,668	125,143	153,811	2.9
Huaxing Growth Capital USD Fund II	179,306	52,854	—	62,473	62,473	1.2
Huaxing Growth Capital USD Fund III ⁽³⁾	—	—	—	—	—	—
Huaxing Growth Capital RMB Fund I	152,929	138,828	172	229,915	230,087	1.7
Huaxing Growth Capital RMB Fund II	781,070	409,206	—	455,117	455,117	1.1
Huaxing Growth Capital RMB Fund III ⁽³⁾	—	—	—	—	—	—
Huaxing Healthcare Capital RMB Fund I ⁽³⁾	—	—	—	—	—	—
Project Funds ⁽⁴⁾	500,023	491,492	692	491,492	492,184	1.0
Total	1,674,928	1,146,102	29,532	1,364,140	1,393,672	1.2
As of December 31, 2015						
Huaxing Growth Capital USD Fund I	61,600	52,346	6,128	128,496	134,624	2.6
Huaxing Growth Capital USD Fund II	128,056	27,000	—	27,386	27,386	1.0
Huaxing Growth Capital USD Fund III ⁽³⁾	—	—	—	—	—	—
Huaxing Growth Capital RMB Fund I	163,372	124,768	—	186,954	186,954	1.5
Huaxing Growth Capital RMB Fund II	631,731	94,577	—	94,577	94,577	1.0
Huaxing Growth Capital RMB Fund III ⁽³⁾	—	—	—	—	—	—
Huaxing Healthcare Capital RMB Fund I ⁽³⁾	—	—	—	—	—	—
Project Funds ⁽⁴⁾	81,266	81,142	—	81,142	81,142	1.0
Total	1,066,025	379,833	6,128	518,555	524,683	1.4

Notes:

(1) An investment is considered fully or partially realized when it has been disposed of or has otherwise generated disposition proceeds or current income.

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- (2) The gross multiples of invested capital measure the aggregate value generated by a private equity fund's investments in absolute terms. Each gross multiple of invested capital is calculated by dividing the sum of total realized and unrealized values of a private equity fund's investments by the total amount of capital invested by the private equity fund. Such total amount of capital invested by the private equity fund does not give effect to the allocation of realized and unrealized carried interest or the payment of any applicable management fees or operating expenses.
- (3) Not yet formed as of the date indicated.
- (4) Excluding project funds from which we do not derive management fees and income from carried interest. For details, see "—Investment Management—Fund Structuring and Operations."
- (5) Newly formed as of the date indicated.

As of March 31, 2018, our top ten investees in terms of fair value across all our private equity funds were Didi Chuxing, Focus Media, Huitongda, Lexin Fintech, Lianjia, Niuguwang, Qihoo 360, Zhaogang, an online local life service platform, and a pharmaceutical and medical device research, development, and manufacturing platform.

Fund Structuring and Operations

We organize our private equity funds primarily through a partnership structure in which limited partnerships that we organized accept commitments and funds for investment. We are committed to serving our fund investors and maintaining a dedicated fund investor relationship team. In our private equity operations, fundraising activities for new private equity funds begin when the committed capital for the existing private equity funds are largely invested or committed to be invested. The investor base of our private equity funds include investors from prior funds as well as new investors. In many instances, investors in our private equity funds increase their capital commitments to subsequent funds as our private equity funds grow in size. The target investors of our private equity funds include institutional investors such as financial institutions, corporations, FOFs, and family offices, and high-net-worth individuals, particularly those with strong institutional brands or proven, sustainable financial resources.

Our private equity funds have a fund manager, and substantially all of the daily operating responsibilities of the funds are typically delegated to the funds' respective fund managers pursuant to a fund management agreement. The material terms of our fund management agreements generally cover the scope of services to be rendered by the fund manager to the relevant private equity funds, and the calculation of management fees to be borne by investors in our private equity funds.

In addition to a fund manager, each private equity fund that is a limited partnership also has a general partner that makes all policy and investment decisions relating to the conduct of the private equity fund's business. Furthermore, all decisions concerning the making, managing, and disposing of investments are made by the general partner. The limited partners of the funds generally do not participate in or otherwise control the business of the private equity funds.

The fund manager of each of our private equity funds generally receives an annual management fee. During the investment period, such management fees are calculated based on certain percentages of each private equity fund's capital commitments. After the investment period, such management fees are calculated based on certain percentages of each private equity funds' (i) capital commitments, (ii) capital commitments minus the cost of disposed investments, or (iii) cost of undisposed investments. The management fees that we receive from our private equity funds are payable on a periodical basis in the contractually prescribed amounts over the life of the funds and do not depend on the investment performance of the funds.

The general partner of each of our private equity funds also receives carried interest from the funds. Our ability to generate carried interest is an important element of our business. Although we

have not yet generated realized carried interest on our consolidated financial statements due to the limited length of our private equity operations, we expect the carried interest to account for an important portion of our revenues.

In conjunction with our main private equity funds, we also manage project funds, each of which is dedicated to investing in a single portfolio company. These project funds are formed as project-specific investment vehicles to facilitate co-investments by certain limited partners of our main private equity funds and other prospective investors as value-added services. When an investment opportunity arises, it is assessed by one of our main private equity funds first and, when considered desirable and only to the extent the full investment amount by such main private equity fund is satisfied, this investment opportunity may be independently considered by certain limited partners of such main private equity fund and other prospective investors for co-investments. After they independently decide to seize the foregoing co-investment opportunity, a project fund is established. We then manage this project fund as part of our management services in conjunction with the corresponding main private equity fund, generally without incurring significant additional operating efforts, because the exit and other material decisions regarding the project fund generally follow those of the corresponding main private equity fund. The arrangements of our management fees and carried interest from the project funds are separately negotiated and vary depending on the circumstances of the investments. The effective rates of management fees and income from carried interest for our project funds range from 0% to 2% and 0% to 10%, respectively. We exclude the project funds from which we do not derive management fees and income from carried interest when calculating the committed capital, invested capital, fair value of investments, gross multiple of invested capital, and AUM of our private equity funds. As of March 31, 2018, the committed capital of the project funds from which we do not derive management fees and income from carried interest represented less than 2% of the total committed capital of our private equity funds.

To further align our interests with those of investors in our private equity funds, we have invested our own capital in the private equity funds that we manage, both in our capacity as a general partner and in our capacity as a limited partner. For further details, see “—Certain Incidental and Ancillary Investments.”

Investment Approach and Strengths

We take a rigorous investment approach. The following are some of our key investment principles.

- *Focus on high-growth, sizeable new economy sectors.* We carefully assess and select the most attractive, sizeable and high-growth new economy sectors for investment. We seek to avoid sectors that appear to be attractive where it may be difficult to achieve scale. We do, however, look at under-appreciated sectors and assess them using our own judgment. We seek to identify developing industry trends in order to take advantage of them before they become widely recognized.
- *Identify potential champions.* We focus on potential champions in targeted new economy sectors. Identifying potential champions is often difficult, especially at growing stages of a new sector’s development when there usually are multiple players and the first movers may not be the eventual winners, and startups can grow at exponential speed with the right management team, market positioning and capital support. We believe that our leadership and years of experience in the new economy, deep understanding of the industry trends,

firsthand market intelligence, data-driven decision making process, and profound industry and expert network, give us unique advantages in identifying the ultimate champions. The ability to correctly identify potential champions reduces downside investment risks, and in the case of “winner takes all” phenomena in China’s new economy sectors, yields outsized returns.

- *Select sustainable business models.* We are most interested in companies with innovative yet sustainable business models. We believe that a business model that has the potential to drive the business in a sustainable way is critical for the long-term development of the business and also indicates the insight of its founders. A promising business model with great long-term potential is more attractive to us than pure short-term financial performance.
- *Partner with top management teams.* We focus on companies that have the best management teams. We examine the background, industry experience, and entrepreneurial track records of management teams to ensure that the businesses that we invest in are managed so as to achieve their full potential.

We believe that the following strengths distinguish us from other private equity businesses:

- *Visibility and insight.* Our platform advantage, strong pipeline of advisory services, extensive network within the entrepreneur and investor community, dedicated and full coverage of new economy sectors, firsthand market intelligence, and in-depth understanding of the latest industry trends provide us with early visibility into attractive deals, in many instances before they become market knowledge.
- *Ability to invest in exclusive opportunities.* Entrepreneurs and startups regard us as valuable investors and strategic advisors, capable of bringing long-term value and advice. We have executed a number of transactions that were either presented exclusively to us or were offered to only a very limited number of private equity firms.
- *Ability to provide comprehensive solutions.* Our ability to leverage our entire platform in providing comprehensive solutions to our portfolio companies is attractive to both limited partners and the businesses in which we invest. Whether through subsequent financings, industry consolidation, strategic investment, divestitures or going public, our platform is capable of providing seamless and comprehensive support.

We believe that these three factors are attractive to both limited partners and entrepreneurs. To limited partners, our ability to identify and target sector champions and our ability to invest in highly sought-after businesses creates significant value. In addition, our ability to offer comprehensive services means that we provide value to our portfolio companies and have greater participation during their development, which is valuable to both limited partners and entrepreneurs. The recognition we receive from the investor community further increases our attractiveness to entrepreneurs, thereby reinforcing our value proposition.

During the Track Record Period, a number of our invested companies became leaders of their respective sectors, including Meituan Dianping, Didi Chuxing, Lianjia, and SenseTime.

Investment Process

We apply a rigorous investment process across all of our funds. Our private equity investment professionals source, select, assess, diligence, structure, negotiate, execute, close, monitor, manage,

and exit investments. Each fund has investment policies and procedures that generally contain requirements and limitations for investments, such as limitations relating to the amount that will be invested in any one company and the types of new economy industries to target.

Our investment process consists of (i) sourcing and screening, (ii) project establishment, (iii) investment decision-making, (iv) investment execution, (v) post-investment management, and (vi) exit.

- *Sourcing and Screening.* Our investment professionals leverage the entire China Renaissance network as well as their own network to source prospective investment projects. These prospective investments are consolidated and presented during weekly meetings for discussion by a larger group of investment professionals, who will score prospective investments to determine priority. Investment projects with relatively high priority will pass our initial screening and be recorded in our deal pipeline with one or two managing directors assigned to lead and supervise the investment project.
- *Project Establishment.* An investment project is formally established after two presentations to the investment committee, the second incorporating investment committee feedback and additional pre-deal due diligence work requested from the first meeting. Upon the investment committee's formal approval of project establishment, the project team prepares an indicative, non-binding term sheet including key commercial terms acceptable to the investment committee, as well as authorization to formally kick off the project. The team then carries out term sheet negotiation, professional advisor engagement, and various due diligence procedures.
- *Investment Decision-making.* As the investment project proceeds, the project team prepares an investment memorandum and supporting documents based on information gathered, and presents to the investment committee for formal review and approval. Joined by risk management, finance, and legal departments, the investment committee deliberates and makes a final investment decision.
- *Investment Execution.* Once an investment project is formally approved by the investment committee, our project team and legal team work closely to manage the deal documentation and execution, and consult our risk management and finance departments when necessary. Any material deviation from the key commercial terms as approved by the investment committee requires additional written confirmation by the investment committee. After the appropriate transaction documents are signed, our project team and legal and finance departments jointly confirm the satisfaction of closing conditions before proceeding to closing, and our chief financial officer authorizes the remittance of the funds for the investment.
- *Post-Investment Management.* Once an investment is made, the relevant project team is responsible for managing the investment and monitoring the performance of the business. If we participate in a subsequent round of investment for a portfolio company, we are still required to go through the project establishment and investment decision-making procedures.
- *Exit.* The investment committee approves all disposition decisions.

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HUAJING SECURITIES

Huajing Securities is a China-focused, national, multi-licensed investment banking subsidiary and one of the first securities greenfield joint ventures approved under CEPA. Approved in April 2016, and established in August 2016, it began operations in October 2016. Our Huajing Securities business is licensed to provide securities underwriting, securities brokerage, research, and asset management services, and, subject to CSRC approval, may expand to cover balance sheet-based business, such as collateralized lending.

As a result of an equity financing in December 2017, Huajing Securities established net assets of RMB2.8 billion and added prominent shareholders such as Jiangsu Communications Holding Co., Ltd., Liby Group, and New Hope Group, at an implied valuation of approximately RMB7 billion.

We believe that the formation of Huajing Securities was the most important step during the Track Record Period in demonstrating our commitment to provide full lifecycle coverage to China's new economy sectors by completing our capital markets footprint and connecting to the wider scope of companies and institutional investors in the domestic capital markets. Huajing Securities represents our long-term commitment to the development of China's domestic capital markets and also enables us to potentially engage in more balance sheet-based investment banking businesses in China and to touch upon industries and companies that are currently regarded as the "traditional economy" and help them strategically expand and invest in the new economy.

We design products within the parameters of the licenses that we hold, and centralize our allocation of our professionals and resources to serve our clients from a single platform.

Due to large infrastructure investments to drive growth over its short operating history, Huajing Securities incurred losses in 2016 and 2017. We continue to devote significant capital and resources to Huajing Securities's growth.

The following table sets forth the transaction value of our underwriting services under Huajing Securities for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$ in millions				
Transaction Value					
Underwriting (Huajing Securities)	<u>—</u>	<u>102</u>	<u>1,996</u>	<u>967</u>	<u>133</u>

The following table sets forth the AUM of our asset management services under Huajing Securities as of the dates indicated.

	As of December 31,			As of March 31,	
	2015	2016	2017	2017	2018
	US\$ in millions				
AUM					
Asset Management (Huajing Securities)	<u>—</u>	<u>—</u>	<u>632</u>	<u>638</u>	<u>699</u>

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The following table sets forth a breakdown of our Huajing Securities revenue by major service type for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
	US\$'000				
Huajing Securities Revenue					
Transaction and advisory fees					
—Underwriting	—	1,060	6,872	1,777	735
—Asset Management	—	—	1,020	114	487
—Sales, Trading, and Brokerage	—	—	14	—	62
Interest income	—	1,005	4,295	872	4,276
Total	—	2,065	12,201	2,763	5,560

As advised by our PRC Legal Advisor, Huajing Securities had complied with the capital and ratio requirements for securities companies under the PRC laws and regulations during the Track Record Period.

Under the PRC laws and regulations, a company must have a fully-paid registered capital of no less than RMB50 million if it engages in securities brokerage, securities investment consulting, or financial advisory services relating to the activities of securities trading or securities investment; or no less than RMB100 million if it engages in one business activity of underwriting and sponsoring issues of securities, proprietary securities operations, securities asset management or any other securities-related business activities; or no less than RMB500 million if it engages in two or more business activities of underwriting and sponsoring issues of securities, proprietary securities operations, securities asset management, or any other securities-related business activities. As of December 31, 2016 and 2017 and March 31, 2018, the registered capital of Huajing Securities was RMB1.0 billion, RMB1.4 billion, and RMB1.4 billion, respectively.

The securities companies in China must also maintain, on a continuous basis, a minimum risk coverage ratio of 100%, a minimum capital leverage ratio of 8%, a minimum liquidity coverage ratio of 100%, and a minimum net steady fund rate of 100%. The following table sets forth the relevant ratios of Huajing Securities as of the dates indicated.

	As of December 31,		As of March 31,	
	2016	2017	2017	2018
Risk coverage ratio	109,749.7%	8,607.6%	25,677.8%	1,473.2%
Capital leverage ratio	89.1%	91.9%	89.3%	93.1%
Liquidity coverage ratio	4,044.0%	25,965.9%	6,029.7%	43,987.9%
Net steady fund rate	1,498.6%	1,528.2%	1,242.9%	756.3%

Our ownership of 48.82% of equity interest in Huajing Securities is subject to foreign ownership restrictions under the PRC laws and regulations. Pursuant to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單) (2018年版)》), which was promulgated on June 28, 2018 and became effective on July 28, 2018, the limit of ownership percentage by foreign investors in a securities company increased from 49% to 51%, and is expected to be lifted in 2021.

Underwriting

Huajing Securities' underwriting services currently consist of: (i) sponsoring and underwriting equity and debt securities offerings on the domestic capital markets; and (ii) financial advisory services with respect to private placement, M&A, and corporate restructuring on the domestic capital markets.

Leveraging our domestic capital existing services, Huajing Securities investment banking is able to deliver omnibus solutions compared to other traditional investment banks in China. We have a number of ongoing A Share IPOs at advanced stages, including some of our long-term clients that had been previously U.S.-listed and underwent going-private transactions. As of March 31, 2018, we acted as a sponsor in two IPO projects that are under supervisory review of the CSRC.

We have developed a sizable securitization business to serve an increasing new economy demand for credit products. We serve issuers in education, commercial property, consumer finance, and public utilities. As of March 31, 2018, we had completed 11 securitization projects and had two ongoing debt securities underwriting engagements, with an aggregate anticipated financing amount of approximately US\$2.8 billion.

We believe that our underwriting services under Huajing Securities possess the following advantages.

- *Early engagement.* As Compared to traditional underwriters in China, we get to know our new economy clients earlier. Our new economy clients tend to reach out to us for our domestic capital markets expertise while planning for financing and M&A at all stages prior to IPOs.
- *Comprehensive capital raising services.* In addition to equity products, Huajing Securities helps clients issue debt securities and other structured notes in China as well. Our private company clients have typically relied on equity-based capital raising. With the launch of Huajing Securities, we can now enable our clients to diversify their capital structures with the private placement of corporate bonds.
- *Innovative future opportunities.* Following CSRC's announcement of the prospective CDR market, we intend to capitalize on this new opportunity. We actively participated in the preparation for and discussion of the CDR market initiative, and expect a number of our existing new economy clients to participate in the CDR program, which creates valuable opportunities for Huajing Securities as a new player in the domestic capital markets.

Asset Management

Huajing Securities' asset management services design and offer asset management plans and fixed income products. We offer and manage collective asset management plans, targeted asset management plans, and special asset management plans, covering equity, quantitative hedging, fixed income, and NEEQ investment products.

As of March 31, 2018, we had launched eight collective asset management plans covering equity, debt, quantitative, and cash management products, and one targeted asset management plan, and had issued ABSs in an aggregate amount of US\$936.7 million. We also have been entrusted by commercial banks and insurance companies to manage their investments with an AUM of US\$105.7 million. This demonstrates our ability to develop comprehensive asset management product offerings and to win entrustment contracts from other financial institutions.

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Since the inception of our asset management business, we have been dedicated to establishing our direct distribution channels and targeted high-net-worth individuals as our clients. As of March 31, 2018, over 80% of the AUM of our collective asset management plans were distributed by our own sales team. We believe that this provides a good foundation for our future wealth management business and anticipate more areas of synergistic cooperation between Huajing Securities and our other businesses as well as within Huajing Securities.

Research

Huajing Securities' research services focus on the new economy, serving the research needs of a wide range of industries.

Sales, Trading, and Brokerage

We are licensed to operate sales, trading, and brokerage services for the domestic capital markets. As of the Latest Practicable Date, we had obtained various qualifications for account agency, trading, offsite account opening, and Shenzhen-Hong Kong Stock Connect (深港通). We have set up the necessary IT infrastructure for financial products, suitability management, transaction system, and opened two branches in Beijing and Shanghai, China. As of March 31, 2018, we had over 500 accounts opened with us. However, we have not yet fully developed our operations in this area. We intend to acquire additional licenses to collaborate with Huajing Securities' asset management services, such as wealth management services. In addition, we intend to target key institutional investors and develop internet-based sales, trading, and brokerage services.

CERTAIN INCIDENTAL AND ANCILLARY INVESTMENTS

Incidental to, and ancillary of, our business operations, we have made investments from time to time, the primary types of which include (i) investments in our own private equity funds in our capacity as a general partner, typically of 1% of equity interests, consistent with customary market practice, (ii) investments in our own private equity funds in our capacity as a limited partner, (iii) investments in third-party private equity funds in our capacity as a limited partner, to seize investment opportunities that are complementary to our own private equity funds, such as investment in those third-party private equity funds focusing on early-stage portfolio companies, and (iv) strategic minority equity investments. We make strategic minority equity investments primarily to establish long-term business relationships with selected companies to facilitate our business. These companies operate in various new economy sectors, such as data service and information technology, and we leverage their expertise to enhance our various business operations. For further details, see "Financial Information—Description of Major Components of Our Results of Operations" and "Financial Information—Discussion of Certain Key Items on the Consolidated Statements of Financial Position."

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The following table sets forth our investment income derived from our primary investment activities for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Investments in our own private equity funds in our capacity as a general partner ⁽¹⁾	2,100	2,204	4,025	437	1,419
Investments in our own private equity funds in our capacity as a limited partner ⁽²⁾	3,314	283	1,959	81	441
Investments in third-party private equity funds in our capacity as a limited partner ⁽³⁾	2,428	5,771	3,744	464	2,922
Strategic minority equity investments					
—Investments in the form of preferred shares of other companies ⁽⁴⁾	2,625	(769)	6,191	(8)	496
—Passive equity holdings in non-associate companies	—	539	—	—	95
Investment income	10,467	8,028	15,919	974	5,373

Notes:

(1) The following table sets forth a breakdown by fund for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Huaxing Growth Capital USD Fund I	1,860	1,633	2,052	123	73
Huaxing Growth Capital USD Fund II	—	177	392	53	430
Huaxing Growth Capital USD Fund III	—	—	—	—	—
Huaxing Growth Capital RMB Fund I	240	121	177	(12)	143
Huaxing Growth Capital RMB Fund II	—	273	1,325	259	519
Huaxing Growth Capital RMB Fund III	—	—	—	—	—
Huaxing Healthcare Capital RMB Fund I	—	—	—	—	—
Project Funds	—	—	79	14	254
Investment income	2,100	2,204	4,025	437	1,419

(2) The following table sets forth a breakdown by fund for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Huaxing Growth Capital USD Fund I	2,863	(43)	1,320	52	76
Huaxing Growth Capital USD Fund II	—	94	226	37	219
Huaxing Growth Capital USD Fund III	—	—	—	—	—
Huaxing Growth Capital RMB Fund I	451	226	356	(13)	135
Huaxing Growth Capital RMB Fund II	—	6	57	5	11
Huaxing Growth Capital RMB Fund III	—	—	—	—	—
Huaxing Healthcare Capital RMB Fund I	—	—	—	—	—
Project Funds	—	—	—	—	—
Investment income	3,314	283	1,959	81	441

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(3) The following table sets forth a breakdown by investment type for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
	US\$'000				
Focus on early-stage portfolio companies	1,996	4,635	1,356	(375)	1,685
Focus on early- and growth-stage portfolio companies	—	224	313	10	493
FOF	432	395	2,162	916	—
Others	—	517	(87)	(87)	744
Investment income	2,428	5,771	3,744	464	2,922

(4) The following table sets forth a breakdown by investment type for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
	US\$'000				
Early-stage	(45)	(88)	6,191	(8)	496
Growth-stage	2,670	(681)	—	—	—
Investment income	2,625	(769)	6,191	(8)	496

The following table sets forth the fair value of investments of our primary investment activities as of the dates indicated.

	As of December 31,			As of March 31,	
	2015	2016	2017	2017	2018
	US\$'000				
Investments in our own private equity funds in our capacity as a general partner ⁽¹⁾	10,619	17,938	26,387	18,675	29,374
Investments in our own private equity funds in our capacity as a limited partner ⁽²⁾	9,955	9,589	12,173	9,966	12,715
Investments in third-party private equity funds in our capacity as a limited partner ⁽³⁾	19,381	27,764	36,962	29,775	41,557
Strategic minority equity investments					
—Investments in the form of preferred shares of other companies ⁽⁴⁾	11,890	8,510	14,708	8,509	15,204
—Passive equity holdings in non-associate companies ⁽⁵⁾	5,935	4,950	4,279	4,975	8,923
Fair value	57,780	68,751	94,509	71,900	107,773

Notes:

(1) The following table sets forth a breakdown by fund for the dates indicated.

	As of December 31,			As of March 31,	
	2015	2016	2017	2017	2018
	US\$'000				
Huaxing Growth Capital USD Fund I	5,760	5,736	7,144	5,859	7,217
Huaxing Growth Capital USD Fund II	588	1,411	2,927	1,708	3,500
Huaxing Growth Capital USD Fund III	—	—	—	—	—
Huaxing Growth Capital RMB Fund I	2,115	2,221	2,530	2,218	2,771
Huaxing Growth Capital RMB Fund II	2,141	8,124	10,140	8,427	11,131
Huaxing Growth Capital RMB Fund III	—	—	1,989	—	2,226
Huaxing Healthcare Capital RMB Fund I	—	144	1,073	145	1,115
Project Funds	15	302	584	318	1,414
Fair value	10,619	17,938	26,387	18,675	29,374

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(2) The following table sets forth a breakdown by fund for the dates indicated.

	As of December 31,			As of March 31,	
	2015	2016	2017	2017	2018
	US\$'000				
Huaxing Growth Capital USD Fund I	6,590	6,277	7,599	6,405	7,675
Huaxing Growth Capital USD Fund II	1,371	1,073	2,006	1,318	2,225
Huaxing Growth Capital USD Fund III	—	—	—	—	—
Huaxing Growth Capital RMB Fund I	1,991	2,089	2,381	2,087	2,610
Huaxing Growth Capital RMB Fund II	3	150	187	156	205
Huaxing Growth Capital RMB Fund III	—	—	—	—	—
Huaxing Healthcare Capital RMB Fund I	—	—	—	—	—
Project Funds	—	—	—	—	—
Fair value	9,955	9,589	12,173	9,966	12,715

(3) The following table sets forth a breakdown by investment type for the dates indicated.

	As of December 31,			As of March 31,	
	2015	2016	2017	2017	2018
	US\$'000				
Focus on early-stage portfolio companies	10,973	16,168	19,179	16,055	21,177
Focus on early- and growth-stage portfolio companies	1,886	2,879	3,748	3,191	3,836
FOF	4,930	6,225	11,605	8,121	13,355
Others	1,592	2,492	2,430	2,408	3,189
Fair value	19,381	27,764	36,962	29,775	41,557

(4) The following table sets forth a breakdown by investment type for the dates indicated.

	As of December 31,			As of March 31,	
	2015	2016	2017	2017	2018
	US\$'000				
Early-stage.	7,843	7,663	13,861	7,662	13,920
Growth-stage.	3,647	447	447	447	884
Late-stage	400	400	400	400	400
Fair value	11,890	8,510	14,708	8,509	15,204

(5) The following table sets forth a breakdown by investment type for the dates indicated.

	As of December 31,			As of March 31,	
	2015	2016	2017	2017	2018
	US\$'000				
Early-stage.	5,675	4,950	4,279	4,975	8,923
Growth-stage	260	—	—	—	—
Fair value	5,935	4,950	4,279	4,975	8,923

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The following table sets forth the average rate of return of our primary investment activities for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
Average rate of return					
Investments in our own private equity funds in our capacity as a general partner	31.1%	15.4%	18.2%	2.4%	5.1%
Investments in our own private equity funds in our capacity as a limited partner	49.3%	2.9%	18.0%	0.8%	3.5%
Investments in third-party private equity funds in our capacity as a limited partner	20.4%	24.5%	11.6%	1.6%	7.4%
Strategic minority equity investments					
—Investments in the form of preferred shares of other companies	35.7%	(7.5%)	53.3%	(0.1%)	3.3%
—Passive equity holdings in non-associate companies ..	0.0%	9.9%	0.0%	0.0%	1.4%

INFORMATION TECHNOLOGY

Our information technology is an integral part of our operations, consisting of four key components: IT infrastructure, front office, mid-to-back office, and a big data platform, which generally covers business transaction management, client relationships management, and organizational management. We believe that our information technology platform improves our operational efficiency and provides high quality of internal governance controls.

Our investment business process system, Arrow, is internally developed software that enables our business teams to manage business processes, streamline workflows, and provides value-added business decision making assistance. Our early-stage advisory platform, the StarUp platform, has been increasingly popular among institutional investors and entrepreneurs in sourcing early-stage financing deals.

INTELLECTUAL PROPERTY

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of the Latest Practicable Date, we had 83 registered trademarks, 20 pending trademark registration applications, one registered patent, one pending patent registration application, registered copyrights to eight pieces of software, and 46 domain names (including huaxing.com and huajingsec.com). For details of our intellectual property rights, see “Appendix IV—Statutory and General Information—Further Information About Our Business—Intellectual Property Rights.”

COMPETITION

The investment banking and investment management industries are intensely competitive, and we expect them to remain so. While we focus on China’s new economy, we compete both globally and on a regional and industry basis. We compete on the basis of a number of factors, including strength of client relationships, reputation, industry knowledge, transaction execution skills, investment performance, access to capital, and innovation. We believe we lead in the competition in the new economy sectors.

With respect to our investment banking business, our competitors are other investment banks and financial advisory firms. Our primary competitors in our investment banking business are international investment banks and other large financial institutions, many of which have greater financial and other resources as well as scale than us and are capable of offering a wider range of products and services, such as loans, deposit-taking, and a wide range of investment banking services. Some of our competitors also have the ability to support investment banking (including financial advisory services) with revenues derived from commercial banking, insurance, and other financial services in an effort to gain market share. In addition, our financial advisory services operate in a highly competitive environment and the barriers to entry into this business are low. Nevertheless, we have a competitive edge leveraging our network, relationships and comprehensive capabilities. We seek to maintain our strong, enduring relationships with our new economy clients and our leadership in serving China's new economy businesses.

With respect to our investment management business, we face competition both in the pursuit of quality investors for our private equity funds and in executing investment opportunities in attractive portfolio companies. We expect to face competition primarily from other private equity funds, specialized investment funds, hedge fund sponsors, other financial institutions, large corporations, and other players. Many of these competitors are substantially larger and have considerably greater financial, technical, and marketing resources than are available to us. Several of these competitors have raised, or are expected to raise, significant amounts of capital and many of them have similar investment objectives to us, which may create additional competition for investment opportunities. Some of these competitors may also have a lower cost of capital and access to funding sources that are not available to us, which may create competitive disadvantages for us with respect to investment opportunities. In addition, some of these competitors may have higher risk tolerances, different risk assessments or lower return thresholds, which could allow them to consider a wider variety of investments and to bid more aggressively than us for investments that we want to make. Lastly, the allocation of increasing amounts of capital to alternative investment strategies by institutional and individual investors could well lead to a reduction in the size and duration of pricing inefficiencies that many of our investment funds seek to exploit.

We also face intense competition for the recruiting and retention of qualified, experienced professionals. Our ability to continue to compete effectively in our businesses will depend upon our ability to attract new employees and retain and motivate our existing employees.

For additional details regarding competitive landscape of industries in which we operate, see "Industry Overview." For additional information concerning the competitive risks that we face, see "Risk Factors—Risks Relating to Our Business and Industry—The financial services industry, and all of the subsectors in which we compete, are intensely competitive."

MAJOR CLIENTS

We serve a diverse range of institutional and individual clients across the China new economy sectors. Our major clients include (i) emerging startup and high-growth China-based companies with respect to our private placement and M&A advisory services, (ii) mature China-based companies, institutional secondary equity investors, and high-net-worth individuals with respect to our equity underwriting, sales, trading, brokerage, and research services, and (iii) international and domestic institutional clients and high-net-worth individuals with respect to our private equity operations.

BUSINESS

Our five largest clients accounted for approximately 27.7%, 35.5%, 26.4%, and 44.2% of our total revenue for the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2018, respectively. Our largest client accounted for approximately 9.9%, 12.0%, 10.9%, and 10.6% of our total revenue for the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2018, respectively.

During the Track Record Period, other than Mr. Neil Nanpeng Shen, none of our Directors, their respective associates, or any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of our Company's issued share capital) had any interest in any of our five largest clients. For the year ended December 31, 2016, Mr. Neil Nanpeng Shen and his close associates (including investment funds affiliated with Sequoia Capital China) held an interest of less than 15% in one of our five largest clients and an interest of less than 1% in another of our five largest clients. For the three months ended March 31, 2018, Mr. Neil Nanpeng Shen and his close associates (including investment funds affiliated with Sequoia Capital China) held an interest of less than 1% in one out of our five largest clients.

MAJOR SUPPLIERS

We have no major suppliers due to the nature of our business.

Purchases from our five largest suppliers for the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2018 accounted for approximately 17.2%, 16.8%, 19.5% and 25.0% of our total purchase amount during those periods, respectively. Our largest supplier for the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2018 accounted for approximately 5.4%, 4.5%, and 6.7% and 10.2% of our total purchase amount during those periods, respectively.

During the Track Record Period, none of our Directors, their respective associates, or any shareholders of our Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers.

EMPLOYEES

As of March 31, 2018, we had 584 employees, including over 71% advisory and investment professionals. As of the same date, the average age of our employees was 32 years old; and approximately 57.0% of our employees have master's or higher degrees.

The following table sets forth the number of our employees by function as of March 31, 2018.

<u>Function</u>	<u>Number of Employees</u>	<u>Percentage</u>
Investment Banking	247	42.3%
Investment Management	38	6.5%
Huajing Securities	193	33.0%
Group Middle and Back Office	106	18.2%
Total	584	100%

BUSINESS

The following table sets forth the number of our employees by geographic region as of March 31, 2018.

<u>Geographic Region</u>	<u>Number of Employees</u>	<u>Percentage</u>
Beijing, China	342	58.6%
Shanghai, China	149	25.5%
Other cities in China	5	0.8%
Hong Kong	69	11.8%
United States	19	3.3%
Total	<u>584</u>	<u>100%</u>

Our success depends on our ability to attract, retain, and motivate qualified personnel. As part of our retention strategy, we offer employees competitive salaries, performance-based cash bonuses, regular awards, and long-term incentives.

We primarily recruit our employees through recruitment agencies, on-campus job fairs, industry referrals, and online channels. In addition to on-the-job training, we have adopted a training system, pursuant to which management, technology, regulatory, and other trainings are regularly provided to our employees by internally sourced speakers or externally hired consultants. Our employees may also attend external trainings upon their supervisors' approvals.

As required by PRC laws and regulations in respect of our PRC employment, we participate in housing fund and various employee social insurance plans that are organized by applicable municipal and provincial government authorities, including housing, pension, medical, work-related injury, maternity, and unemployment insurance, under which we make contributions at specified percentages of the salaries of our employees. We also purchase commercial health and accidental insurance coverage for our employees. Bonuses are generally discretionary and based in part on employee performance and in part on the overall performance of our business. We have adopted a plan to grant share-based incentive awards to our eligible employees in the future to incentivize their contributions to our growth and development.

One of our subsidiaries in China has labor unions and some of our employees may voluntarily join the relevant labor unions. We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

INSURANCE

We maintain standard benefit plans required by PRC laws and regulations, including pension insurance, medical insurance, workplace injury insurance, unemployment insurance, and maternity insurance. In addition, we provide supplementary medical insurance for our employees. We obtain such insurance from reputable insurance carriers in accordance with commercially reasonable standards. In line with general market practice, we maintain business insurances covering damages to our properties and IT infrastructures, but do not maintain any business interruption insurance or key man life insurance, which are not mandatory under the applicable laws. For our business operations in Hong Kong and the United States, we maintain insurance coverage for the liabilities of our directors and officers, financial institution insurance against claims brought by third parties, and also insurance covering the loss of contents, fixtures and fittings for our offices in Hong Kong and the United States. We subscribe these insurance from reputable insurance carriers in accordance with commercially

BUSINESS

reasonable standards. For a discussion of risks relating to our insurance coverage, see “Risk Factors—Risks Relating to Our Business and Industry—Our insurance coverage may not be adequate, which could expose us to costs and business disruption.”

We believe that our insurance coverage is sufficient for its present purposes and is consistent with the insurance coverage of other investment banking and investment management firms in China. We periodically review our insurance coverage to ensure that it remains to be sufficient. During the Track Record Period, we did not make any material insurance claims relating to our business.

PROPERTIES

Our principal place of business is located at Pacific Century Place, Gate 1, Space 8, No. 2A Workers’ Stadium North Road, Beijing, China. As of the Latest Practicable Date, we leased 27 properties in Beijing, Shanghai, Hong Kong, New York City, and other locations with an aggregate gross floor area of over 12,002 square meters.

Our leased properties in China serve as our offices and data centers. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as office premises for our business operations. We believe that there is sufficient supply of properties in China, and thus we do not rely on existing leases for our business operations.

As of the Latest Practicable Date, the relevant lease agreements had lease expiration dates ranging from October 2018 to December 2034.

As of the Latest Practicable Date, landlords of eight of our 22 leased properties in China have not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. Consequently, if any of these leases is terminated as a result of challenges by third parties, we may not be able to continue to use such properties. For a discussion of risks relating to property interest defects, see “Risk Factors—Risks Relating to Doing Business in China—Certain issues relating to certain properties we lease may disrupt our occupancy and continuing use of those properties.”

Pursuant to the applicable PRC laws and regulations, property lease contracts must be registered with the relevant local branches of the PRC Ministry of Housing and Urban Development. As of the Latest Practicable Date, we had not completed lease registration or lease registration modification of the properties we leased in China, primarily due to the difficulty of procuring the relevant landlords’ cooperation to register such leases. The registration of such leases will require cooperation of our landlords. Our PRC Legal Advisor has advised us that the lack of registration for the lease contracts will not affect the validity of such lease contracts under PRC law, and has also advised us that a maximum penalty of RMB10,000 may be imposed for each incident of noncompliance of lease registration requirements.

As of March 31, 2018, each of our property interests had a carrying amount less than 15% of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all our Group’s interests in land or buildings.

HEALTH, WORK SAFETY, SOCIAL, AND ENVIRONMENTAL MATTERS

We do not operate any manufacturing or warehousing facilities. Therefore, we are not subject to significant health, work safety, social, or environmental risks. To ensure compliance with applicable laws and regulations, from time to time, our human resources department would, if necessary and after consultation with our legal advisor, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, work safety, social, or environmental regulations.

LEGAL PROCEEDINGS AND COMPLIANCE**Legal Proceedings**

During the Track Record Period and up to the Latest Practicable Date, there were no litigation or arbitration proceedings brought by us, or pending or threatened against us or any of our Directors, that could have a material adverse effect on our financial condition or results of operations. In 2017, CRS (Hong Kong), one of our subsidiaries, was named as one of the defendants in three putative securities class actions filed for an unspecified amount of damages with relevant courts located in California, New York, and Alabama of the United States in connection with the IPO of ZTO Express (Cayman) Inc., where CRS (Hong Kong) served as an underwriter. CRS (Hong Kong) was also named as one of the defendants in two securities class actions filed for an unspecified amount of damages with a state court of California in the United States in connection with the IPO of Pinduoduo Inc., where CRS (Hong Kong) acted as one of the underwriters. We do not consider these actions can have any material adverse effect on our financial condition or results of operations because we do not believe that these actions have any merits. For more details of these actions, see “Risk Factors—Risks Relating to Our Business and Industry—We may be subject to litigation and regulatory investigations and proceedings and may not always be successful in defending ourselves against such claims or proceedings.”

Regulatory Compliance

We conduct our businesses in China, Hong Kong, and the United States and are subject to the regulatory requirements of China, Hong Kong, and the United States. For details of the regulatory requirements that we are subject to, see “Regulations.” During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material non-compliance, disciplinary actions, or regulatory inspections (whether regular or ad hoc) nor any material findings of such inspections (such as deficiencies in internal control) by any government authorities or relevant securities regulators in China, Hong Kong, and the United States.

While we are aware of our risk exposures in our business operations, we have designed and put into place a multi-layered and systematic risk management framework. For further details, see “Risk Management.”

LICENSES, PERMITS, AND APPROVALS

Our PRC Legal Advisor has advised that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits, and approvals from the relevant government authorities that are material for our business operations in China.

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, permits, and registrations from the relevant government authorities that are material for our business operations in Hong Kong and the United States.

BUSINESS

The following table sets forth details of our material licenses and permits.

License/Permit	Holder	Issuing Authority	Issuance Date	Expiry Date
Permit for Operating Securities and Futures Business (經營證券期貨業務許可證) (covering securities brokerage, securities investment consultancy, securities underwriting and sponsorship, and securities asset management)	Huajing Securities	CSRC	October 28, 2016	—
NEEQ (National Equities Exchange and Quotations) Recommendation Business	Huajing Securities	NEEQ	December 4, 2017	—
Shenzhen-Hong Kong Stock Connect Trading	Huajing Securities	Shenzhen Stock Exchange	November 29, 2017	—
NAFMII (National Association of Financial Market Institutional Investors) membership	Huajing Securities	NAFMII	June 26, 2017	—
Private Equity Fund Manager Registration	Shanghai Huasheng	Asset Management Association of China	May 8, 2015	—
Private Equity Fund Manager Registration	Huasheng Youge	Asset Management Association of China	June 28, 2016	—
Private Equity Fund Manager Registration	Ningbo Huajie	Asset Management Association of China	August 29, 2017	—
Type 1 License—Dealing in Securities	CRS (Hong Kong)	SFC	October 24, 2012	—
Type 4 License—Advising in Securities	CRS (Hong Kong)	SFC	October 24, 2012	—
Type 6 License—Advising on Corporate Finance	CRS (Hong Kong)	SFC	October 24, 2012	—
Type 9 License—Asset Management	CR Asset Management	SFC	February 3, 2016	—
Type 1 License—Dealing in Securities	Maxson Securities Limited ⁽¹⁾	SFC	April 1, 2003	—
SEC Broker-Dealer Registration	CRS (US)	SEC	July 24, 2013	—
FINRA Membership	CRS (US)	FINRA	July 24, 2013	—

Note:

(1) Maxson Securities Limited's business operations are immaterial to our operations as a whole. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2018, Maxson Securities Limited's revenue accounted for approximately 0.2%, less than 0.1%, less than 0.1%, and less than 0.1% of our total revenue, respectively.

OVERVIEW

As a financial service provider, we are exposed to a variety of risks in our business operations, including but not limited to, reputational risk, legal risk, regulatory and compliance risk, operational risk, market risk, liquidity risk, and credit risk. These risks, either individually or in aggregate, if not managed properly, could materially and adversely affect our business. In order to effectively manage our risk exposures, we have designed and put into place a multi-layered and systematic risk management framework.

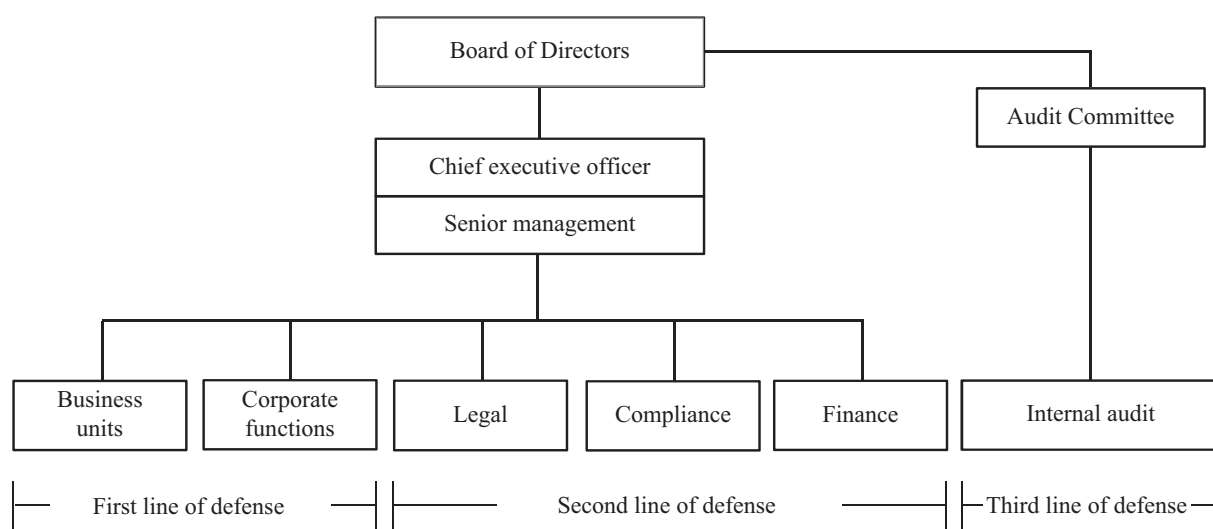
Our risk management objective is, first and foremost, to establish a business culture that reflects our core values. We execute this objective by having the “tone from the top” approach: Our chief executive officer and chairman of the Board, in consultation with members of our senior management, has produced “The Culture of China Renaissance,” an internal document that defines our core values for our employees to follow when conducting business. The first core value defined in the document is “Goodness (善良正直),” where we hold true to our moral compass and commit to corporate ethics. This value has helped us secure steady growth and has protected us against various risks over the course of our development. The principles in our core values are embedded in our main policy document, the Code of Business Ethics and Conduct, which applies to our business operations in all respects.

We believe that our risk management awareness is embedded in our entrepreneurial spirit and has been protecting us from market adversities, as well as setting a strong foundation in steering us for a long-term business growth.

RISK MANAGEMENT

OUR RISK MANAGEMENT FRAMEWORK

We have established a corporate governance structure with the Board at the top of our risk management hierarchy being responsible for overall risk management and oversees the risk management functions. Audit Committee provides an independent oversight on our Company. Our senior management is responsible for risk management through their regular managerial responsibilities. Our chief executive officer and chairman of the Board and members of our senior management hold regular Executive Committee meetings to review, among others, risks that may have reputational implications, cross-business or cross-jurisdictional impacts on us. In the course of our business operations, we have a clear reporting procedure to make sure that risk issues of different nature and significance can be escalated and resolved by appropriate responsible persons. All of our front office business units and corporate departments assume risk management responsibilities and implement relevant risk management policies and procedures. They are our first line of defense. In support of them, we have dedicated legal, compliance, and finance departments, acting as the second line of defense, to maintain the systematic risk management framework addressing risks in relation to legal, regulatory and compliance, and finance (including but not limited to market risk, liquidity risk, and credit risk). Independently we have an internal audit department that reports directly to the Audit Committee, which serves as the third line of defense to provide check and balance. The following diagram illustrates our risk management framework:



For further details on our Board, senior management, the Audit Committee and the Executive Committee see “Directors and Senior Management.”

Board of Directors

Our Board is ultimately responsible for our overall risk management. It approves fundamental risk management strategies and directions, reviews our corporate governance structure, assesses the effectiveness of our risk management framework, and balances our business growth with our risk exposure. It performs risk management functions by giving guidance, oversight and authorization to our senior management, and reviews Audit Committee reports and recommendations. For further details, see “Directors and Senior Management.”

RISK MANAGEMENT

Audit Committee

The Audit Committee is primarily responsible for (i) overseeing our internal control, financial reporting, and internal audit department, (ii) reviewing and assessing the implementation of our internal control rules and our internal audit procedures, and (iii) engaging independent external auditors. The Audit Committee reports to and makes recommendations to the Board. The Audit Committee comprises three independent non-executive Directors. For further details, see “Directors and Senior Management—Management and Corporate Governance—Audit Committee.”

Senior Management

The core members of our senior management that are responsible for risk management comprise primarily our chief executive officer and co-chief financial officers. Our chief executive officer is responsible for managing our overall risk management in our daily operations. Our co-chief financial officers assist our chief executive officer in performing risk management functions and are specifically in charge of liquidity risk, interest rate risk, and credit risks. Each member of our senior management is the head of a business unit. They are responsible for managing risks arising from regular business activities of their business units. Our chief compliance officer is in charge of regulatory and compliance risk and manages our compliance program. Our legal function is responsible for managing legal, documentation and litigation risks. Our senior management reports to our chief executive officer, who in turn reports and makes risk management recommendations to the Board.

First line of defense

Business units

Our various front office business units, while being responsible in conducting client-facing business activities, are also responsible for managing risks arising from their regular business operations. They are supported by other risk control departments, such as legal, compliance, and finance departments. If any risks are identified, they will first escalate within the chain of command in their business unit, ultimately reaching the head of the business unit. If the head of business unit, upon consultation with the relevant risk and control function, considers that the issue may have broader implications, such as reputational risks to us, or may have impact on other departments of the Company, he/she may escalate the issue to the Executive Committee.

Corporate functions

Similar to our front office business units, our corporate functions, like human resources department or information technology department, are also responsible for managing the risks arising from their regular business operations, including operational risks. They are supported by legal, compliance, and finance departments. The escalation channel for them is similar to that of the front office business units.

Second line of defense

Legal department

Our legal department is staffed with professionally qualified lawyers in the relevant jurisdictions in which we operate. The legal department works closely with our front office business

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units and provides professional support on a variety of legal issues in our daily operations, such as legality of transaction structures in investment banking and investment management transactions, legal documentation review and drafting, due diligence advice, managing external counsel engaged on investment banking and investment management transactions. Members of our legal department are also staffed on execution teams of our investment banking or investment management deals to ensure that potential legal or due diligence issues arising from daily deal execution are effectively spotted and resolved. In addition to business-specific issues, our legal department also gives general legal advice on a broad range of matters arising from our daily operations, such as employment, trademarks, and real estates.

Compliance department

Our compliance department is headed by our chief compliance officer, who also supervises the operation of our compliance program, advises our senior management on regulatory and compliance risks with respect to their business units, and advises the Executive Committee and the Board on regulatory and compliance matters. Members of our compliance department are actively involved in the course of our business operations to prevent us from regulatory violations and alert us of any regulatory and compliance risks. Our professionally trained compliance staff have different professional backgrounds and experience in their corresponding areas of expertise. Prior to joining us, many of them were practicing lawyers, certified accountants, ex-regulators, and business consultants. Our compliance department gives regulatory advice to our daily business operations. It also closely monitors regulatory changes and keeps us abreast of any recent regulatory practices that are relevant to our business operations. In addition, our compliance department engages with external legal counsels to reduce our regulatory and compliance risk exposure.

Finance department

Our finance department is headed by our co-chief financial officers and staffed with experienced finance, accounting, and tax professionals. Our finance department is responsible for business development initiatives, capital markets access, and international expansion planning. It is also responsible for financial planning, accounting and financial reporting, taxation, as well as serving as our treasury to manage our liquidity and balance sheet. In these capacities, our finance department is responsible for identifying and monitoring market risk, considering our credit risks, and managing our liquidity risks to minimize the impact of these risks on us.

Third line of defense

Internal audit department

Our internal audit department serves as the third line of defense. It provides independent review and audit on our business operations to ensure that policies and procedures are properly implemented and followed, our internal controls are adequate, deficiencies in our risk management are identified, and make recommendations to our Audit Committee. Our internal audit department reports to our Audit Committee independently to ensure that any major issues identified are escalated. The Audit Committee reviews internal audit report and makes recommendations to the Board as appropriate.

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Legal Risk Management

We may be subject to legal risks, including the risk of incurring legal liability arising from breaches of contracts, infringements of legal rights of other persons or otherwise in connection with our business activities. We have established procedures that require certain important agreements to be reviewed and approved by our legal department. Our legal department keeps track of the latest changes in laws and regulations and regularly engages external counsels on many of our business transactions, such as equities underwriting transactions and investment management business. With respect to our business operations, our legal department regularly provides internal legal advice to our senior management to facilitate their decision-making. Our legal department also takes the lead in managing any legal disputes, arbitration or litigation.

Regulatory and Compliance Risk Management

Regulatory and compliance risk is the risk of being subject to regulatory sanctions or other penalties imposed by regulators for failure to comply with relevant laws and regulations. Our business operations are subject to complex laws and regulations of China, Hong Kong, and the United States, as well as other relevant jurisdictions. These laws, regulations, and regulatory practices evolve and change from time to time. If we fail to operate our business within the legal and regulatory parameters or otherwise fail to promptly and appropriately respond to regulatory changes, our business development may be significantly impeded. For a discussion of the relevant laws and regulations of the jurisdictions in which we operate, see “Regulations.”

In order to minimize our risk exposure to regulatory and compliance risks, our compliance department provides regulatory and compliance advice to our business operations with respect to the business activities that they engage in. We have designed a compliance program based on the relevant regulatory regime and apply such compliance program in our business operations. Our compliance program includes a full cycle of: giving regulatory advice, identifying and keeping track of regulatory changes, assessing regulatory risks, formulating compliance policies, giving compliance trainings, conducting monitoring and surveillance, and escalating any issues identified with follow-up systems or processes enhancements. We regularly provide training to our staff to ensure that they understand their legal, regulatory obligations and duties.

We have business operations across different jurisdictions. Regulatory requirements and practices in these jurisdictions can be different and sometimes inconsistent. As such, we have established a local compliance team in each of the jurisdictions where we operate our business. Members of our local compliance teams are experienced compliance professionals and are familiar with their respective local regulatory requirements and practices. While having differentiated and customized compliance practice, we also understand the importance in having the same standard of compliance principles that translate our core values into actions. We achieve such objective by formulating the Code of Business Conduct and Ethics for the Company, which sets forth universal compliance standards across our business operations. Based on the Code of Business Conduct and Ethics and the applicable jurisdictional laws and regulations, our local compliance team produce relevant local compliance, policies, procedures or manuals for their respective local business. For example, our Hong Kong operations have implemented, among others, an employee handbook, a regulatory compliance manual, equities sales and trading compliance manual, anti-money laundering policies and procedures, and other relevant policies; our U.S. operations have produced written

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supervisory procedures and compliance manual for its major business units; and our PRC operations have also adopted relevant policies and procedures for our advisory services and investment management business. These internal policies and procedure documents safeguard our daily business operations and protect us from potential risks arising from non-compliances.

Operational Risk Management

Operational risk is the risk arising primarily from inadequate internal control, human errors, IT infrastructure failure, or external events. Our senior management oversees our overall management of operational risk of each of their respective business units. The primary objective of our operational risk management is to effectively identify, assess, monitor, control and mitigate operational risks, as well as minimize potential loss resulting from operational risks. In order to minimize our exposure to operational risks, we have formulated a set of business procedures for the operations of each of our business segments to prevent losses from operational errors and maintain our reputation. Our internal audit department will conduct regular audit to identify the level of compliant or any weaknesses in our operating processes, and the results of such audits will be presented to the Audit Committee for advice and recommendations to the Board.

Investment banking

To manage risks associated with our investment banking business, we have formulated business procedures for internal control and risk management.

Advisory services

Our advisory services have adopted the following business procedures to govern its daily business operations: Advisory Business Unit Guideline, Advisory Business Unit Project Staffing Guideline, Advisory Business Unit Project Execution Agenda, and Advisory Business Unit Project Closing Agenda.

At the beginning of an advisory project, a project owner is appointed. It is the project owner's responsibilities to execute the project, lead the project team, and take ownership on the success of the project.

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Our advisory services have implemented “Arrow,” a project management system we developed in-house, to track the five key steps in the life-cycle of a project: preliminary (observing an opportunity with interest), pitching process, kick-off and preparation, marketing and negotiation, closing. Each project owner is responsible for updating project status on Arrow. Such updates will be monitored by the senior managers of our advisory services. When a project is completed and evaluated, it will enter into closing stage where invoices will be issued. We set forth a brief description of the procedures we follow for our advisory services:

Internal control procedures	Descriptions
Business selection	Our capital markets business selection committee, consisting of our head of advisory and other managing directors of our advisory services, reviews and approves the acceptance of a mandate for every advisory transaction.
Project owner appointment	Our Advisory Business Unit Project Staffing Guideline sets out a project owner appointment based on significance and complexity of the project. The project owner and the project team will be determined by the staffing coordination committee.
Deal execution	The deal execution process is tracked and monitored online by Arrow as described above.
Continual supervision	The advisory management holds weekly meetings with each project team to supervise the execution progress. An advisory project will also be supported by the legal team on a real-time basis during the course of the transaction.
Closing	The project team will be asked to input their evaluation on the project owner performance in Arrow upon completion of each key stage and closing of the project.

Incidental to our advisory services, we may grant loans to third parties from time to time. The relevant advisory service team conducts a preliminary screening of the third-party borrower, and reports to our Strategic investment committee for authorization and permission of the loans to third parties. Once approved, our legal department will review and approve the transaction documents. Once the transaction documents are signed, our finance department will plan for the disbursement of the loan. Following the disbursement of the loan, we would continue to monitor the operation status of the borrower.

Equities underwriting

Under our capital markets business procedures for our equity underwriting services, a deal team will be formed when our investment banking business takes on a new project. The deal team will be staffed with appropriate and qualified employees combining different strengths and sector knowledges for each equity underwriting transaction, and will be led by a senior banker from our investment banking department who will be responsible for leading the deal team to execute the transactions. The senior banker will be responsible for overseeing our deal team to conduct due diligence, review application materials of securities issuances and listing and major asset reorganizations, review our response to queries from regulators, such as the United States Securities and Exchange Commission, the SFC, the Hong Kong Stock Exchange, and the CSRC, concerning listing applications, and

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managing the overall issues arising in the execution of a transaction. We set forth below a brief description of our capital market business procedures:

Internal control procedures

Business selection

Descriptions

We conduct a fresh business selection process for each equity underwriting clients. Using our accumulated knowledge, the capital markets business selection committee reviews and approves the acceptance of a mandate for every underwriting transaction from a commercial, due diligence, and marketability perspectives. We also perform conflicts check and follow our “Know Your Client” procedures to obtain up-to-date background information of our equity underwriting clients. If we act as a sponsor in a Hong Kong IPO, we also perform our sponsor independence check in order to comply with the relevant rules and regulations.

Deal execution—due diligence framework

We proceed with due diligence based on the proposed listing venue of the new economy company.

For example, if the new economy company seeks listing in Hong Kong and we act as a sponsor, the due diligence will be conducted by Type 6 licensed representatives of CRS (Hong Kong) and supervised by senior, experienced staff and our sponsor principals. We will also follow our internal Hong Kong IPO Sponsor Procedure Manual and IPO Due Diligence Checklist, which serves as the reference document to ensure compliance by the deal team with the basic requirements under Practice Note 21 of the Listing Rules. When it comes to formulating due diligence plan, we believe that our breadth and depth of sector knowledge in different new economy sectors would become an asset as we can identify and focus on key due diligence areas of a new economy company. Our sponsor principals host weekly execution meetings with the sponsor deal team, and our sponsor principals brief our sponsor management in our bi-weekly sponsor management meetings. We have also devised a set of shared-folders that mirror our due diligence checklist to ensure proper records are retained. In addition, trainings are provided to our Type 6 licensed representatives to ensure that they understand how to exercise “professional skepticism” when conducting due diligence. We also perform an annual review on our internal control process of our sponsor activities as required under the SFC Code of Conduct for Corporate Finance Advisor. As with all IPOs, the working parties would include professional parties like legal counsels or accountants with whom we can discuss due diligence matters during the full IPO cycle. As an additional control, our Legal and Compliance team is on our deal team distribution list to follow due diligence issues on a real-time basis. When we recently applied to uplift our condition to act as a sponsor from our Type 6 license, we made submission describing our internal controls on our sponsor activities, and also provided copies of our sponsor related policies and procedures, to the SFC.

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Internal control procedures	Descriptions
	If the new economy company seeks ADS offering on the New York Stock Exchange or Nasdaq, we also conduct due diligence as normal and customary for such offerings as required under the U.S. regulatory requirements.
Deal execution—on-site due diligence	Our deal team, led by a senior banker, conducts on-site review in connection with each transaction, which includes, among other things, attendance at meetings, interviews with issuers and due diligence reviews.
Deal Execution—document due diligence	Application documents are reviewed by the deal team under the supervision of our lead bankers or project owners. We also engage legal counsel, accountants, and other relevant professional parties to assist us in due diligence and transaction execution to make sure we have necessary expert support in specialised areas. Our deal team renders their opinion on each transaction based on their review of the application materials and opinions of external legal counsel and accountants. If any material issue is identified, the deal team will escalate to the members of the equities underwriting commitment committee for guidance.
Continual supervision	If any major issue is identified during the execution of a transaction, the deal team would escalate to our legal and compliance and members of the underwriting commitment committee for review. It is common that external counsel's advice would be sought in such situations.
Underwriting commitment	Our equities underwriting commitment committee is convened prior to the regulatory filing of our underwriting transactions (for Hong Kong IPOs and U.S. IPOs) and before listing committee hearing for Hong Kong IPOs, whereby the deal team would present key issues in the transactions to the committee. We cannot approve the regulatory filing of our underwriting transactions without the approval by the Underwriting Commitment Committee. In addition, when our underwriting commitment committee approves the underwriting transaction, our finance department will monitor the daily liquid capital position to ensure that we satisfy the applicable financial resource requirement at all times.

Sales, trading, and brokerage

We have established the equities committee to manage our equity sales, trading, and brokerage services. The equities committee consists of our head of equities and other managing directors of the business unit. We have also formulated relevant internal policies and procedures governing our equity sales, trading, and brokerage activities. For example, based on our equities sales and trading compliance manual, our sales, trading, and brokerage services have adopted an equities sales and trading operational dos and don'ts to serve as the business procedures for our sales, trading, and brokerage activities in Hong Kong. Such documents set out detail and comprehensive rules that our trading activities in Hong Kong should follow, such as licensing requirements, employee trading,

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opening and maintaining client accounts, dealing procedures, market misconduct, short selling, conflicts of interest. We currently do not offer margin financing, nor do we conduct principal or proprietary trading.

Investment management

To manage the risks associated with our investment management business, we have formulated a series of risk management internal rules and guidelines covering all stages of our investment management business from fundraising, investment, management, to exit. Such internal rules primarily include Management Measures Regarding Risk Disclosure for Qualified Investor, Risk Management Measures, Internal Control Measures, and Investment Management Measures. These rules are designed not only to ensure that we carry out our investment management business in a compliant manner, but also mitigate the risks, in particular, operational risks in our business operations to safeguard the assets under our management.

In addition to the rules we have formulated, we have also established the investment committee under our investment management business to review and approve each investment projects. The investment committee consists of our head of investment management and managing directors of the business units. The following table sets forth the four stages of its review process.

<u>Review procedures</u>	<u>Descriptions</u>
Preliminary review of proposed investment	Project team reports proposed investment project, including basic information and preliminary due diligence of the proposed investment project, to the investment committee. The investment committee reviews the investment proposal and decides whether to continue to push forward the proposed investment project, such as proceed with negotiating term sheet, engaging professional advisors to carry out further due diligence.
Investment decision	Project team reports to the investment committee results of due diligence, its assessment on the proposed investment project and its investment recommendations. Our finance department and legal department also participate in the investment committee meeting. The investment committee subsequently decides whether to proceed with the investment.
Review of project execution	After the investment committee approves the investment project, project team and legal team will carry out further negotiations regarding the investment and execute investment agreements. During this process, project team will also seek advices from our legal, compliance, and finance departments in a timely manner. If there is any significant change to the investment agreements to be executed during the last stages of negotiation, the project team is required to report the changes immediately and submit a proposal to the investment committee for approval.
Post-investment management	Project team, legal team and finance team collectively participate in the post-investment management of our invested projects to prevent any material risks arising from post-investment stage.

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Incidental to our various businesses, we have made investments using our own capital to collaborate with various strategies, such as to boost our private equity funds' limited partners' confidence in us, to enhance our return from our private equity funds, to diversify our investment portfolio, or to establish strategic relationships to supplement our businesses. The primary types of our investments include (i) investments in our own private equity funds in our capacity as a general partner, typically of 1% of equity interests, consistent with customary market practice, (ii) investments in our own private equity funds in our capacity as a limited partner, (iii) investments in third-party private equity funds in our capacity as a limited partner, to seize investment opportunities as we deem appropriate, and (iv) strategic minority equity investments. For further details, see "Business—Certain Incidental and Ancillary Investments."

With respect to these investments using our own capital, we have established a strategic investment committee under the supervision and authorization of the Executive Committee to review and approve the relevant projects following rules, requirements, and procedures similar to those for our investment management business. Instead of setting investment limits, our relevant decision-makers consider the totality of circumstances and control the investment amounts on a case-by-case basis. Specifically, the investment committee considers a variety of qualitative and quantitative factors, including but not limited to the strategic value of the investment, the quality of the management, our due diligence findings, the financial results of the relevant target, the value of and consideration payable for the investment, whether any equities will have to be issued, the impact on our balance sheet and liabilities, the liquidity impact on our working capital, and whether any financing would be required. Such investments, depending on their sizes, natures, and the parties involved, will be subject to various requirements of the Listing Rules (such as announcement and shareholders' approval requirements for "major transactions" under Chapter 14 of the Listing Rules) after the Listing.

Upon the closing of an investment project, we will set up a corresponding investment management unit to manage such investment project. The investment management unit consists of members of the investment project team and our legal and finance departments. The investment management unit will review the financial results of the investment project, regularly meet with the senior management of the investee company, monitor its business operations, make inquiries where appropriate, and constantly assess the risks and strategic value of the investment. Any proposal to exit the investment would be tabled for discussion and determined at the strategic investment committee.

Market Risk Management

Market risk refers to the risk of incurring loss on assets as a result of adverse movements of market prices, interest rates, and foreign exchange rates. Our exposure to market risks arises primarily from market price risk of equity securities and credit products we hold, and interest rate risk of variable-rate bank balances and bank borrowings. We are also exposed to foreign exchange rate risk of currencies such as Renminbi, US dollars, and HK dollars.

To mitigate the market risk, we have established a market risk management system, which sets out the overall market risk management structure and detailed risk management measures. Under such system, our internal departments with risk management function and each business units independently and separately monitor, analyze, and report relevant risks. In particular, based on the nature, scale, complexity, and operation of each of our business segments, we use risk measurement models, methods, and systems to assess qualitatively and quantitatively the risk that each business segment faces. Based on our risk appetite, we have set various risk indicators under our market risk

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management system, such as business scale, concentration, sensitivity, and value at risk, to monitor relevant risks. When such indicators are triggered, we will take measures timely to control corresponding market risk.

We have invested in short-term cash management products as a routine financial management measure. All investments in cash management products require prior approval by our co-chief financial officers and finance director, except that (i) investments under RMB50 million can be approved by our finance director as authorized by our co-chief financial officers, (ii) investments in offshore cash management products can be approved by our finance director as authorized by the president of CRS (Hong Kong), and (iii) investments in money market funds are subject to automatic banking transactions and reviewed by our co-chief financial officers. Instead of setting investment limits, our relevant decision-makers consider the totality of circumstances and control the investment amounts on a case-by-case basis.

Specifically, we implement the following measures in relation to each type of major market risks.

Interest rate risk

Our major exposure to interest rate risk relates to the variable interest rate of the ICBCI Loan. The variable interest rate of such loan was based on LIBOR plus 600 basis points. As of July 31, 2018, the outstanding balance of such loan was US\$153.9 million. In order to hedge the exposure to the interest rate risk, we entered into an interest rate cap agreement with a total consideration of US\$1.3 million. Pursuant to such contract, we agree to exchange the difference between fixed and floating rate interest amounts. For further details, see “Appendix I—Accountant’s Report—Notes to the Consolidated Financial Statements—Financial Assets at Fair Value Through Profit or Loss.”

Market price risk

Our major exposure to market price risk relates to financial assets and financial liabilities through profit or loss held by us. To manage the price risk arising from our investments, we primarily diversify our investment portfolios by investing in different type of assets with varied risk levels. Each of our investments is managed by our senior management on a case by case basis.

Foreign exchange rate risk

The foreign exchange rate risk that we face is the risk that we may suffer due to a currency mismatch between our assets and liabilities. We have a monitoring mechanism for foreign exchange rate comparison of different foreign currencies and foreign exchange rate comparison of the same foreign currencies so as to provide our management with effective analysis. In our daily operations, if we receive payment in a currency that is not ordinarily used by the operating entity receiving the payment, we usually immediately convert the payment into the currency that is ordinarily used by the operating entity that receives payment to avoid any potential loss arising from foreign exchange rate risk.

Liquidity Risk Management

Liquidity risk is the risk that cash and cash equivalents are insufficient to meet liabilities as they fall due. It may also arise when it is unable to convert financial instruments held into cash at a reasonable price in the case of material adverse market change.

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In managing our liquidity risks, we take into account of our short, medium and long-term funding needs and liquidity management requirements. We maintain adequate cash and cash equivalents and continuously monitor cash flow forecast and actual cash flows. We also adopt risk indicator analysis method to manage our overall liquidity risk. Through an analysis of key risk indicators, such as liquidity coverage, net stable funding ratio, liquidity gap, asset and liability concentration, we assess and measure our overall liquidity risk status. Our funds are under a unified and centralized management which facilitates our group-wide reallocation of surplus funds and enable us to use funds efficiently while maintaining liquidity.

In addition, we established a net capital supplement mechanism to ensure that we are compliant on a continual basis with relevant regulatory requirements. When our risk control indicators, such as net capital position, reach the early-warning level, we will take a series of actions, including restricting or suspending business that takes up a large portion of cash, recovering current accounts, cashing-out long-term equity investments, disposing of tangible or intangible assets, adjusting the dividend distribution policy, and issuing subordinated debts, to supplement the net capital to ensure that various risk control indicators continue to meet regulatory requirements. In case of emergency, we have put in place operational procedures for liquidity risk emergency management. Such procedures set out corporate governance structure under liquidity emergency, responsibilities, liquidity reserve management mechanism, liquidity risk emergency trigger mechanism, and other emergency procedures.

Credit Risk Management

The credit risk refers to the risk of possible loss when a party to a credit transaction is unable or unwilling to perform its contractual obligation. Our credit risk is primarily attributable to our accounts and other receivables, amounts due from related parties and loans to third parties and related parties. Our credit risk is also attributable to the credit products we purchased from issuers.

We start making credit loss provision for doubtful debts for trade and other receivables, amounts due from related parties and loans to third parties and related parties based on our internal thresholds, which is determined with respect to, amongst other criteria, the type of receivables, the length of late payment, and the identity of our counterparty. We define loss event as an event the occurrence of which, based on our previous experience and management's assessment of the current economic environment and the financial condition of counterparties, demonstrates a reduction in the recoverability of the cash flows. For the credit products we purchase, we diversify our investments in different issuers and only purchase the products issued by relevant issuers that cross our thresholds and satisfy our internal requirements. Through rigorous credit assessment and monitoring of risk, we are able to timely detect, report, and manage credit risk, thus preventing the risk from becoming concentrated.

Risk Management of Huajing Securities

As a securities firm regulated by the CSRC, Huajing Securities has an independent risk management framework to safeguard against potential risks in its business operations. Under such framework, Huajing Securities has formulated detailed rules and procedures for each of its business segments to manage operational risks in its business operations. The board of directors, the board of supervisors, and the senior management of Huajing Securities are responsible for overall risk management. The board of directors of Huajing Securities appoints a member of the senior

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management as the chief risk officer, who is in charge of Huajing Securities' comprehensive risk management in daily operations. The chief risk officer leads the risk management department to perform the risk management duties. The primary responsibilities of the risk management department include monitoring, evaluating and reporting the overall risk level, providing risk management suggestions for decision-makings, and assisting, directing and inspecting the risk management performance of the business operations. For each business line of Huajing Securities, there is a dedicated risk management specialist to monitor various types of risks in the daily operations. These specialists carry out their responsibilities independently and report material risk issues directly to the risk management department. Huajing Securities has also established an authorization management system to ensure that its business operations act within the scope approved by the relevant regulatory authorities. In addition, Huajing Securities has established a risk indicator system that takes into account various risk parameters. The risk indicator system measures and evaluates risk levels and allocates resources through stress tests and other methods. Furthermore, Huajing Securities has developed a set of evaluation criteria based on the risk severity and likelihood of occurrence. Based on such criteria, Huajing Securities analyzes and measures risks identified through a qualitative and quantitative approach and prioritizes controls accordingly. Huajing Securities has also implemented a daily mark-to-market mechanism to calculate and monitor the key risk indicators to ensure that material adverse changes in the market are promptly observed, reported and handled. The internal audit department of Huajing Securities serves as an independent oversight function that performs periodical inspections to make sure the effectiveness of its risk management framework.

Conflicts of Interest Management

During the course of our business operations, we constantly encounter conflicts of interest issue. We take measures to address any potential conflicts of interest that may arise in our business operations. Conflicts of interest may arise between (i) our various operating units; (ii) our clients and us; (iii) our clients; (iv) our employees and us; or (v) our clients and our employees. We have the following preventive measures to address potential conflicts of interest adopted the following measures:

Information barrier

Information barrier, or otherwise known as “Chinese Wall,” is a form of segregation or barrier to ensure that the sharing of confidential information is properly controlled such that the two or multiple business units or project teams can operate independently without compromising the interests of their respective clients. Information barrier can be physical segregation (e.g. different office locations or in segregated location), system segregation (e.g. different IT systems, controlled shared folders, printing devices), or process segregation (e.g. policies and procedures or guidance requiring employees to follow), or a combination of them. We adopt a combination of all or some of these information barriers for our business operations. For the business units that are subject to specific regulatory requirement or have constant access to material non-public information, such as equities underwriting, we generally impose more stringent information barrier controls.

Conflict check and control room process

We have adopted a conflict check and control room process through the maintenance of a “watch/grey” list and “restricted list.” Under the control room process, before we are engaged by a potential client, project team is required to consult with our legal and compliance departments to run a “conflict check” against other transactions in relation to such potential client to identify any potential conflicts.

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The control room process also covers the review and approval of the publication of secondary market research reports. In the ordinary course of publishing research reports, research analysts are required to submit draft research report to our supervisory analysts who are editors of the research reports, and also our legal and compliance departments for review and approval before publication. The purpose is to ensure that the underlying companies where substantive analysis are conducted in our research report and our investment banking business are not under any conflicts of interest when preparing the research report. If there is any conflicts of interest, it will be disclosed as appropriate in the research report before publication.

The control room is also responsible for pre-clear employee personal account dealing to prevent inappropriate personal trading by our employees and also addresses any potential conflicts of interest between our employees and our Company or our clients.

Disclosure to client and obtain consent

Prior to a formal engagement, we disclose to our potential clients the fact that we have multiple business units serving clients who may have competing interests. In cases where our clients have questions, we will introduce measures to mitigate any potential conflicts of interest, and where appropriate, seek their consent. If our potential clients do not give any required consent, we may turn down such business opportunities. In some circumstances, we would impose internal restrictions on our business activities as a measure of managing our potential conflicts of interest.

Policies and procedures

We have adopted the Information Barrier Policy for our employees to follow. Our employee handbook and our Code of Business Ethics and Conduct also require our employees to keep client information confidential. We conduct regular training to our employees on information barrier.

During the Track Record Period, we did not experience any material failure to protect confidential information from, or related to, our clients.

Anti-Money Laundry Management

As part of our internal control system, we have adopted policies and procedures to prevent money laundering and terrorist financing in strict compliance with applicable laws and regulations. We have established comprehensive “Know Your Client” procedures to ascertain client identities before formal intake. We adopt strict identification measures to profile clients with a higher than average likelihood of engaging in money laundering and terrorist financing activities. In light of our “Know Your Client” procedures, we make efforts during client identification to better understand our clients and their actual controllers and beneficiaries and to explore their operations, activities, and sources of assets.

Our compliance department formulates anti-money laundering policies and procedures based on the legal and regulatory requirements in each of our jurisdictional presence. Such policies and procedures are implemented in our business operations.

We provide regular anti-money laundering training to our employees to help them understand the screening process and the current regulatory landscape. Employees who know, suspect, or have a reasonable belief that a client might have engaged in money laundering activities are required to

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immediately report such activities to our legal and compliance department, which in turn, reports to competent authorities as necessary. We also actively cooperate with regulators in various anti-money laundering activities. We also subscribe to screening applications to ensure that we are comply with applicable sanctions requirement.

We have not engaged in or knowingly assisted in any money laundering or terrorist financing activities. During the Track Record Period, we were not sanctioned by any regulators for failure to strictly comply with applicable anti-money laundering laws and regulations. For risks associated with anti-money laundering activities, see “Risk Factors—We may not be able to fully detect money laundering and other illegal or improper activities in our business operations on a timely basis or at all, which could subject us to liabilities and penalties.”

INTERNAL CONTROL

The corporate governance structure for our internal control is similar to that for our risk management. Our Board is responsible for establishing our internal control system and reviewing its effectiveness. Supported by various other internal departments, our senior management is responsible for implementing internal control measures in our daily operations. To assess the effectiveness of our internal control measures, we have engaged an independent internal control consultant (the “Internal Control Consultant”) to conduct a review of our internal control system. The Internal Control Consultant has conducted review procedures on our internal control system in certain aspects, including revenue, purchase, fixed assets management, human resources, financial management and information technology. The Internal Control Consultant conducted on-site work in March and April 2018 and provided a number of deficiencies and recommendations in its report. The internal control findings identified by the Internal Control Consultant did not result in any material misstatement to our consolidated financial information prepared in accordance with IFRS during the Track Record Period as set out in Appendix I after certain appropriate adjustments were made to address those internal control deficiencies. We have subsequently taken remedial measures in response to the findings identified and recommendations provided by our Internal Control Consultant. The Internal Control Consultant performed a follow-up review on our internal control system with regard to those measures taken by us and reported further commentary in June 2018. As of the Latest Practicable Date, we confirm that there were no material internal control findings outstanding.

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BACKGROUND TO THE CONTRACTUAL ARRANGEMENTS

Our consolidated affiliated entities are currently the Consolidated Affiliated Entities and their respective subsidiaries, which were all established under the PRC laws.

One of our core businesses is investment management which we engage in through managing private equity investments funds including RMB denominated funds (as well as the legal entities of these RMB denominated funds, together the “**RMB Funds**”) in China. Many of our RMB Funds primarily invest in innovative and emerging businesses, the underlying investee companies of which are subject to foreign investment restrictions and/or prohibitions in China (the “**FI Restrictions**”) under the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》) (the “**Catalog**”) whilst a limited number of these RMB Funds invest in investee companies whose businesses are not subject to FI Restrictions. We derive our investment management revenue primarily from two sources, namely collection of management fees and carried interest from the investment funds.

The investment fund management entities currently are not subject to the FI Restrictions, and therefore our equity interests in all of our current and future investment fund management entities for our RMB Funds that we control are and will be held by Huagan Shanghai (or its wholly owned subsidiaries) unless there is any change to the FI Restrictions.

We collect carried interest from the general partners of our RMB Funds. In the private equity investment fund industry, to ensure compliance with applicable PRC laws and regulations and to conform with the industry practice, the investee companies usually adopt a “look-through” approach in determining eligibility of their investors when they engage in businesses subject to FI Restrictions (in the case of investors which are limited partnerships, the investee companies will assess the shareholders of both general partners and limited partners). As such, historically, given the Company’s RMB Funds primarily invest in new economy companies involved in innovative and emerging businesses, many of which are subject to FI Restrictions, we control the general partners of these RMB Funds through the Contractual Arrangements at the time of their establishment. As our existing RMB Funds have already completed fundraising, it is impossible to restructure them by separating the investment funds and/or investment returns based on whether the relevant industry categories in which our investees operate are subject to the FI Restrictions, from a fund flow and management perspective.

Despite our efforts to ensure all investment fund management entities of our RMB Funds are and will be held by Huagan Shanghai (or its wholly owned subsidiaries), the investment partners of two RMB Funds (in which we hold a minority interest only) insisted that the general partner also acts as the investment fund manager. Since we hold only a minority interest in these two RMB Funds, we are unable to exert material influence over structural changes or withdraw unilaterally, and the investment partners may cease to cooperate should we propose a separate appointment arrangement. Therefore, only with regards to these two RMB Funds, the same entity will act as both general partner and as investment fund manager. During the Track Record Period, each of these two RMB Funds contributed nil revenue to our Group.

We also have certain strategic investments (either in the capacity of limited partner in private equity funds managed by third parties, or other minority investments) in businesses that are subject to the FI Restrictions and are currently held through the Contractual Arrangements.

In order to comply with the PRC laws and regulations to the extent practicable, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we have undertaken a series of reorganization activities.

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The Contractual Arrangements currently in effect were entered into on April 25, 2018, whereby:

- (i) the general partners of our RMB Funds (the underlying investee companies of which primarily operate in industries that are subject to the FI Restrictions) are owned by our Consolidated Affiliated Entities;
- (ii) Huagan Shanghai acquired effective control over our Consolidated Affiliated Entities and has been entitled to the economic benefits derived from the collection of carried interest by those entities and attributable to our Group in the capacity as general partners of such RMB Funds; and
- (iii) our strategic investments (either in the capacity of limited partner in private equity funds managed by third parties, or other minority investments) that are subject to the FI Restrictions are and will be held by our Consolidated Affiliated Entities.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among Huagan Shanghai, our Consolidated Affiliated Entities and the Registered Shareholders; and (ii) a number of other companies in the private equity investment fund industry use similar arrangements to accomplish the same purpose.

As of March 31, 2018, a total of 15 RMB Funds were subject to the Old Contractual Arrangements (the “**Relevant RMB Funds**”). During the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018, the revenue contribution of the Relevant RMB Funds (including management fee only) accounted for 4.7%, 16.4%, 10.8% and 5.6% of our total revenue, respectively.

As of December 31, 2015, 2016, and 2017 and March 31, 2018, the investment amount of the Relevant RMB Funds (calculated based on the fair value of investments in our Relevant RMB funds in which we act as a general partner or limited partner) amounted to US\$6,265,000, US\$13,030,000, US\$18,886,000 and US\$20,960,000, respectively.

As of the Latest Practicable Date, a total of 11 RMB Funds were subject to the Contractual Arrangements following the reorganization of our onshore investment management business.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTIONS

Foreign investment activities in China are mainly governed by the Catalog which was promulgated and is amended from time to time jointly by MOFCOM and NDRC. The Catalog divides industries into four categories in terms of foreign investment, namely “encouraged,” “restricted” and “prohibited,” and all industries not listed under any of these categories are deemed to be “permitted.” As confirmed by our PRC Legal Advisor, certain investees of our RMB Funds engage in restricted industries and/or prohibited industries including but not limited to internet information services, value-added telecommunication business, internet audio-visual program services and internet publication service.

As confirmed by our PRC Legal Advisor, it would be impossible to obtain assurance from the competent PRC governmental authorities as to the restrictions applicable to the funds management entities because the PRC governmental authorities regulating the investees of the Group’s RMB Funds do not regulate the Group’s RMB Fund business. As a result, such governmental authorities are not the competent authorities for the purpose of the Group’s RMB Funds business and hence are not in a position to opine on the Group’s Contractual Arrangements. On the other hand, private equity

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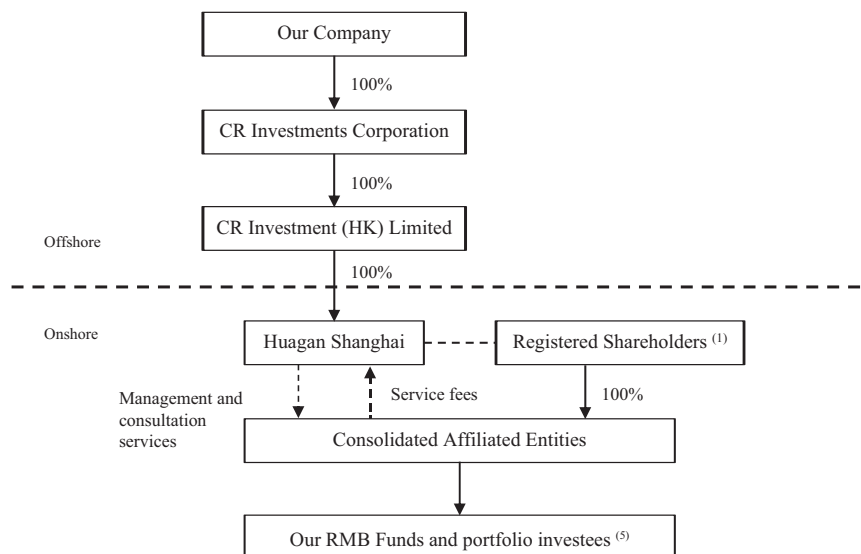
investment funds as well as investment fund managers are not subject to the FI Restrictions and hence the registration authority, being Asset Management Association of China, is not in a position to opine on the Group's Contractual Arrangements. Notwithstanding the above, our PRC Legal Advisor is of the view that the possibility of the relevant PRC governmental authorities of all investees concluding that contractual arrangement not being in compliance with applicable PRC laws and regulations, either separately or at the same time, is extremely low.

Due to the regulatory restrictions stated above, we cannot directly hold equity interests in the Consolidated Affiliated Entities, which are, or control entities which act as, general partners of our RMB Funds whose investees are in engaging in businesses subject to the FI Restrictions. As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any governmental authorities in relation to the Contractual Arrangements.

For further details of the limitations on foreign ownership in PRC companies under PRC laws and regulations, see “Regulations—PRC Laws and Regulations Relating to Our Business—PRC Regulations Relating to Foreign Investment and Wholly Foreign-Owned Enterprise.”

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The following simplified diagram illustrates the flow of economic benefits attributable to our Group from our consolidated affiliated entities to our Group stipulated under the Contractual Arrangements:



Notes:

- (1) “**Registered Shareholders**” refers to the registered shareholders of the Consolidated Affiliates Entities, namely Mr. Du Yongbo and Mr. Wang Xinwei. Each of the Consolidated Affiliates Entities is owned by Mr. Du Yongbo and Mr. Wang Xinwei as to 50% each.
- (2) “**—>**” denotes direct or indirect legal and beneficial ownership in the equity interest.
- (3) “**- - ->**” denotes contractual relationship.
- (4) “**- - -**” denotes the control by Huagan Shanghai over the Consolidated Affiliates Entities through proxy agreements and the respective powers of attorney to exercise all shareholders’ rights in the Consolidated Affiliates Entities, exclusive options to acquire all or part of the equity interests in the Consolidated Affiliates Entities and equity pledges over the equity interest in the Consolidated Affiliates Entities.
- (5) These include funds in which the Consolidated Affiliates Entities or their subsidiaries act as the general partner, and portfolio investees of such funds that are subject to the FI Restrictions and other portfolio investees that are not subject to FI Restrictions.

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SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

A description of each of the specific agreements that comprise the Contractual Arrangements entered into among Huagan Shanghai, our Consolidated Affiliated Entities, and the Registered Shareholders is set out below.

Exclusive Business Cooperation Agreements

Under the amended and restated exclusive business cooperation agreements dated April 25, 2018 between the Consolidated Affiliates Entities and Huagan Shanghai (the “**Exclusive Business Cooperation Agreements**”), pursuant to which, in exchange for service fee, the Consolidated Affiliates Entities agreed to engage Huagan Shanghai as their exclusive provider of technical support, consultation and other services, including the following services:

- providing investment consultation and management services;
- providing strategic development and planning consultation;
- providing financial consultation and management services;
- providing information consultation in respect of the Consolidated Affiliates Entities’ businesses;
- providing technical support and staff training services to relevant employers of the Consolidated Affiliates Entities;
- providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign-owned enterprises are prohibited from conducting under PRC laws);
- providing business management consultations;
- providing marketing and promotional services;
- providing customer order management and customer services;
- transfer, leasing and disposal of equipment or properties;
- the use of any relevant software legally owned by Huagan Shanghai;
- design, development, maintenance and updating of software in respect of the Consolidated Affiliates Entities’ business;
- design, installation, daily management, maintenance and updating of network systems, hardware and database design; and
- other relevant services requested by the Consolidated Affiliates Entities from time to time to the extent permitted under PRC laws.

Under the Exclusive Business Cooperation Agreements, the service fees shall be 100% of the total consolidated profit before tax of the Consolidated Affiliated Entities, after the deduction of any accumulated deficit of the consolidated affiliated entities in respect of the preceding financial year(s), operating costs, expenses, other applicable taxes and other reasonable profits as required by the applicable tax laws and prevailing practice. Notwithstanding the foregoing, Huagan Shanghai may adjust the scope, amount of service fees, payment time and payment method, and the Consolidated Affiliates Entities will accept such adjustments.

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In addition, absent the prior written consent of Huagan Shanghai, during the term of the Exclusive Business Cooperation Agreements, with respect to the services subject to the Exclusive Business Cooperation Agreement, the Consolidated Affiliated Entities shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Business Cooperation Agreements with any third party. Huagan Shanghai may appoint other parties, who may enter into certain agreements with the Consolidated Affiliated Entities, to provide the Consolidated Affiliated Entities with the services under the Exclusive Business Cooperation Agreements.

The Exclusive Business Cooperation Agreements also provide that Huagan Shanghai shall have the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by the Consolidated Affiliated Entities during the performance of the Exclusive Business Cooperation Agreement.

The Exclusive Business Cooperation Agreements shall remain effective unless terminated (a) by agreement of the Consolidated Affiliated Entities and Huagan Shanghai; (b) in writing by Huagan Shanghai with thirty days' notice in advance; or (c) upon the expiration of the validity period in the event that Huagan Shanghai fails to renew the Exclusive Business Cooperation Agreements.

Exclusive Call Option Agreements

Under the amended and restated exclusive call option agreements dated April 25, 2018 among the Consolidated Affiliated Entities, Huagan Shanghai and the Registered Shareholders (the “**Exclusive Call Option Agreements**”), Huagan Shanghai has the rights to require the Registered Shareholders to transfer any or all their equity interests in the Consolidated Affiliated Entities to Huagan Shanghai and/or a third party designated by it, in whole or in part at any time and from time to time, at the lowest price allowable under PRC laws and regulations at the time of transfer.

The Consolidated Affiliated Entities and the Registered Shareholders, among other things, have covenanted that:

- without prior written consent of Huagan Shanghai, they shall not in any manner supplement, change or amend the constitutional documents of the Consolidated Affiliated Entities, increase or decrease their registered capital, or change the structure of their registered capital in other manner;
- they shall maintain the Consolidated Affiliated Entities' corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary governmental licenses and permits by prudently and effectively operating their business and handling their affairs;
- without prior written consent of Huagan Shanghai, they shall not at any time following the signing of the Exclusive Call Option Agreements sell, transfer, pledge or dispose of in any manner any material assets of the Consolidated Affiliated Entities or legal or beneficial interest in the material businesses or revenues of the Consolidated Affiliated Entities of more than RMB1,000,000, or allow encumbrance thereon of any security interest;
- without prior written consent of Huagan Shanghai, the Consolidated Affiliated Entities shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business and for debts disclosed to and agreed in writing by Huagan Shanghai;

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- the Consolidated Affiliated Entities shall always operate all of their businesses during the ordinary course of business to maintain their asset value and refrain from any action/omission that may adversely affect our Consolidated Affiliated Entities' operating status and asset value;
- without prior written consent of Huagan Shanghai, they shall not cause the Consolidated Affiliated Entities to execute any material contract with a value above RMB1,000,000, except the contracts executed in the ordinary course of business;
- without prior written consent of Huagan Shanghai, they shall not cause the Consolidated Affiliated Entities to execute any contract which conflicts with any material contract;
- without prior written consent of Huagan Shanghai, they shall not cause the Consolidated Affiliated Entities to provide any person with any loan, credit, guarantee or warranty;
- they shall provide Huagan Shanghai with information on the Consolidated Affiliated Entities' business operations and financial condition at the request of Huagan Shanghai;
- if requested by Huagan Shanghai, they shall procure and maintain insurance in respect of the Consolidated Affiliated Entities' assets and businesses from an insurance carrier acceptable to Huagan Shanghai, at an amount and type of coverage typical for companies that operate similar businesses;
- without prior written consent of Huagan Shanghai, they shall not cause or permit the Consolidated Affiliated Entities to merge, consolidate with, acquire or invest in any person;
- they shall immediately notify Huagan Shanghai of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the Consolidated Affiliated Entities' assets, businesses or revenues;
- to maintain the ownership by the Consolidated Affiliated Entities of all of their assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- without prior written consent of Huagan Shanghai, the Consolidated Affiliated Entities shall not in any manner distribute dividends to their shareholders, provided that upon written request of Huagan Shanghai, the Consolidated Affiliated Entities shall immediately distribute all distributable profits to their shareholders;
- at request of Huagan Shanghai, they shall appoint any persons designated by Huagan Shanghai, or dismiss or replace such persons, as the directors, supervisors, and/or senior management of the Consolidated Affiliated Entities;
- without written consent of Huagan Shanghai, they shall not engage in any business in competition with Huagan Shanghai or its affiliates; and
- unless otherwise mandatorily required by PRC laws, the Consolidated Affiliated Entities shall not be dissolved or liquidated without prior written consent by Huagan Shanghai.

In addition, the Registered Shareholders, among other things, have covenanted that:

- without written consent of Huagan Shanghai, they shall not sell, transfer, pledge or dispose of in any other manner the legal or beneficial interest in the Consolidated Affiliated

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Entities, or allow the encumbrance thereon of any security interest, except for the interests prescribed in the Exclusive Call Option Agreements, the Equity Pledge Agreements and the Proxy Agreements, and procure the shareholders' meeting and the board of directors of the Consolidated Affiliated Entities not to approve such matters;

- for each exercise of the equity purchase option, to cause the shareholders' meeting of the Consolidated Affiliated Entities to vote on approval of transfer of equity interests and any other action requested by Huagan Shanghai;
- they shall immediately and unconditionally transfer their equity interests to Huagan Shanghai and/or appointee(s) upon the request of Huagan Shanghai;
- they shall relinquish the pre-emptive right (if any) he/she is entitled to in relation to the transfer of equity interest by any other shareholders to the Consolidated Affiliated Entities and give consent to the execution by each other shareholder of the Consolidated Affiliated Entities with Huagan Shanghai and the Consolidated Affiliated Entities exclusive call option agreements, equity interest pledge agreements and proxy agreements (or powers of attorney) similar to the Exclusive Call Option Agreements, the Equity Pledge Agreements and the Proxy Agreements, and accept not to undertake any action in conflict with such documents executed by the other shareholders; and
- each of the Registered Shareholders shall pay or transfer to Huagan Shanghai or its appointee(s) income they have received as permitted under the PRC laws.

The Exclusive Call Option Agreements shall remain effective unless otherwise terminated in the event that the entire equity interests held by the Registered Shareholders in the Consolidated Affiliated Entities have been transferred to Huagan Shanghai or its appointee(s).

Equity Pledge Agreements

Under the amended and restated equity pledge agreements dated April 25, 2018 entered into among Huagan Shanghai, the Registered Shareholders and the Consolidated Affiliated Entities (the “**Equity Pledge Agreements**”), the Registered Shareholders agreed to pledge all their respective equity interests in the Consolidated Affiliated Entities that they own, including any interest or dividend paid for the shares, to Huagan Shanghai as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledge in respect of the Consolidated Affiliated Entities takes effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid until after all the contractual obligations of the Registered Shareholders and the Consolidated Affiliated Entities under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders and the Consolidated Affiliated Entities under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), Huagan Shanghai may immediately exercise the pledge and may take any remedial measures under applicable PRC laws and the Contractual Arrangements, including but not limited to being paid in priority with the monetary valuation that the Registered Shareholders' equity interests are converted into or from the proceeds from auction or sale of the Registered Shareholders' equity interests. Huagan Shanghai is not liable for any loss incurred by its due exercise of such rights and powers.

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The registration of the equity interests pledge of Shanghai Quanyuan, Dazi Huafeng, Dazi Hualing and Dazi Huashi under the Equity Pledge Agreements have been completed in accordance with the terms of the Equity Pledge Agreements and PRC laws.

Proxy Agreements

Pursuant to the amended and restated proxy agreements dated April 25, 2018 entered into among Huagan Shanghai, the Registered Shareholders and the Consolidated Affiliated Entities (the “**Proxy Agreements**”), the Registered Shareholders have executed powers of attorney dated April 25, 2018 (the “**Powers of Attorney**”). Under the Proxy Agreements and the Powers of Attorney, the Registered Shareholders irrevocably appointed Huagan Shanghai and its designated persons (including but not limited to Directors and their successors and liquidators replacing the Directors but excluding those non-independent or who may give rise to conflicts of interest) as their attorneys-in-fact to exercise on their behalf, and agreed and undertook not to exercise without such attorneys-in-fact’s prior written consent, any and all right that they have in respect of their equity interests in the Consolidated Affiliated Entities, including without limitation:

- to propose, convene and attend shareholders’ meetings of the Consolidated Affiliated Entities and to execute any and all written resolutions and meeting minutes in the name and on behalf of such shareholder;
- to file documents with the relevant companies registry;
- to exercise all shareholder’s rights and shareholder’s voting rights in accordance with laws and the constitutional documents of the Consolidated Affiliated Entities, including but not limited to the sale, transfer, pledge or disposal of any or all of the equity interests in the Consolidated Affiliated Entities, and the liquidation of Consolidated Affiliated Entities; and
- to nominate or appoint the legal representatives, directors, supervisors, chief executive officers, general managers, chief financial officers and other senior management of the Consolidated Affiliated Entities.

Further, the Proxy Agreements and Powers of Attorney shall remain effective until and unless terminated with the consent of the Consolidated Affiliated Entities, the Registered Shareholders and Huagan Shanghai in writing.

Spouse Undertakings

The spouse of each of the Registered Shareholders signed an undertaking on April 25, 2018 (the “**Spouse Undertakings**”). Pursuant to the Spouse Undertakings, each of the spouses:

- undertakes that she will not bring any claims in respect of the equity interests of the Registered Shareholders;
- further confirms that her separate authorization or consent is not required with regard to the Registered Shareholder’s performance of the Contractual Arrangements and further revise or terminate the Contractual Arrangements;
- undertakes that she will execute all necessary documents and undertake all necessary actions to ensure the performance of the Contractual Arrangements; and

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- undertakes that if she for any reason obtains any equity interests of the Registered Shareholders, she will comply with the terms of the Contractual Arrangements, observe the obligations of the Registered Shareholders under the Contractual Arrangements and execute any agreements with similar or the same effects of the Contractual Arrangements.

Dispute Resolution

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the China International Economic and Trade Arbitration Commission (“CIETAC”) for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing and the language used during arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that the arbitral tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of assets) or order the winding up of our Consolidated Affiliated Entities; any party may apply to the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC and the places where the principal assets of our Consolidated Affiliated Entities are located for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Consolidated Affiliated Entities.

However, our PRC Legal Advisor has advised that the above provisions may not be enforceable under the PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our Consolidated Affiliated Entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in China.

As a result of the above, in the event that the Consolidated Affiliated Entities or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our consolidated affiliated entities and conduct our businesses could be materially and adversely affected. See “Risk Factors—Risks Relating to our Contractual Arrangements” for further details.

Conflicts of Interest

Each of the Registered Shareholders has given his irrevocable undertakings in the Proxy Agreements and the Powers of Attorney which address potential conflicts of interest that may arise in connection with the Contractual Arrangements. For further details, see the sub-paragraph “—Proxy Agreements” above.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Group and Huagan Shanghai is legally required to share the losses of, or provide financial support to, our consolidated affiliated entities. Huagan Shanghai intends to continuously provide to or assist our Consolidated Affiliated Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts a certain portion of its business operations in China through our consolidated affiliated entities, and that their financial position and results of operations are consolidated into our Group’s

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financial statements under the applicable accounting principles, our Group's business, financial position and results of operations would be adversely affected if our consolidated affiliated entities suffer losses.

However, as provided in the Exclusive Call Option Agreements, without the prior written consent of Huagan Shanghai, the Consolidated Affiliated Entities shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of their material assets of more than RMB1 million; (ii) execute any material contract with a value above RMB 1 million, except those entered into in the ordinary course of business; (iii) provide any loan, credit or guarantees in any form to any third party, or allow any third party create any other security interest on their assets or equity; (iv) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business; (v) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; and (vi) increase or reduce their registered capital, or alter the structure of the registered capital in any other way. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on Huagan Shanghai and our Group in the event of any loss suffered from the Consolidated Affiliated Entities can be limited to a certain extent.

Liquidation

Pursuant to the Exclusive Call Option Agreements, in the event of a mandatory liquidation required by the PRC laws, the Registered Shareholders of our Consolidated Affiliated Entities shall give the proceeds they received from liquidation as a gift to Huagan Shanghai to the extent permitted by the PRC laws.

Insurance

Our Group does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governmental authorities in operating our businesses through our Consolidated Affiliated Entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisor is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that:

- for our RMB Funds whose investees are subject to the FI Restrictions, our equity interests in all of the current fund management entities for the RMB Funds that we control have been transferred to Huagan Shanghai or its wholly owned subsidiaries; whereas the general partners of such RMB Funds are owned by the Consolidated Affiliated Entities which have entered into the Contractual Arrangements with Huagan Shanghai to transfer their economic benefits attributable to our Group to the Group;
- for our RMB Funds all of whose investees are not subject to the FI Restrictions, our Company will hold the equity interests in the general partners of such RMB Funds through Huagan Shanghai or its wholly-owned subsidiaries;

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- our RMB Funds only have minority interest in the investee companies engaging in businesses that are subject to the FI Restrictions which we have no control and none of these investee companies is a consolidated entity of our Group;
- for our strategic investments (either in the capacity of limited partner in private equity funds managed by third parties, or other minority investments) which are or are expected to be subject to the FI Restrictions, we are or will be holding such investments through the Contractual Arrangements;
- for our strategic investments (either in the capacity of limited partner in private equity funds managed by third parties, or other minority investments) which are not or are not expected to be subject to the FI Restrictions, we are or will be holding such investments through our Company's wholly-owned subsidiaries in China;
- each of Huagan Shanghai and our Consolidated Affiliated Entities is a duly incorporated and validly existing company, and their respective establishment is valid, effective, and complies with the relevant PRC laws; each of the Registered Shareholders is a legal person with full civil and legal capacity; and each of Huagan Shanghai, our Consolidated Affiliated Entities and the Registered Shareholders has obtained all necessary internal approvals and authorizations to execute and perform the Contractual Arrangements;
- none of the Contractual Arrangements violates any provisions of the articles of association of our Consolidated Affiliated Entities or Huagan Shanghai;
- the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that (i) the Exclusive Call Option Agreements are subject to approval and/or registration with the competent governmental authorities upon the exercise by our Group of its rights under the Exclusive Call Option Agreements to acquire all or part of the equity interests in our Consolidated Affiliated Entities; and (ii) the Equity Pledge Agreements are subject to registration with the competent governmental authorities upon execution of the agreements;
- neither Huagan Shanghai nor our Group is obligated to share the losses of our Consolidated Affiliated Entities and the Registered Shareholders or provide financial support to our Consolidated Affiliated Entities and the Registered Shareholders. Each of our Consolidated Affiliated Entities is a limited liability company and is solely liable for its own debts and losses attributable to the assets and properties owned by it;
- our PRC Legal Advisor has advised that each of the Contractual Arrangements is valid, legal and binding under PRC laws, except for the following provisions regarding dispute resolution and the liquidating committee:
 - the Contractual Arrangements provide that any dispute shall be submitted to the CIETAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitral tribunal may award remedies over the shares or assets of our Consolidated Affiliated Entities or injunctive relief (e.g. limiting the conduct of business, limiting or restricting transfer or sale of assets) or order the winding up of our Consolidated Affiliated Entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company), the PRC (being the place of incorporation of our Consolidated Affiliated Entities), and the places where the principal assets of our

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Consolidated Affiliated Entities are located, also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our Consolidated Affiliated Entities. However, the interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China; and

- the Contractual Arrangements provide that the Registered Shareholders of our Consolidated Affiliated Entities undertake to appoint a committee designated by Huagan Shanghai as the liquidation committee upon the winding up of our Consolidated Affiliated Entities to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC laws.

See “Risk Factors—Risks Relating to Our Contractual Arrangements—If the PRC government finds that Contractual Arrangements that establish the structure for operating certain of our businesses in China do not comply with applicable PRC governmental restrictions on foreign investment in these businesses, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.”

Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of China; (ii) malicious collusion is conducted to damage the interest of China, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations. Our PRC Legal Advisor is of the view that the relevant terms of our Contractual Arrangements do not fall within the above five circumstances. In particular, our PRC Legal Advisor is of the view that the Contractual Arrangements would not be deemed as for an “illegitimate purpose concealed under the guise of legitimate acts” under circumstance (iv) above because the Contractual Arrangements were not entered into for illegitimate purposes. The purpose of the Contractual Arrangements are (a) to enable our Consolidated Affiliated Entities to transfer its economic benefits attributable to our Group to Huagan Shanghai as service fees for engaging Huagan Shanghai as their exclusive service provider and (b) to ensure that the Registered Shareholders do not take any actions that are contrary to the interests of Huagan Shanghai. In accordance with Article 4 of the PRC Contract Law, which is a section of the Part One (General Principles) of the PRC Contract Law setting forth fundamental principles under the PRC Contract Law, the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right. In addition, the effect of the Contractual Arrangements, which is to allow our Company to list on the Stock Exchange while obtaining the economic benefits of our consolidated affiliated entities attributable to our Group, is not for an illegitimate purpose, as evidenced by the fact that a number of currently listed companies also adopt similar contractual arrangements. In conclusion, the Contractual Arrangements do not fall within any of the five circumstances set forth in Article 52 of the PRC Contract Law.

Future Compliance with Guidance Letter GL77-14

To ensure ongoing compliance, in respect of new RMB Funds, the Company will seek its PRC Legal Advisor’s advice before establishing such funds to clearly identify industry categories provided under the Catalog in which the investees operate.

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For industry categories provided under the Catalog that are not subject to FI Restrictions, our Company will hold the relevant investment interests through Huagan Shanghai or its wholly-owned subsidiaries.

For industry categories provided under the Catalog that are subject to FI Restrictions, the Company will adopt VIE structure to cater for such circumstances and will use its best endeavors to negotiate with the limited partners and the investee companies to put in measures and procedures to ensure ongoing compliance that the investees' investment activities are limited to those that are subject to the then effective FI Restrictions at the time of fund establishment. Given our Company's RMB Funds only have minority interest in the investee companies and do not have any material influence over the decision-making process, there is no guarantee the Company's proposal would be accepted. Furthermore, the scope of FI Restrictions might change from time to time as the Catalog is updated; on the other hand, business scope of certain investees that the Company has invested in keeps evolving.

Accounting Aspects of the Contractual Arrangements

Consolidation of Financial Results of our consolidated affiliated entities

Under the Exclusive Business Cooperation Agreements, it was agreed that, in consideration of the services provided by Huagan Shanghai, each of our Consolidated Affiliated Entities will pay service fees to Huagan Shanghai. The services fees, subject to Huagan Shanghai's adjustment, are equal to the entirety of the total consolidated profit of our Consolidated Affiliated Entities (net of accumulated deficit of the consolidated affiliated entities in the previous financial years (if any), costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). Huagan Shanghai may adjust the service scopes and fees at its discretion in accordance with PRC tax laws and practice as well as the needs of the working capital of our consolidated affiliated entities. Huagan Shanghai also has the right to periodically receive or inspect the accounts of our consolidated affiliated entities. Accordingly, Huagan Shanghai has the ability, at its sole discretion, to extract all of the economic benefit of our Consolidated Affiliated Entities attributable to our Group through the Exclusive Business Cooperation Agreements.

In addition, under the Exclusive Business Cooperation Agreements and the Exclusive Call Option Agreements, Huagan Shanghai has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of our consolidated affiliated entities as Huagan Shanghai's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from our consolidated affiliated entities, the Registered Shareholders must immediately pay or transfer such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to the Company.

As a result of these Contractual Arrangements, the Company has obtained control of our consolidated affiliated entities through Huagan Shanghai and, at the Company's sole discretion, can receive all of the economic interest returns generated by our consolidated affiliated entities. Accordingly, our consolidated affiliated entities' results of operations, assets and liabilities, and cash flows are consolidated into the Company's financial statements.

In this regard, our Directors consider that the Company can consolidate the financial results of our consolidated affiliated entities into our Group's financial information as if they were the Company's subsidiaries. The basis of consolidating the results of the consolidated affiliated entities is disclosed in note 40 to the Accountants' Report set out in Appendix I to this prospectus.

Development in the PRC Legislation on Foreign Investment

Draft new Foreign Investment Law

Background

The MOFCOM published the Draft Foreign Investment Law (中華人民共和國外國投資法(草案徵求意見稿)) in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. The MOFCOM has solicited comments on this draft in early 2015 and substantial uncertainties exist with respect to its final form, enactment timetable, interpretation and implementation. The Draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in China.

Negative list

The Draft Foreign Investment Law stipulates restriction of foreign investment in certain industry sectors on the “catalog of special administrative measures” (i.e. the “**negative list**”). The “catalog of special administrative measures” set out in the Draft Foreign Investment Law classifies the relevant prohibited and restricted industries into the Catalog of Prohibitions and the Catalog of Restrictions, respectively.

Foreign investors are not allowed to invest in any sector set out in the Catalog of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalog of Prohibitions, unless otherwise specified by the State Council.

Foreign investors are allowed to invest in sectors set out in the Catalog of Restrictions, provided that they fulfill certain conditions and apply for permission before making such investment.

However, the Draft Foreign Investment Law does not specify the businesses to be included in the Catalog of Prohibitions and the Catalog of Restrictions.

Principle of “actual control”

Among other things, the Draft Foreign Investment Law purports to introduce the principle of “actual control” in determining whether a company is considered a foreign invested enterprise or a foreign invested entity (“**FIE**”). It specifically provides that entities established in China but “controlled” by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction, but cleared by the authority in charge of foreign investment as “controlled” by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the Catalog of Restrictions, subject to the examination of the relevant governmental authorities in charge of foreign investment. For these purposes, “control” is defined in the Draft Foreign Investment Law to cover any of the following summarized categories:

- directly or indirectly holding 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;
- directly or indirectly holding less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but:
 - having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision-making bodies,

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- having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision-making bodies, or
- having the voting power to exert material influence over decision-making bodies, such as the shareholders' meeting or the board; or
- having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters.

In respect of “actual control,” the Draft Foreign Investment Law looks at the identity of the ultimate natural person or enterprise that controls the FIE. “Actual control” refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights, and decision-making arrangements. Article 19 of the Draft Foreign Investment Law defines “actual controllers” as the natural persons or enterprises that directly or indirectly control foreign investors or FIEs.

If an entity is determined to be a FIE and its investment amount exceeds certain threshold or its business operation falls within the “catalog of special administrative measures” to be issued by the State Council in the future, market entry clearance by the governmental authorities in charge of foreign investment would be required.

Impact of Draft Foreign Investment Law on VIE

The “variable interest entity” structure, or VIE structure, has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our Consolidated Affiliated Entities and their subsidiaries by Huagan Shanghai, through which we operate certain of our businesses in China. Under the Draft Foreign Investment Law, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately “controlled” by foreign investors. As far as the new VIE structures operating in industry sectors that are in the Catalog of Restrictions are concerned, if the ultimate controlling person(s) of a domestic enterprise under the VIE structure is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens), such domestic enterprise may be treated as a Chinese investor and therefore the VIE structures may be considered as legitimate. Conversely, if ultimate controlling person(s) is/are of foreign nationalities, such domestic enterprise may be treated as a foreign investor or FIE, and therefore the operation of such domestic enterprise through VIE structures without obtaining necessary permission may be considered as illegal.

Notwithstanding that neither the Draft Foreign Investment Law nor its accompanying explanatory notes (the “**Explanatory Notes**”) provide a clear direction in dealing with VIE structures existing before the Draft Foreign Investment Law becoming effective, which were still pending further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with FIEs with existing VIE structures and conducting business in an industry falling within the “catalog of special administrative measures”:

- requiring them to make a filing to the competent authorities that the actual control is vested with Chinese investors, after which the VIE structures may be retained;
- requiring them to apply to the competent authorities for certification that their actual control is vested with Chinese investors and, upon verification by the competent authority, the VIE structures may be retained; and

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- requiring them to apply to the competent authorities for permission to continue to use the VIE structure. The competent authorities together with the relevant departments will then make a decision after taking into account the actual control of the FIE and other factors.

The three possible approaches above are set out in the Explanatory Notes to solicit public opinions on the treatment of existing contractual arrangements, have not been formally adopted and may be subject to revisions and amendments taking into account the results of the public consultation.

Where foreign investors and FIEs circumvent the provisions of the Draft Foreign Investment Law by entrusted holding, trust, multi-level re-investment, leasing, contracting, financing arrangements, contractual arrangement, overseas transaction or otherwise, make investments in sectors specified in the Catalog of Prohibitions, or make investments in sectors specified in the Catalog of Restrictions without permission or violate the information reporting obligations specified therein, penalty shall be imposed in accordance with Article 144 (Investments in Sectors Specified in the Catalog of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft Foreign Investment Law, as the case may be.

If foreign investors make investments in the sectors specified in the Catalog of Prohibitions or the Catalog of Restrictions without obtaining necessary permissions, the competent governmental authorities for foreign investment in the province, autonomous region and/or municipality directly under the Central Government at the place where the investments are made shall order them to cease the implementation of the investments, dispose of any equity or other assets within a prescribed time limit, confiscate any illegal gains and impose a fine of not less than RMB100,000 but not more than RMB1 million or in a sum not more than 10% of illegal investments.

If foreign investors or FIEs are in violation of the provisions of the Draft Foreign Investment Law, including by way of failing to perform on schedule or evading the performance of the information reporting obligation, or concealing the truth or providing false or misleading information, the competent governmental authorities for foreign investment in the province, autonomous region and/or municipality directly under the Central Government at the place where the investments are made shall order them to make rectifications within a prescribed time limit. If they fail to make rectifications within the prescribed time limit or the circumstances are serious, such competent governmental authorities shall impose a fine of not less than RMB50,000 but not more than RMB500,000 or in a sum not more than 5% of the investments.

If foreign investors or FIEs are in violation of the provisions of the Draft Foreign Investment Law, including by way of failing to perform on schedule or evading the performance of the information reporting obligation, or concealing the truth or providing false or misleading information, and if the circumstances are extremely serious, a fine shall be imposed on the foreign investors or FIEs and the directly responsible person-in-charge and other persons liable shall be sentenced to fixed-term imprisonment of not more than one year or criminal detention.

Status of promulgation of the Draft Foreign Investment Law

As of the Latest Practicable Date, there was no certainty whether, or timeline when, the Draft Foreign Investment Law will be promulgated and come into effect, and if so, whether it is to be

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promulgated in the current draft form after it undergoes through further enactment process. Furthermore, MOFCOM has not issued any definite rules or regulations to govern existing contractual arrangements.

Potential impact of the Draft Foreign Investment Law on our Company

If the Draft Foreign Investment Law is promulgated in the current draft form, our PRC Legal Advisor is of the view that we are likely to be viewed as being controlled by PRC citizens on the following bases:

- (i) Based on the Contractual Arrangements, the entities under the Contractual Arrangements are controlled by Huagan Shanghai pursuant to the third limb of the definition of “control” under the Draft Foreign Investment Law (as described above).
- (ii) Given that (a) Huagan Shanghai is a wholly-owned subsidiary of the Company, (b) CR Partners, being the single largest shareholder, is able to exercise decisive influence over the management of our Company, and will control no less than 44.53% of the voting rights in the Company immediately after the Listing (assuming the Over-allotment Option and the outstanding options granted under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan), and (c) no other shareholders are expected to own 10% or more of our Company’s voting rights after the Listing, CR Partners is and will be capable of exerting material influence at Board meetings and Shareholders meetings (as applicable) of the Company, and the Company (and therefore Huagan Shanghai as its wholly-owned subsidiary) will be considered as being actually controlled by CR Partners pursuant to the definition of “control” under the Draft Foreign Investment Law as described above.
- (iii) Through the arrangements in relation to the board of CR Partners (the “**CR Partners Board**”) summarized below to ensure that the majority of the CR Partners Board (which is the governing body of CR Partners and makes all material decisions with respect to the Company on behalf of CR Partners) will be comprised of PRC nationals, CR Partners is likely to be considered as being ultimately controlled by PRC nationals pursuant to the definition of “control” under the Draft Foreign Investment Law as described above.

(a) Constitutional document and CR Partners Board majority

- CR Partners will actually control the Company, and within CR Partners, it is the CR Partners Board that is the governing body of CR Partners and makes all material decisions with respect to the Company on behalf of CR Partners. Under CR Partners’ constitutional documents that is expected to be in effect at the time of Listing, decisions of the CR Partners Board will need to be approved by a majority of the directors of the CR Partners Board who attend and vote at a quorate meeting of the CR Partners Board, or alternatively may be approved by way of a written resolution signed by a majority of the directors of the CR Partners Board. At the time of Listing, a majority of the CR Partners Board (two out of three members) will be PRC nationals.
- The aforesaid constitutional documents of CR Partners also provide that a majority of the directors on the CR Partners Board must be PRC nationals.
- The shareholders of CR Partners will not have any right to propose any amendment to the constitutional documents to change the provision that a majority of the CR Partners’ directors must be PRC nationals.

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- There is no requirement under the aforesaid CR Partners' constitutional documents for the directors of CR Partners to retire by rotation at any annual general meeting, or to be subject to re-election at any annual general meeting. For so long as Mr. Bao and FBH Partners Limited collectively beneficially own a larger number of the issued and outstanding shares in CR Partners than any of its other shareholders, Mr. Bao has the power, from time to time and at any time, to designate and appoint all members of the CR Partners Board, subject to the requirement that the CR Partners Board shall comprise of a majority of PRC nationals. In the event Mr. Bao and FBH Partners Limited no longer collectively beneficially own a larger number of the issued and outstanding shares in CR Partners than any of its other shareholders, the CR Partners Board has the power, from time to time and at any time, to appoint any member of the CR Partners Board, subject to the requirement that the CR Partners Board shall comprise of a majority of PRC nationals.

Our legal advisor on British Virgin Islands Law, Maples and Calder (Hong Kong) LLP, is of the view that Mr. Bao or the CR Partners Board, as the case may be, will have the power to ensure that a majority of the directors of the CR Partners Board are PRC nationals, as required by the memorandum and articles of association of CR Partners. On this basis, our PRC Legal Advisor is of the view that the Company is likely to be considered controlled by PRC nationals based on the definition of "control" set out in the Draft Foreign Investment Law.

(b) CR Partners undertaking

Furthermore, CR Partners has provided an undertaking (the "**Undertaking**") to the Company and the Stock Exchange that:

- for so long as CR Partners remains the Company's Controlling Shareholder, and subject to directors' fiduciary duties and its compliance with applicable laws, regulations and listing rules, it will ensure that the CR Partners Board continues to be comprised of a majority of PRC nationals;
- in the event of any transfer or disposal by CR Partners of a shareholding that may result in the transferee(s) acquiring "control" over the Company (as defined in the Draft Foreign Investment Law or the new Foreign Investment Law (as enacted), as the case may be), and subject to compliance with any applicable rules or laws, it will (as may be relevant) (i) procure that the transferee(s) provide an undertaking on substantially the same terms and conditions as the one provided by it to the Company and the Stock Exchange and (ii) demonstrate to the reasonable satisfaction of the Company and the Stock Exchange that the Contractual Arrangements will continue to be viewed as a domestic investment under the Draft Foreign Investment Law or the new Foreign Investment Law (as enacted), as the case may be, to the extent the PRC laws, regulations and policies then in effect are consistent with the Draft Foreign Investment Law;
- the Undertaking will become effective from the Listing Date and will remain effective until the earlier of the occurrence of the following events: (i) CR Partners ceasing to be a Controlling Shareholder of our Company; (ii) compliance with the relevant requirements under the new Foreign Investment Law or applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted is not required and the Stock Exchange has consented to this; (iii) compliance with the Undertaking is no longer required, as advised by the Stock Exchange; or (iv) the Stock Exchange and any applicable PRC governmental authorities have consented to such

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termination. To the extent that the Undertaking (or any part thereof) is no longer effective, our Company will issue an announcement as soon as practicable; and

- the Undertaking will only cease to be in effect for the reasons outlined above and any changes to the composition of the shareholders of CR Partners will not result in the Undertaking ceasing to be effective. Furthermore, the Undertaking will be a matter of public record and any party considering acquiring a material interest in CR Partners will know that CR Partners is bound by the Undertaking, that the Undertaking was given in connection with our Company's application for the Listing, and that failure to abide by the Undertaking may give rise to adverse regulatory consequences to the listing status of the Company. Similarly, when considering any corporate transaction of CR Partners, the CR Partners Board will be bound by their fiduciary duties to act in the best interests of CR Partners, and will be required to consider the ability to continue to abide by the Undertaking in light of the significance of the Company to CR Partners as a whole and the potential adverse impact that failing to abide by the Undertaking may have on the Company and CR Partners.

Ongoing developments of the Draft Foreign Investment Law

We will closely monitor the development of the Draft Foreign Investment Law for any updates or material changes if and when they arise. We will engage external legal advisors or other professional advisors, if necessary, to review the updates and material changes and advise our Company on our legal compliance with the Draft Foreign Investment Law.

If the new foreign investment law as finally promulgated and the “catalog of special administrative measures” as finally issued mandate further actions for us to retain the Contractual Arrangements, we will take all reasonable measures and actions, including but not limited to engaging external legal and other professional advisors, to comply with the foreign investment law then in force and to minimize the adverse effect of such laws on our Company.

Furthermore, our Directors undertake that our Company will timely announce (i) any updates or material changes to the Draft Foreign Investment Law and (ii) in the event that the new foreign investment law has been promulgated, a clear description and analysis of the law, specific measures adopted by our Company to comply with the law, as well as its impact on our business operation and financial position.

Compliance with the Contractual Arrangements

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from governmental authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and

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- our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Huagan Shanghai and our Consolidated Affiliates Entities to deal with specific issues or matters arising from the Contractual Arrangements.

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The majority of our businesses are conducted in China, which are subject to PRC laws and regulations. This section sets forth the most important laws and regulations governing our businesses in China. In addition, laws and regulations in Hong Kong and the United States are also considered relevant.

PRC LAWS AND REGULATIONS RELATING TO OUR BUSINESSES

PRC Regulations Relating to the RMB Fund Business

RMB Fund is subject to a variety of laws and regulations in China. The Securities Investment Fund Law of China (《中華人民共和國證券投資基金法》), promulgated on October 28, 2003 and amended on April 24, 2015, stipulates the administration and supervision of the securities investment fund. Besides, the establishment and administration of the RMB fund is also subject to the Partnership Enterprise Law of China (《中華人民共和國合夥企業法》), which is promulgated on February 23, 1997, amended on August 27, 2006 and effective from June 1, 2007, and the Companies Law of China (《中華人民共和國公司法》) promulgated on December 29, 1993, amended on December 28, 2013 and effective from March 1, 2014.

Private investment funds are mainly regulated by rules and regulations enacted by the CSRC and Asset Management Association of China (the “AMAC”). The Interim Measures for the Supervision and Administration of Private Investment Funds (《私募投資基金監督管理暫行辦法》) promulgated on August 21, 2014 by the CSRC provides that the CSRC and its local branches are responsible for the supervision and administration of the private investment funds. A fund manager must make registrations with the AMAC after establishment and file record for the investment fund with the AMAC when finishing raising fund.

The AMAC issued Circular on Promulgating the Measures for the Registration of Private Equity Fund Managers and the Record-filing of Funds (for Trial Implementation) (《關於發佈<私募投資基金管理人登記和基金備案辦法(試行)>的通知》) on January 17, 2014 and effective from February 7, 2014 to further set forth implementing rules to regulate private investment fund managers and private investment fund. Moreover, the AMAC has promulgated fifteen circulars as of the date hereof with respect to questions and answers related to the registration and record of private fund, which make specific guidelines for the registration and record of private investment fund. In accordance with the above Measures, upon the occurrence of a major change of the fund manager, it must be reported to the AMAC within ten business days.

According to the Administration Measures for the Funding Raising of Private Investment Funds (《私募投資基金募集行為管理辦法》), promulgated on April 15, 2016 and effective from July 15, 2016, fund managers are not allowed to raise money until making registrations as a fund manager with the AMAC. During the process of fundraising, fund managers must not raise funds from any entity or individual other than qualified investors, nor can they disseminate information to unspecific entities via public communication media. Professionals engaged in private investment funds business must have the qualifications for private investment funds.

PRC Regulations Relating to the Securities Business

Under the Law of the People’s Republic of China on Securities (《中華人民共和國證券法》) (the “**Securities Law**”) promulgated on December 29, 1998 and amended on August 31, 2014 and the Rules on Supervision over Securities Companies (《證券公司監督管理條例》) promulgated on

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April 23, 2008 and amended on July 29, 2014 by Decision of the State Council on Revising Certain Administrative Regulation (《國務院關於修改部分行政法規的決定》), the establishment of a securities company must be approved by the CSRC upon relevant conditions are met, including but not limited to: (i) its major shareholders possess sustainable profitability and enduring trustworthiness and have no record of major illegal activities for the three immediately preceding years, and the net assets of each of them are not less than RMB200 million; (ii) its registered capital is in conformity with the provisions of the Securities Law; (iii) its directors, supervisors and senior managers possess the requisite qualifications, and its employees possess the requisite qualifications for securities business; and (iv) it has sufficient risk management and internal control mechanism. To establish, acquire or close a branch office, to alter its business scope, to increase the registered capital and thereby the shareholding structure is significantly adjusted, to reduce the registered capital, to replace the shareholders who hold 5% or more equity interests therein or the persons in practical control thereof, to modify a key clause in the articles of association of the company, to merge, divide, to suspend business, to dissolve or go bankrupt, a securities company must obtain approval of the securities governmental authorities.

The Administrative Measures for Foreign Investment in Securities Companies (《外商投資證券公司管理辦法》) promulgated on April 28, 2018 with immediate effect by CSRC stipulates the conditions and procedures for the establishment of foreign-invested securities companies. According to these measures a foreign-invested securities company must obtain the approval from the CSRC. The proportion of aggregate equity interest directly held and indirectly controlled by an overseas shareholder over a foreign-invested securities company must be in compliance with the arrangements of the country with respect to the opening-up of the securities sector. Each overseas shareholder in a foreign-invested securities company must satisfy certain criteria, including but not limited to: (i) it is a legally incorporated financial institution in its home country or region, and all of its financial indicators have, for the last three years, complied with the legal requirements and requirements of the regulator, applicable in its home country or region; and (ii) it has engaged in securities business for over five years, and has neither received any serious penalty from a regulator, an administrative organ or a judicial organ in its home country or region, nor been subject to investigations opened by relevant organs into its suspected serious violations, within the last three years.

According to Supplement X to China and Hong Kong Closer Economic and Partnership Arrangement (《<內地與香港關於建立更緊密經貿關係的安排>補充協議十》) and its annexes, the access conditions for foreign investment in securities market in China are eased, allowing (i) Hong Kong-funded financial institutions which satisfy the requirements for establishing foreign-invested securities companies to set up one full-licensed joint venture securities company each in Shanghai, Guangdong Province and Shenzhen in accordance with relevant mainland requirements; and (ii) Hong Kong-funded financial institutions which satisfy the requirements for establishing foreign-invested securities companies to set up one new full-licensed joint venture securities company in accordance with relevant China requirements each in certain reform experiment zones for “piloting financial reforms” as approved by China.

The main regulations that govern the establishment of securities company’s branches and units consist of the Securities Law, the Rules on Securities Companies and Provisions on the Supervision and Administration of Branches of Securities Companies (《證券公司分支機構監管規定》) promulgated on March 15, 2013 with immediate effect by CSRC. In accordance with these regulations, establishing, purchasing or cancelling a branch must be subject to the approval of the securities

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regulatory authority under the State Council and the securities regulatory bureau at the place where a branch is located must exercise daily supervision over the branch.

Operation of a securities company in China is a restricted business subject to foreign ownership restriction under the PRC laws and regulations. Pursuant to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (《外商投資准入特別管理措施(負面清單)(2018年版)》) (the “**Negative List**”), which was promulgated on June 28, 2018 and became effective on July 28, 2018, the limit of ownership percentage by foreign investors in a securities company increased from 49% to 51%, and is expected to be lifted in 2021.

PRC Regulations Relating to Intellectual Property

The Copyright Law

The PRC has enacted various laws and regulations relating to the protection of copyright. The Copyright Law of the People’s Republic of China (《中華人民共和國著作權法》), which was promulgated on September 7, 1990, amended on February 26, 2010 and became effective from April 1, 2010 by SCNPC provides that PRC citizens, legal persons, or other organizations must, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social science, engineering technology, and computer software. The term “copyright” includes moral rights and economic rights and anyone who commits infringements of the copyright must undertake relevant civil liabilities.

The Regulations on Computers Software Protection (《計算機軟件保護條例》), which was promulgated on June 4, 1991, amended on January 30, 2013 and became effective on March 1, 2013 by the State Council, stipulates that Chinese citizens, legal entities or other organizations enjoy copyright in the software which they have developed, whether published or not and a software copyright owner may register with the software registration institution recognized by the copyright administration department of the State Council. The Measures for the Registration of Computers Software Copyright (《計算機軟件著作權登記辦法》) promulgated by the National Copyright Administration on February 20, 2002 with immediate effect, regulates registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The Copyright Protection Center of China (“CPCC”) is designated as the software registration authority. The CPCC grants registration certificates to the Computers Software Copyrights applicants which conform to the provisions of both the Regulations on Computer Software Protection and the Measures for the Registration of Computers Software Copyright.

The PRC is also a signatory to some major international conventions on protection of copyright. For example, the PRC became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights in December 2001. According to these conventions, qualified foreign copyright owner may enjoy certain copyright in China and copyright owner of China may also acquire specific foreign copyright protection.

The Trademark Law

Trademarks are protected by the Trademark Law of the People’s Republic of China (《中華人民共和國商標法》) which was promulgated on August 23, 1982, last amended on August 30, 2013, and became effective on May 1, 2014 by SCNPC as well as the Implementation Regulations of the

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Trademark Law of the People's Republic of China (《中華人民共和國商標法實施條例》), which was promulgated by the State Council on August 3, 2002 and amended on April 29, 2014 and became effective from May 1, 2014. In China, registered trademarks include commodity trademarks, service trademarks, collective marks, and certification marks.

The Trademark Office under the PRC State Administration for Industry and Commerce (the **“Trademark Office”**) handles trademark registrations and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application must be filed within twelve months prior to the expiration of the term. A trademark registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor must supervise the quality of the commodities on which the trademark is used, and the licensee must guarantee the quality of such commodities. As for trademarks, the PRC Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party's use.

Regulations on Domain Names

The Ministry of Industry and Information Technology promulgated the Administration Measures of Internet Domain Names (《互聯網域名管理辦法》) (the **“Domain Name Measures”**) on August 24, 2017, which became effective on November 1, 2017, China Internet Network Information Center promulgated the Implementing Rules on Registration of Domain Names (《中國互聯網絡信息中心域名註冊實施細則》) (the **“Implementing Rules on Registration of Domain Names”**) on May 28, 2012, which became effective on May 29, 2012 and the Measures on National Top Level Domain Name Disputes Resolution (《中國互聯網絡信息中心國家頂級域名爭議解決辦法》) promulgated on September 9, 2014, which became effective on November 21, 2014. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

According to the Domain Name Measures and Implementing Rules on Registration of Domain Names, domain name owners are required to register their domain names and the Ministry of Industry and Information Technology is in charge of the administration of PRC Internet domain names. The domain name services follow a “first come, first file” principle. Applicants for registration of domain names must provide their true, accurate and complete information of such domain names to and enter into registration agreements with domain name registration service institutions.

The Patent Law

According to the PRC Patent Law (《中華人民共和國專利法》) (the **“Patent Law”**) promulgated on March 12, 1984 and last amended on December 27, 2008 and became effective on October 1, 2009 by SCNPC, and Implementation Regulations of the Patent Law of the People's

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Republic of China (《中華人民共和國專利法實施細則》) promulgated on June 15, 2001 and last amended on January 9, 2010 and became effective on February 1, 2010 by the State Council, the National Intellectual Property Administration, PRC is responsible for administering patents in China. The patent administration departments of provincial or autonomous regions or municipal governments are responsible for administering patents within their respective jurisdictions. The Patent Law and its implementation rules provide for three types of patents, “invention,” “utility model” and, “design.” Invention patents are valid for twenty years, while design patents and utility model patents are valid for ten years, from the date of application. The PRC patent system adopts a “first come, first file” principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. A third-party player must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use constitutes an infringement of the patent rights.

PRC Regulations Relating to Foreign Exchange

General Administration of Foreign Exchange

Under the PRC Foreign Exchange Administration Rules (《中華人民共和國外匯管理條例》), promulgated on January 29, 1996 and last amended on August 5, 2008 with immediate effect by State Council, and various regulations issued by the State Administration of Foreign Exchange (the “SAFE”) and other relevant PRC governmental authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside China for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from the SAFE or its local counterparts. Payments for transactions that take place within China must be made in Renminbi. Unless otherwise required by the SAFE, PRC companies may repatriate foreign currency payments received from abroad or retain the same abroad. Foreign-invested enterprises may retain foreign exchange in accounts with designated foreign exchange banks under the current account items subject to a cap set by the SAFE or its local counterparts. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of China. For foreign exchange proceeds under the capital accounts, approval from the SAFE is required for its retention or sale to a financial institution engaging in settlement and sale of foreign exchange, except where such approval is not required under the relevant rules and regulations of China.

Pursuant to the Notice of the SAFE on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (the “SAFE Notice No. 59”) which was promulgated by the SAFE on November 19, 2012, and became effective on December 17, 2012 and was amended on May 4, 2015, the approval is not required for the opening of an account entry in foreign exchange accounts under direct investment, for domestic transfer of the foreign exchange under direct investment. SAFE Notice No. 59 also simplifies the capital verification and confirmation formalities for foreign invested entities and the foreign capital and foreign exchange registration formalities required for the foreign investors to acquire the equities and foreign exchange registration formalities required for the foreign investors to acquire the equities of Chinese party, and further improve the administration on exchange settlement of foreign exchange capital of foreign invested entities.

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On February 13, 2015, SAFE promulgated the Notice on Simplifying and Improving the Foreign Currency Management Policy on Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) (the “**SAFE Notice No. 13**”) effective from June 1, 2015, which cancels the administrative approvals of foreign exchange registration of direct domestic investment and direct overseas investment. In addition, it simplifies the procedure of registration of foreign exchange and investors must register with banks to have the registration of foreign exchange under the condition of direct domestic investment and direct overseas investment.

The Notice of the SAFE on Reforming the Management Approach regarding the Settlement of Foreign Capital of Foreign-invested Enterprise (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “**SAFE Notice No. 19**”) was promulgated on March 30, 2015 and became effective on June 1, 2015 by SAFE. According to the SAFE Notice No. 19, a foreign-invested enterprise may, in response to its actual business needs, settle with a bank the portion of the foreign exchange capital in its capital account for which the relevant foreign exchange governmental authorities has confirmed crediting of monetary contribution. For the time being, foreign-invested enterprises are allowed to settle 100% of their foreign exchange capitals on a discretionary basis; a foreign-invested enterprise must truthfully use its capital for its own operational purposes within the scope of business; where an ordinary foreign-invested enterprise makes domestic equity investment with the amount of foreign exchanges settled, the invested enterprise must first go through domestic re-investment registration and open a corresponding Account for Foreign Exchange Settlement Pending Payment with the foreign exchange bureau (bank) at the place of registration. The Notice of the SAFE on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》) (the “**SAFE Notice No. 16**”) was promulgated and became effective on June 9, 2016 by SAFE. According to the SAFE Notice No. 16, enterprises registered in China may also convert their foreign debts from foreign currency into Renminbi on self-discretionary basis. The SAFE Notice No. 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis, which applies to all enterprises registered in China. The SAFE Notice No. 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope and may not be used for investments in securities or other investment with the exception of bank financial products that can guarantee the principal within China unless otherwise specifically provided. In addition, the converted Renminbi may not be used to make loans for related enterprises unless it is within the business scope or to build or to purchase any real estate that is not for the enterprise own use with the exception for the real estate enterprise.

On January 26, 2017, the SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《國家外匯管理局關於進一步推進外匯管理改革完善真實合規性審核的通知》) (the “**Circular 3**”) with immediate effect, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic to offshore entities, including (i) under the principle of genuine transaction, banks must check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities must hold income to account for previous years’ losses before remitting profits. Moreover, pursuant to the Circular 3, domestic entities must make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

PRC Regulations Relating to Offshore Investment

On July 4, 2014, SAFE promulgated the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Financing and Round Trip Investment via Overseas Special Purpose Companies (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (the “**Circular No. 37**”), which became effective immediately, for the purpose of simplifying the approval process, and for the promotion of the cross-border investment. Under the Circular No. 37, in the event the change of basic information of the registered offshore special purpose vehicle such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the PRC domestic resident must complete the change of foreign exchange registration formality for offshore investment. In addition, according to the procedural guideline as attached to the Circular No. 37, the principle of review has been changed to “the domestic individual resident needs only register the SPV directly established or controlled (first level).” At the same time, the SAFE has issued the Operational Guidelines for Businesses Involved in Foreign Exchange Administration for Round-trip Investments (《返程投資外匯管理所涉業務操作指引》) with respect to the procedures for SAFE registration under the Circular No. 37, which was promulgated on July 4, 2014 and became effective immediately as an attachment to Circular No. 37.

Under the relevant rules, failure to comply with the registration procedures set forth in the Circular No. 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC domestic residents to penalties under PRC foreign exchange administration regulations.

On February 13, 2015, the SAFE promulgated the SAFE Notice No. 13, which has amended Circular No. 37 by requiring PRC domestic residents to register with qualified banks rather than the SAFE or its local counterparts in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

PRC Regulations Relating to Stock Incentive Plans

On February 15, 2012, the SAFE promulgated the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), which became effective immediately, and stipulated that individuals participating in any stock incentive plan of any overseas publicly listed company who are PRC citizens or non-PRC citizens who reside in China for a continuous period of not less than one year, subject to a few exceptions are required to register with SAFE or its local counterparts and complete certain other procedures through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. The PRC agents must, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local counterparts for an annual quota for the payment of foreign currencies in connection with the PRC residents’ exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed

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by the overseas listed companies must be remitted into the bank accounts in China opened by the PRC agents before distribution to such PRC residents. In addition, pursuant to Circular No. 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for foreign exchange registration with respect to offshore special purpose entities.

Under the Circular of the State Administration of Taxation on Issues Concerning Individual Income Tax in Relation to Equity Incentives (《國家稅務總局關於股權激勵有關個人所得稅問題的通知》) promulgated and became effective on August 24, 2009 by State Administration of Taxation (the “SAT”), listed companies and their domestic organizations will, according to the individual income tax calculation methods for “wage and salary income” and stock option income, lawfully withhold and pay individual income tax on such income.

PRC Regulations Relating to Dividend Distribution

The major laws and regulations governing the dividend distribution of dividends by foreign-invested enterprises in China include the Companies Law, the Wholly Foreign-owned Enterprise Law (《中華人民共和國外資企業法》) (the “**WFOE Law**”) promulgated on April 12, 1986, amended on September 3, 2016 and became effective on October 1, 2016 by SCNPC and its Implementation Regulations (《中華人民共和國外資企業法實施細則》) promulgated on December 12, 1990, amended on February 19, 2014 and became effective on March 1, 2014 by State Council, the Equity Joint Venture Law of the People’s Republic of China (《中華人民共和國中外合資經營企業法》) (the “**Joint Venture Law**”) promulgated on July 8, 1979, amended on September 3, 2016 and became effective on October 1, 2016 by SCNPC and its Implementation Regulations (《中華人民共和國中外合資經營企業法實施條例》) promulgated on September 20, 1983, amended on February 19, 2014 and became effective on March 1, 2014 by State Council. According to these laws and regulations, a PRC company is required to set aside as general reserves (法定公積金) at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. A PRC company may not distribute any profits until any losses from prior fiscal years have been offset. Specifically, the foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations, and the reserve funds, bonus and welfare funds for staff must be drawn and allocated prior to the dividends. In addition, profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

PRC Regulations Relating to Foreign Investment and Wholly Foreign-Owned Enterprise

Investment activities in China by foreign investors are mainly governed by the Catalogue and the Negative List. The Catalog divides industries into four categories in terms of foreign investment. Those categories are: “encouraged,” “restricted,” “prohibited,” and all industries not listed under one of these categories are deemed to be “permitted.” According to the Catalog and the Negative List, the ownership percentage by foreign investors in value-added telecommunication businesses (except e-commerce) cannot exceed 50%; the ownership percentage by foreign investors in securities companies cannot exceed 51%; performance brokerage agencies must be controlled by PRC investors; investments by foreign investors in internet news information services, online publishing services, online audio and video programs services, and internet cultural business are prohibited.

Under the WFOE Law and its Implementation Regulations, an application for establishing a wholly foreign-owned enterprise must be subject to examination and approval by the PRC Ministry of

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Foreign Trade and Economic Cooperation (currently known as the MOFCOM) before the approval certificate is issued. Within 90 days of the date of receipt of an application, the examination and approval authority must decide whether or not to grant the approval. After application for the establishment of a wholly foreign-owned enterprise is approved by the Examination and Approval Authority, the foreign investors must, within thirty days of the date of receipt of the approval certificate, submit registration to, and collect the business license from the administrative authority for industry and commerce.

Under the Joint Venture Law and its Implementation Regulations, an application for establishing a Sino-Foreign Equity Joint Venture must be subject to examination and approval by the MOFCOM before the approval certificate is issued. Within three months of the date of receipt of an application, the examination and approval authority must decide whether or not to grant the approval. On September 3, 2016, the Decision of the Standing Committee of the National People's Congress on Revising Four Laws including the Law of the People's Republic of China on Wholly Foreign-owned Enterprises (《全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定》) was promulgated and became effective on October 1, 2016 by SCNPC. On October 8, 2016, the MOFCOM published the Interim Measures for the Administration of Establishment and Change Filings of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) (the “**Filings Measures**”) which became effective on the same date. According to the Filings Measures, where the incorporations of foreign-invested enterprises do not fall within the negative list, such enterprises must go through the record-filing procedures after obtaining the prior approval of the enterprise name and prior to the issuance of a business license, or within 30 days after the issuance of a business license. Within the record-filing scope of the Filings Measures, in the case of a change of basic information of the foreign-invested enterprises or their investors, a change of equity (shares) or cooperation interest of the foreign-invested enterprises, merger, division or dissolution, mortgage or transfer of foreign-invested enterprises' property or rights and interests to others and other matters, the foreign-invested enterprises must file the relevant documents online within 30 days upon occurrence of such changes via the comprehensive administrative system. On October 8, 2016, the announcement of the NDRC and the MOFCOM [2016] No. 22 (中華人民共和國國家發展和改革委員會、中華人民共和國商務部公告2016年第22號) was promulgated and became effective, which specified that the negative list must be in line with the Catalog. On July 30, 2017, the MOFCOM amended the Filings Measures, which took effective on the same date. According to the amended Filings Measures, a record-filing administration process must apply in the event that foreign investors (i) merge and acquire non-foreign-invested enterprises within China, and (ii) undertake strategic investment into domestic listed companies, provided that it does not involve special access administrative measures or merge and acquisition with related party.

PRC Regulations Relating to M&A and Overseas Listing

On August 8, 2006, six PRC governmental authorities, including the MOFCOM and the CSRC, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), which became effective on September 8, 2006 and were amended on June 22, 2009. Foreign investors must comply with the M&A Rules when they purchase equity interests of a domestic company or subscribe the increased capital of a domestic company, and thus changing the nature of the domestic company into a foreign-invested enterprise; or when the foreign investors establish a foreign-invested enterprise in China, purchase the assets of a domestic company and operate the asset; or when the foreign investors purchase the asset of a domestic company, establish a foreign-invested enterprise by injecting such assets, and operate the

assets. The M&A Rules purport, among other things, to require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals, to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock exchange.

PRC Regulations Relating to Employment and Social Warfare

The Labor Contract Law

According to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》) promulgated on July 5, 1994 and amended on August 27, 2009 with immediate effect by SCNPC, enterprises and institutions must establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in China. Labor safety and sanitation facilities must comply with state-fixed standards. Enterprises and institutions must provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection.

The Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) (the “**Labor Contract Law**”) promulgated on June 29, 2007, amended on December 28, 2012 and became effective on July 1, 2013 by SCNPC, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the Labor Contract Law, labor contracts must be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers must pay laborers for overtime work in accordance with national regulations. In addition, labor wages must not be lower than local standards on minimum wages and must be paid to laborers in a timely manner.

Social Insurance and Housing Fund

As required under the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) promulgated on October 28, 2010 and became effective on July 1, 2011 by SCNPC, enterprises are obliged to provide their employees in China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance, and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated by the State Council on April 3, 1999 and amended on March 24, 2002 with immediate effect, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises must complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

PRC Regulations Relating to Tax

Enterprise Income Tax

The Law of the People's Republic of China on Enterprise Income Tax (《中華人民共和國企業所得稅法》) was promulgated on March 16, 2007 and amended on February 24, 2017 with immediate effect by SCNPC, and on December 6, 2007, the State Council promulgated The Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) (collectively, the “**EIT Laws**”) which became effective on January 1, 2008. According to the EIT Laws, enterprises consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in PRC in accordance with the PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within China. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside China but have established institutions or premises in China, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Laws a uniform corporate income tax rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in China, or if they have formed permanent establishment institutions or premises in China but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC. The Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外注冊中資控股企業依據實際管理機構標準實施居民企業認定有關問題的通知》) promulgated by the SAT on April 22, 2009 and became effective retroactively as of January 1, 2008 and amended on December 29, 2017 sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of China and controlled by PRC enterprises or PRC enterprise groups is located within China.

The EIT Law provides that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises,” and gains derived by such investors, which (a) do not have an establishment or place of business in China or (b) have an establishment or place of business in China, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within China. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside. Pursuant to an Arrangement Between China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion With Respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”) promulgated by the SAT on August 21, 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) promulgated on February 20, 2009 by the SAT with immediate effect, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Announcement of the State Administration of Taxation on Issues concerning “Beneficial Owners” in Tax Treaties 《國家稅務總局關於稅收協定

中“受益所有人”有關問題的公告》), which was promulgated on February 3, 2018 by the SAT and became effective on April 1, 2018, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, may not be recognized as beneficial owners and thus will not be entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Value-added Tax and Business Tax

The PRC Provisional Regulations on Value-added Tax (《中華人民共和國增值稅暫行條例》) was promulgated by the State Council on December 13, 1993 and last amended on November 19, 2017 with immediate effect. The Detailed Rules for the Implementation of the PRC Provisional Regulations on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則》(2011年修訂)) was promulgated by the Ministry of Finance and the SAT on December 25, 1993 which was amended on December 15, 2008 and October 28, 2011, respectively, and came into effect on November 1, 2011 (collectively, the “**VAT Laws**”). According to the VAT Laws, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of China must pay value-added tax. For general VAT taxpayers selling or importing goods other than those specifically listed in the VAT Laws, the value-added tax rate is 17%. On April 4, 2018, the Ministry of Finance and the SAT promulgated the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》), which became effective on May 1, 2018 and reduced the tax rates for sales, import, and export of goods, as well as the deduction rate for taxpayer’s purchase of agricultural products.

Pursuant to The Provisional Regulations of China on Business Tax (Revised in 2008) (《中華人民共和國營業稅暫行條例》(2008年修訂)), which was promulgated by the State Council on December 13, 1993 and amended on November 5, 2008 and came into effect on January 1, 2009, and its Implementation Rules (Revised in 2011) (《中華人民共和國營業稅暫行條例實施細則》(2011年修訂)), which was promulgated by the Ministry of Finance on December 25, 1993, amended on December 15, 2008 and October 28, 2011 respectively and came into effect on November 1, 2011, all institutions and individuals providing taxable services, transferring intangible assets or selling real estates within China must pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax (營業稅稅目稅率表) attached to the regulation. On January 1, 2012, the State Council officially launched a pilot VAT reform program (the “**Pilot Program**”), applicable to businesses in selected industries. Businesses in the Pilot Program would pay VAT instead of the business tax. The Pilot Program initially applied only to transportation industry and “modern service industries” (the “**Pilot Industries**”) in Shanghai. The research and development and technical services, information technology services included in the Pilot Industries are subject to the VAT tax rate of 6%. Subsequently, the Pilot Program has been expanded to ten additional regions, including, among others, Beijing and Guangdong province, and nationwide to the designated pilot industry. The Trial Implementing Measures of the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點實施辦法》), which was promulgated by the Ministry of Finance and SAT on March 23, 2016, amended on July 11, 2017 and effective from July 1, 2017 sets out that it collected value-added tax in lieu of business tax in all regions and industries. On March 23, 2016, the Ministry of Finance and the SAT jointly promulgated the Circular of full Implementation of Business Tax to Value-added Tax Reform (《關於全面推開營業稅改徵增值稅試點的通知》) which became effective on May 1, 2016 and confirms that business tax would be completely replaced by VAT from May 1, 2016. On November 19, 2017, the State Council promulgated the Decision of the

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State Council on Repealing the “PRC Provisional Regulations on Business Tax” and Revising the “PRC Provisional Regulations on Value-added Tax” (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》) with immediate effect and repealed the PRC Provisional Regulations on Business Tax and its Implementation Rules.

HONG KONG LAWS AND REGULATIONS RELATING TO OUR BUSINESS

Introduction

The SFO (including its subsidiary legislation) is the principal legislation regulating the securities and futures industry in Hong Kong, including the regulation of securities, futures and leveraged foreign exchange markets, the offering of investments to the public in Hong Kong, intermediaries and their conduct of regulated activities. In particular, Part V of the SFO deals with licensing and registration matters.

The SFO is administered by the SFC which is the statutory regulatory body that governs the securities and futures markets and non-bank retail leveraged foreign exchange market in Hong Kong.

The SFC also has the power to authorize prospectuses for offering of shares and debentures pursuant to the SFO and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (including its subsidiary legislation).

Types of Regulated Activities

The SFO provides a single licensing regime under which there are twelve types of regulated activities as specified in Schedule 5 to the SFO, namely:

Type 1: dealing in securities;

Type 2: dealing in future contracts;

Type 3: leveraged foreign exchange trading;

Type 4: advising on securities;

Type 5: advising on futures contracts;

Type 6: advising on corporate finance;

Type 7: providing automated trading services;

Type 8: securities margin financing;

Type 9: asset management;

Type 10: providing credit rating services;

Type 11: dealing in OTC derivative products or advising on OTC derivative products (not yet in operation as of the Latest Practicable Date);

Type 12: providing client clearing services for OTC derivative transactions (which came into operation on September 1, 2016, in so far as it relates to paragraph (c) of the new definition of “excluded services” in Part 2 of Schedule 5 to the SFO).

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As of the Latest Practicable Date, the following Group companies were licensed under the SFO to carry out the regulated activities as stated below:

Group Companies

CRS (Hong Kong)
CR Asset Management
Maxson Securities Limited

Types of Regulated Activities

Type 1, Type 4 and Type 6⁽¹⁾
Type 9⁽²⁾
Type 1

Notes:

The following conditions stated in notes (1) and (2) are currently imposed on the SFC licenses of CRS (Hong Kong) and CR Asset Management respectively:

- (1) The condition is that “The licensee shall only provide services to professional investors. The term “professional investor” is as defined in the Securities and Futures Ordinance and its subsidiary legislation.”
- (2) The conditions are that (i) “The licensee shall not hold client assets. The terms “hold” and “client assets” are as defined under the Securities and Futures Ordinance”; and (ii) “The licensee shall only provide services to professional investors. The term “professional investor” is as defined in the Securities and Futures Ordinance and its subsidiary legislation.”

Overview of Licensing Requirements

Under the SFO, any person who:

- a) carries on a business in a regulated activity; or
- b) holds himself out as carrying on business in a regulated activity,

must be licensed under the relevant provisions of the SFO for carrying on such regulated activity, unless one of the exceptions under the SFO applies. It is a serious offense for a person to conduct any regulated activity without the appropriate license issued by the SFC.

Moreover, if a person (whether by himself or another person on his behalf, and whether in Hong Kong or from a place outside of Hong Kong) actively markets to the public in Hong Kong any services that it provides and such services, if provided in Hong Kong, would constitute a regulated activity, then that person is also subject to the licensing requirements under the SFO.

For each type of regulated activity conducted by a licensed corporation, it must appoint no less than two responsible officers, at least one of whom must be an executive director, to supervise the business of the regulated activity. A responsible officer is an individual approved by the SFC to supervise the regulated activity or activities of the licensed corporation to which he or she is accredited. In addition, every executive director of the licensed corporation who actively participates in or is responsible for directly supervising the licensed corporation’s regulated activity or activities must apply to the SFC to become a responsible officer.

In addition to the licensing requirements on corporations, any individual who:

- a) performs any regulated function in relation to a regulated activity carried on as a business; or
- b) holds himself out as performing such regulated function,

must be licensed separately under the SFO as a licensed representative accredited to his principal.

Fit and Proper Requirement

Persons applying for licenses under the SFO must satisfy and continue to satisfy after the grant of such licenses by the SFC that they are fit and proper persons to be so licensed. In simple terms, a fit

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and proper person means one who is financially sound, competent, honest, reputable and reliable. These foregoing factors will be considered in respect of any officer of the applicant where the application is a corporation.

On-going Obligations of Licensed Corporations

Licensed corporations, licensed representatives and responsible officers must remain fit and proper as defined under the SFO at all times. They are required to comply with all applicable provisions of the SFO and its subsidiary rules and regulations as well as the codes and guidelines issued by the SFC.

Outlined below are some of the key on-going obligations of a licensed corporation:

- maintenance of minimum paid-up share capital and liquid capital, and submission of financial returns to the SFC, in accordance with the requirements under the Securities and Futures (Financial Resources) Rules (as discussed in more detail below);
- maintenance of segregated account(s), and custody and handling of client securities in accordance with the requirements under the Securities and Futures (Client Securities) Rules;
- maintenance of segregated account(s), and holding and payment of client money in accordance with the requirements under the Securities and Futures (Client Money) Rules;
- issuance of contract notes, statements of account and receipts, in accordance with the requirements under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules;
- maintenance of proper records in accordance with the record keeping requirements prescribed under the Securities and Futures (Keeping of Records) Rules;
- submission of audited accounts and other required documents in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules;
- maintenance of insurance against specific risks for specified amounts in accordance with the requirements under the Securities and Futures (Insurance) Rules;
- notification to the SFC of certain changes and events, in accordance with the requirements under Securities and Futures (Licensing and Registration) (Information) Rules;
- implementation of appropriate policies and procedures relating to client acceptance, client due diligence, record keeping, identification and reporting of suspicious transactions and staff screening, education and training, in accordance with the requirements under the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC (as discussed in more detail below);
- business conduct and internal control requirements under the Code of Conduct for Persons Licensed by or Registered with the SFC, the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC, the Corporate Finance Adviser Code of Conduct, and other applicable codes and guidelines issued by the SFC; and
- complying with the continuous professional training requirements under the Guidelines on Continuous Professional Training issued by the SFC.

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Securities and Futures (Financial Resources) Rules (“Financial Resources Rules”)

Subject to certain exemptions described below, a licensed corporation is required to maintain minimum paid-up share capital. The following table sets out a summary of those rules which regulate the minimum paid-up capital and are applicable to our licensed subsidiaries in Hong Kong:

<u>Minimum amount of paid-up capital</u>	<u>Regulated activity</u>	<u>Applicable to our licensed subsidiaries</u>
HK\$10,000,000	A corporation licensed for Type 1 regulated activity that does not provide securities margin financing A corporation licensed for Type 4 regulated activity A corporation licensed for Type 6 regulated activity that is not subject to the no sponsor work licensing condition	CRS (Hong Kong)
Not applicable	A corporation licensed for Type 9 regulated activity that is subject to the licensing condition that it shall not hold client assets	CR Asset Management
HK\$5,000,000	A corporation licensed for Type 1 regulated activity that does not provide securities margin financing	Maxson Securities Limited

The following table sets forth the details of the paid-up share capital of each of our Company’s SFC-licensed corporations, namely CRS (Hong Kong), CR Asset Management, and Maxson Securities Limited, as of the dates indicated.

CRS (Hong Kong)

	<u>As of December 31,</u>			<u>As of</u>	<u>As of the Latest</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>March 31, 2018</u>	<u>Practicable Date</u>
	<u>US\$’000</u>				
Paid-up share capital	7,692	79,231	227,487	227,487	227,487
Required paid-up share capital	1,282	1,282	1,282	1,282	1,282
Excess paid-up share capital	6,410	77,949	226,205	226,205	226,205

CR Asset Management

	<u>As of December 31,</u>			<u>As of</u>	<u>As of the Latest</u>
	<u>2015^(Note)</u>	<u>2016</u>	<u>2017</u>	<u>March 31, 2018</u>	<u>Practicable Date</u>
	<u>US\$’000</u>				
Paid-up share capital	—	641	641	641	641
Required paid-up share capital	—	—	—	—	—
Excess paid-up share capital	—	641	641	641	641

Note:

CR Asset Management obtained its Type 9 SFC license on February 3, 2016 and therefore is not subject to any minimum paid up share capital requirements under the Financial Resources Rules as at December 31, 2015.

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Maxson Securities Limited

	As of December 31,			As of	As of the Latest
	2015	2016	2017	March 31, 2018	Practicable Date
	US\$'000				
Paid-up share capital	962	77,885	226,141	226,141	226,141
Required paid-up share capital	641	641	641	641	641
Excess paid-up share capital	321	77,244	225,500	225,500	225,500

During the Track Record Period and up to the Latest Practicable Date, all of our Company's SFC-licensed corporations have consistently remained substantially above the minimum paid-up share capital requirements as stipulated in the Financial Resources Rules.

Other than the minimum paid-up share capital requirements, the Financial Resources Rules also stipulate that, the licensed corporation is required to maintain minimum liquidity, which is an excess of assets over liabilities with the same level in a licensed corporation. Pursuant to the Financial Resources Rules, the minimum liquidity applicable to our licensed subsidiaries in Hong Kong must be the higher of the amount of (a) and (b) below:

a) the amount of:

<u>Minimum amount of liquid capital required</u>	<u>Regulated activities</u>	<u>Applicable to our licensed subsidiaries</u>
HK\$3,000,000	A corporation licensed for Type 1 regulated activity that is not an approved introducing agent or a trader A corporation licensed for Type 4 regulated activity that is not subject to the licensing condition that it shall not hold client assets A corporation licensed for Type 6 regulated activity that acts as a sponsor and is not subject to the licensing condition that it shall not hold client assets	CRS (Hong Kong)
HK\$100,000	A corporation licensed for Type 9 regulated activity that is subject to the licensing condition that it shall not hold client assets	CR Asset Management
HK\$3,000,000	A corporation licensed for Type 1 regulated activity that is not an approved introducing agent or a trader	Maxson Securities Limited

b) In the case of a corporation licensed for any regulated activities other than Type 3 regulated activity, its variable required liquidity means 5% of the aggregate of (i) its adjusted liabilities; (ii) the aggregate of the initial margin requirements in respect of outstanding futures contracts or outstanding options contracts held by it on behalf of its clients; and (iii) the aggregate of the amounts of margin required to be deposited in respect of outstanding futures contracts or outstanding options contracts held by it on behalf of its clients, to the extent that such contracts are not subject to the requirement of payment of initial margin.

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The following table sets forth the details of the liquid capital of each of our Company's SFC-licensed corporations, namely CRS (Hong Kong), CR Asset Management, and Maxson Securities Limited, as of the dates indicated.

CRS (Hong Kong)

	As of December 31,			As of	As of the Latest
	2015	2016	2017	March 31, 2018	Practicable Date
	US\$'000				
Liquid capital	8,425	10,671	14,684	15,325	31,998
Required liquid capital	1,149	619	1,096	2,421	1,158
Excess liquid capital	7,276	10,052	13,588	12,904	30,840

CR Asset Management

	As of December 31,			As of	As of the Latest
	2015 ^(Note)	2016	2017	March 31, 2018	Practicable Date
	US\$'000				
Liquid capital	—	608	599	597	592
Required liquid capital	—	13	13	13	13
Excess liquid capital	—	595	586	584	579

Note:

CR Asset Management obtained its Type 9 SFC license on February 3, 2016 and therefore is not subject to any minimum liquid capital requirements under the Financial Resources Rules as at December 31, 2015.

Maxson Securities Limited

	As of December 31,			As of	As of the Latest
	2015	2016	2017	March 31, 2018	Practicable Date
	US\$'000				
Liquid capital	1,474	4,169	4,098	4,416	4,366
Required liquid capital	385	385	385	385	385
Excess liquid capital	1,089	3,784	3,713	4,031	3,981

During the Track Record Period and up to the Latest Practicable Date, all of our Company's SFC-licensed corporations have consistently remained substantially above the minimum liquid capital requirements as stipulated in the Financial Resources Rules.

Use of proceeds to fulfill requirements under the Financial Resources Rules

Each of CRS (Hong Kong), CR Asset Management, and Maxson Securities Limited does not need to use any of the IPO proceeds to fulfill the requirements under the Financial Resources Rules. Nevertheless, each of them may use part of the IPO proceeds for its future business development, and its liquidity position under the Financial Resources Rules will be strengthened as a result.

Anti-money Laundering and Counter-terrorist Financing

Licensed corporations are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulations in Hong Kong as well as the Guideline on Anti-Money Laundering and Counter-Terrorist Financing issued by the SFC (the "**Guideline**").

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The Guideline provides practical guidance to assist licensed corporations and their senior management in designing and implementing their own anti-money laundering and counter-terrorist financing policies, procedures and controls in order to meet the relevant legal and regulatory requirements in Hong Kong. Under the Guideline, licensed corporations should, among other things:

- assess the risks of any new products and services before they are introduced and ensure that appropriate additional measures and controls are implemented to mitigate and manage the associated money laundering and terrorist financing risks;
- identify the client and verify the client's identity using reliable, independent source documents, data or information, and take steps from time to time to ensure that the client information are up-to-date and relevant;
- conduct on-going monitoring of activities of the clients to ensure that they are consistent with the nature of business, the risk profile, and source of funds, as well as identify transactions that are complex, large or unusual, or patterns of transaction that have no apparent economic or lawful purpose;
- maintain a database of names and particulars of terrorist suspects and designated parties which consolidates the various lists that have been made known to it, as well as comprehensive on-going screening of the client database; and
- conduct on-going monitoring for identification of suspicious transactions and ensure compliance with their legal obligations of reporting funds or property known or suspected to be proceeds of crime or terrorist property to the Joint Financial Intelligence Unit, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs & Excise Department to monitor and investigate suspected money laundering.

We set out below a brief summary of the principal legislation in Hong Kong that are concerned with money laundering and terrorist financing.

1) Anti-money Laundering and Counter-terrorist Financing (Financial Institution) Ordinance (Chapter 615 of the Laws of Hong Kong) (the "AMLO")

Among other things, the AMLO imposes requirements relating to client due diligence and record-keeping and provides regulatory authorities with the powers to supervise compliance with the requirements under the AMLO. In addition, the regulatory authorities are empowered to take all reasonable measures to (i) ensure that proper safeguards exist to prevent contravention of specified provisions in the AMLO and (ii) mitigate money laundering and terrorist financing risks.

2) Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) (the "DTROP")

Among other things, the DTROP contains provisions for the investigation of assets suspected to be derived from drug trafficking activities, the freezing of assets on arrest and the confiscation of the proceeds from drug trafficking activities. It is an offense under the DTROP if a person deals with any property knowing or having reasonable grounds to believe it to represent the proceeds of drug trafficking. The DTROP requires a person to report to an authorized officer if he/she knows or suspects that any property (directly or indirectly) represents the proceeds of drug trafficking or is intended to be used or was used in connection with drug trafficking, and failure to make such disclosure constitutes an offense under the DTROP.

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3) *Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) (the “OSCO”)*

Among other things, the OSCO empowers officers of the Police and the Customs and Excise Department to investigate organized crime and triad activities. The OSCO gives the courts jurisdiction to confiscate the proceeds of organized and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offences. The OSCO extends the money laundering offense to cover the proceeds of all indictable offences in addition to drug trafficking.

4) *United Nations (Anti-terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) (the “UNATMO”)*

Among other things, the UNATMO provides that it would be a criminal offense to: (i) provide or collect funds (by any means, directly or indirectly) with the intention or knowledge that the funds will be used to commit, in whole or in part, one or more terrorist acts; or (ii) make any funds or financial (or related) services available, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate. The UNATMO also requires a person to report his knowledge or suspicion of terrorist property to an authorized officer, and failure to make such disclosure constitutes an offense under the UNATMO.

UNITED STATES LAWS AND REGULATIONS RELATING TO OUR BUSINESS

We operate our equity underwriting services for U.S. capital markets through CRS (US), which is our subsidiary incorporated in the State of New York of the United States. CRS (US) is registered as a broker-dealer with the SEC under the Exchange Act and in the State of New York of the United States. CRS (US) is a registered corporate business entity in California, Massachusetts and New York, and is registered to do business in the following States: California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Illinois, Iowa, Kansas, Maryland, Massachusetts, Michigan, Missouri, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Texas, Utah, Vermont, Virginia, Washington, and Wisconsin. CRS (US) is a member of FINRA. It does not safekeep customer funds or securities.

Regulation on Broker-Dealers

As a registered broker-dealer, CRS (US) is subject to periodic SEC and FINRA examinations and reviews. A broker-dealer is also subject to legal requirements covering all aspects of its securities business, including sales and trading practices, public and private securities offerings, use and safekeeping of customers' funds and securities, capital structure, record-keeping and retention, and the conduct and qualifications of directors, officers, employees, and other associated persons. These requirements include the SEC's "uniform net capital rule," which specifies the minimum level of net capital that a broker-dealer must maintain, requires a significant part of the broker-dealer's assets to be kept in relatively liquid form, imposes certain requirements that may have the effect of prohibiting a broker-dealer from distributing or withdrawing its capital, and subjects any distributions or withdrawals of capital by a broker-dealer to notice requirements. The minimum net capital, as defined, equal to the greater of US\$250,000 or 6⅔% of aggregate indebtedness, as defined. These and other requirements also include rules that limit a broker-dealer's ratio of subordinated debt to equity in its regulatory capital composition, constrain a broker-dealer's ability to expand its business under certain circumstances, and impose additional requirements when the broker-dealer participates in securities offerings of affiliated entities. Violations of these requirements may result in censures, fines, the

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issuance of cease-and-desist orders, revocation of licenses or registrations, the suspension or expulsion from the securities industry of the broker-dealer or its officers or employees, or other similar consequences by regulatory bodies. As of December 31, 2017, CRS (US) had net capital of US\$5,651,983 that was US\$5,401,983 in excess of its required net capital of US\$250,000, and its ratio of aggregate indebtedness to net capital was 0.39 to 1.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

FBH Partners is owned as to 79% by Mr. Bao and 21% by Ms. Hui Yin Ching, Mr. Bao's spouse. As a result of a voting proxy granted by Ms. Hui Yin Ching over all her equity interests in FBH Partners, Mr. Bao controls 100% of the voting power at the general meetings of FBH Partners. FBH Partners owns 73.37% of issued shares in CR Partners.

Since the inception of our Company: (i) CR Partners has all along been the majority shareholder of our Company; and (ii) Mr. Bao has been controlling CR Partners through FBH Partners. Each of the shareholders of CR Partners has been acting independently from each other, while CR Partners has been serving as a special purpose vehicle holding shares in our Company for and on behalf of these shareholders.

Immediately after the completion of the Global Offering (assuming the Over-allotment Option and outstanding options under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan), Mr. Bao, FBH Partners and CR Partners will collectively be interested in an aggregate of 44.53% of the issued share capital of our Company. Accordingly, Mr. Bao, FBH Partners and CR Partners will together constitute a group of Controlling Shareholders.

Mr. Bao is an executive Director and the chief executive officer of our Company. For further background of Mr. Bao, see "Directors and Senior Management."

K2VC (險峰長青) is a venture capital firm co-founded by Mr. Bao and Mr. Chen Keyi (陳科屹) in 2010, specializing in early-stage investments in the TMT industry. CRP Holdings Limited, being an entity controlled by Mr. Bao, holds 10 to 40% of interests of general partners of certain of K2VC's USD denominated investment funds. Mr. Bao has no control over K2VC or any of its investment funds, nor does he personally sit at the investment committees of such funds. We have no intention to acquire K2VC or any of its investment funds in the future and do not expect to have any connected transactions with these entities at the time of Listing. We are capable of carrying on our own business independently of, and at arm's length from, K2VC or any of its investment funds.

Save as disclosed above, each of our Controlling Shareholders confirms that as of the Latest Practicable Date, he or it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and his close associates after the Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of nine Directors comprising of three executive Directors, three non-executive Directors and three independent non-executive Directors. For more information, please see "Directors and Senior Management."

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Our Directors consider that our Board and senior management will function independently of our Controlling Shareholders because:

- (a) although one of our Controlling Shareholders, Mr. Bao, also serves as a Director, each Director is aware of his fiduciary duties as a director which require, among other things, that he acts for the benefit and in the interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (b) our daily management and operations are carried out by our senior management team, all of whom have substantial experience in the industry in which we are engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for their review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “—Corporate Governance Measures” in this section for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Controlling Shareholders.

Operational Independence

Our Group is not operationally dependent on the Controlling Shareholders. Our Group (through our subsidiaries and consolidated affiliated entities) holds all material licenses to carry on our business. We have sufficient capital, employees and resources to operate our business independent from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

Based on the above, our Directors believe that we are able to operate independently of our Controlling Shareholders.

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

No loans or guarantees provided by, or granted to, our Controlling Shareholders or its associates are expected to be outstanding as of the Listing Date.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance, on our Controlling Shareholders and their close associates after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to ensure good corporate governance standards and to avoid potential conflicts of interest between our Group and our Controlling Shareholders:

- (a) under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of their respective associates has a material interest, the relevant Controlling Shareholders or associate will not vote on the relevant resolutions;
- (b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of its associates, our Company will comply with the applicable Listing Rules;
- (c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our minority Shareholders;
- (d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the purpose of their annual review;
- (e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;
- (f) where our Directors reasonably request the advice of independent professionals, such as financial advisors, the appointment of such independent professionals will be made at our Company's expenses;
- (g) our Directors will abstain from voting in proposals in which they have conflicts of interest;
- (h) we have appointed China Renaissance Securities (Hong Kong) Limited and Guotai Junan Capital Limited as our joint compliance advisors to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (i) we have established our audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Code on Corporate Governance and Corporate Government Report in Appendix 14 of the Listing Rules. All of the members of our audit committee, including the chairman, are independent non-executive Directors.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

CONNECTED TRANSACTIONS

OUR CONNECTED PERSONS

We have entered into certain transactions in the ordinary and normal course of our business, which will constitute continuing connected transactions under Rule 14A.31 of the Listing Rules following the Listing, with the following connected persons and their associates:

<u>Name of connected person</u>	<u>Relationship with our Company</u>
Mr. Bao	Director
Mr. Du Yongbo	Director
Mr. Wang Xinwei	former director of our Company who resigned within 12 months prior to the Listing Date
FBH Partners Limited	an associate of Mr. Bao
CRP Holdings Limited	an associate of Mr. Bao
High Fortune Investments Limited	an associate of Mr. Wang Xinwei
Ever Perfect Investments Limited	an associate of Mr. Du Yongbo

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

<u>Nature of Transactions</u>	<u>Applicable Listing Rules</u>	<u>Applicable Waiver Sought</u>
Non-exempt continuing connected transactions		
Carried Interest Distribution Framework Agreement	Rule 14A.34 to 14A.36, 14A.49, 14A.52 to 14A.59 and Rule 14A.105	Requirements as to announcement, circular, shareholders' approval, terms not exceeding three years and annual caps under Chapter 14A of the Listing Rules
Contractual Arrangements	Rule 14A.34 to 14A.36, 14A.49, 14A.52 to 14A.59 and Rule 14A.105	Requirements as to announcement, circular, shareholders' approval, terms not exceeding three years and annual caps under Chapter 14A of the Listing Rules

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Carried Interest Distribution Framework Agreement

Background

As with other investment funds, we incentivize the personnel of our investment funds by sharing carried interest to be distributed from the general partners of the investment funds. During the Track Record Period, the portion of carried interest of each of our investment funds determined between the relevant investment team and us which is to be retained by us is no less than 25% of the total distributable carried interest after deduction of necessary fees, expenses and costs (including applicable fees payable to third parties, if any) (the “**Distributable Carried Interest**”), depending on a variety of factors including their contribution to the investment funds and the prevailing market practice. To comply with the Listing Rules requirements, we have entered into the Carried Interest Distribution Framework Agreement to govern the distribution of carried interest to certain persons in

CONNECTED TRANSACTIONS

relation to the Relevant Investment Funds (defined below), some of whom are our Company's connected persons (the "**Connected Investment Team Members**"). Going forward, we expect to follow our past practice by retaining at least 25% of the Distributable Carried Interest for each of the Relevant Investment Funds.

As of the Latest Practicable Date, there were a total of 28 investment funds (being all of our investment funds as of such date) that were managed by the Connected Investment Team Members and in which we were acting as their general partner. For further details of our investment funds, see "Business—Investment Management—Private Equity Funds." Out of these 28 investment funds, there are six project funds managed by us from which we do not derive management fees or income from carried interest. As such, a total of 22 investment funds from which we derive income from carried interest (the "**Relevant Investment Funds**") were included in and subject to the Carried Interest Distribution Framework Agreement.

Description of the Agreement

On June 15, 2018, our Company and Huagan Shanghai (for itself and on behalf of other subsidiaries), a wholly-owned subsidiary of our Company, entered into the Carried Interest Distribution Framework Agreement with the following parties (the "**Other Parties**") governing the distribution of carried interest to the designated individuals of our investment funds who may comprise our employees or directors of members of our Group as well as our external consultants who are our former employees and Independent Third Parties (the "**Investment Team Members**," including the Connected Investment Team Members who are currently responsible for managing the Relevant Investment Funds (as named below), and any one of such Investment Team Members, an "**Investment Team Member**"). The Carried Interest Distribution Framework Agreement was amended and restated on September 11, 2018. The term of the Carried Interest Distribution Framework Agreement shall commence from the date of the agreement and shall end on December 31, 2030.

The Other Parties include the ultimate general partners (the "**UGPs**") which are our Consolidated Affiliated Entities, CR Investments Corporation, and the Connected Investment Team Members named below:

UGPs

Names of the UGPs

Shanghai Quanyuan

Dazi Huafeng

Dazi Hualing

Dazi Huashi

Relationship with our Company

One of our Consolidated Affiliated Entities

One of our Consolidated Affiliated Entities

One of our Consolidated Affiliated Entities

One of our Consolidated Affiliated Entities

CONNECTED TRANSACTIONS

Connected Investment Team Members

Names of the Connected Investment Team Members	Relationship with our Company
Mr. Bao	Director
Mr. Du Yongbo	Director
Mr. Wang Xinwei	former director of our Company who resigned within 12 months prior to the Listing Date
FBH Partners Limited ^(Note)	an associate of Mr. Bao
CRP Holdings Limited ^(Note)	an associate of Mr. Bao
High Fortune Investments Limited ^(Note)	an associate of Mr. Wang Xinwei
Ever Perfect Investments Limited ^(Note)	an associate of Mr. Du Yongbo

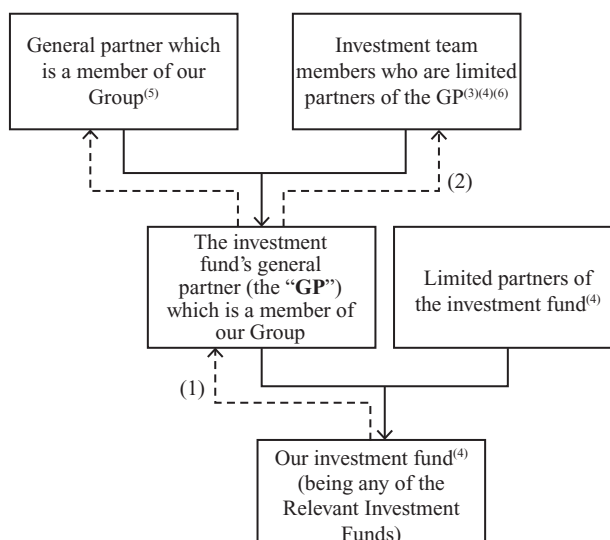
Note:

These are special purpose vehicles (the “**Corporate Connected Investment Team Members**”) set up and controlled by Mr. Bao, Mr. Du Yongbo or Mr. Wang Xinwei (each an “**Individual Connected Investment Team Member**” and collectively, the “**Individual Connected Investment Team Members**”) which shall be used to hold limited partnership interests in the GP (for the Distribution Manner (see below)) and would receive carried interest for and on behalf of the Individual Connected Investment Team Members.

Pursuant to the Carried Interest Distribution Framework Agreement, the Investment Team Members may, by virtue of their limited partner interests in the general partners of our investment funds (which include any of Huagan Shanghai or its subsidiaries, CR Investments Corporation or its subsidiaries, or any of the UGPs or their respective subsidiaries), receive distributions of carried interest solely for their contribution to the management and operation of the investment funds after such general partners receive their carried interest (the “**Distribution Manner**”).

The Distribution Manner is illustrated in the diagram below:

Distribution Manner



Note:

----→ Payment of carried interest

- (1) The amount of carried interest to be received by the GP of the relevant investment fund is determined in accordance with the terms of the partnership agreement and any other side letters of the investment fund.
- (2) The carried interest is received by the Investment Team Members as limited partners of the GP. The amount of carried interest to be received by the Investment Team Members is determined solely based on their contribution to the management and operation of the

CONNECTED TRANSACTIONS

relevant investment fund and is independent of (therefore not necessarily proportional to) their limited partner interests in the GP. The determination and payment of the carried interests that the Investment Team Members are entitled to receive is governed by the terms of the partnership agreement of the GP of the relevant investment fund and our internal policies relating to the distribution of carried interest.

- (3) Investment Team Members are generally required by us to make nominal capital contribution to the GP for subscription of their limited partner interest in the GP, in which case they are not entitled to any investment gain of the investment fund. However, under our internal policy, certain Investment Team Members (who shall be at the managing director level within our Group) will be required to make capital contribution to the investment funds through the GP at the time of the establishment of the investment fund (with such capital contribution to be paid in accordance with the payment schedule provided in the partnership agreement of the GP), in which case they will be entitled to corresponding investment gain derived from their indirect capital investment into the investment funds through the GP (which is separate from and independent of any carried interest that they are entitled to receive) in accordance with the terms of the partnership agreement of the GP.
- (4) These are not members of our Group.
- (5) This general partner can be any of (i) the UGPs or their respective subsidiaries, (ii) Huagan Shanghai or its subsidiaries, or (iii) CR Investments Corporation or its subsidiaries.
- (6) Such Investment Team Members may cease to be limited partners of the GP under the following circumstances:
 - (i) for the Investment Team Members who acquired limited partner interests that (a) allow them to receive carried interests and (b) only entitle them to make nominal capital contributions, they may be required to withdraw from the GP as limited partner under certain circumstances prescribed in the limited partnership agreement of the GP, including but not limited to (i) termination of employment with cause, (ii) misconduct (e.g. breach of confidentiality or non-compete obligations and committing criminal offences) and (iii) mutual termination of employment without cause. Such withdrawing Investment Team Members will be required to sign withdrawal agreements with the GP and the other partners of the GP, and upon completion of registration of such withdrawal with the applicable government authorities, will cease to be limited partners of the GP; and
 - (ii) for the Investment Team Members who acquired limited partner interests that (a) allow them to receive carried interests and (b) entitle them to derive investment gain from their indirect capital investment into the Group's investment funds, the exit of such Investment Team Members from the GP is generally not permitted as such substantial contribution has been made into the investment funds. They can only exit upon the dissolution of the GP at the time of maturity or dissolution of the investment funds in accordance with the partnership agreements of the GP. Also, these Investment Team Members (even if they remain limited partners of the GP) may be disallowed to receive the entirety or any part of their carried interests under certain circumstances prescribed in the limited partnership agreement of the GP, including but not limited to (i) termination of employment with cause, (ii) misconduct (e.g. breach of confidentiality or non-compete obligations and committing criminal offences) and (iii) mutual termination of employment without cause.

The parties to the Carried Interest Distribution Framework Agreement agree that they will ensure their respective controlled entities or successors to procure their established and future investment funds to observe the terms and conditions of the Carried Interest Distribution Framework Agreement (including but not limited to ensuring that the distribution of carried interest is not inconsistent with the terms and conditions of the Carried Interest Distribution Framework Agreement).

During the term of the Carried Interest Distribution Framework Agreement, where there is any new Investment Team Member who is a connected person of our Company and is not a party to the Carried Interest Distribution Framework Agreement, our Company may request such new Investment Team Member to enter into a joinder agreement of the Carried Interest Distribution Framework Agreement to assume the obligations of the Connected Investment Team Members under the Carried Interest Distribution Framework Agreement. We will re-comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules for addition of such new Investment Team Member who is a connected person of our Company and becomes a new party to the Carried Interest Distribution Framework Agreement by way of execution of a joinder agreement.

Annual Cap

The total amount of carried interest to be received by the Connected Investment Team Members and any new Investment Team Member who becomes a new party to the Carried Interest Distribution Framework Agreement by way of execution of a joinder agreement in respect of each of the Relevant Investment Funds shall not exceed 75% of the Distributable Carried Interest of the relevant investment fund. The portion of carried interest to be allocated to the Investment Team

CONNECTED TRANSACTIONS

Members shall be determined after arm's length negotiation between our Company and the Investment Team Members with reference to the following factors:

- (a) the respective tangible and intangible contribution of the Investment Team Members to the establishment and operation of the relevant investment fund, including but not limited to:
 - (i) capital fundraising for the investment fund;
 - (ii) ability to identify quality investment targets and make investment decisions that help lead to good investment returns;
 - (iii) performance in terms of post-investment management of the investees (which includes but is not limited to (1) taking up directorships of the investees to observe and/or monitor their business operations, (2) monitoring their financial position and information on a regular basis, (3) identifying and resolving their commercial issues, (4) mitigating potential risks of investees' businesses if and when they arise, and (5) providing other value-added services such as guidance and support to the investees with respect to their operations, management, and public and private financings, while at the same time (6) safeguarding our investment fund's interests when the relevant investees receive subsequent rounds of financing or go public); and
 - (iv) management performance of the exits of the investment fund (which includes but is not limited to identifying appropriate exit options (e.g. by way of initial public offering or secondary buyout of interests in investees and achieving outstanding returns for the investment funds during the exits);
- (b) the track record of the Investment Team Members, including but not limited to:
 - (i) the investment performance of investment funds previously managed by them (including our investment funds and investment funds outside of the Group);
 - (ii) their prior experience in the relevant industry sectors in which the investment fund invests in (including but not limited to financing, advisory and investment experience); and
- (c) the prevailing market practice.

The portion of carried interest to be allocated to the Investment Team Members for each of the Relevant Investment Funds will not change after the Listing.

The proportion of carried interest to be shared amongst the relevant Investment Team Members shall be agreed amongst themselves. The proportion of carried interest to be shared amongst the relevant Investment Team Members (such total amount of carried interest to be shared, the **"Investment Team Carried Interest"**) shall generally be determined in the following manner:

- (i) a fixed percentage of the Investment Team Carried Interest, which will be fixed at the time of establishment of the investment fund, will be distributed amongst the relevant Investment Team Members based on their seniority of position, industry experience, their past performance and the market practice; and
- (ii) a floating percentage of the Investment Team Carried Interest, which may vary from time to time during the life of the investment fund with reference to the same factors for determination of the portion of carried interest to be allocated to the Investment Team Members set out above, will be distributed to each of the relevant Investment Team

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Members during the life of the investment fund (e.g. after exit of the investment fund from the underlying investees).

Having reviewed the carried interest distribution structures in a number of large and small investment funds which are comparable to the Relevant Investment Funds in terms of fund management structure, CIC, an independent industry consultant, is of the view that the manner in which the proportion of the Investment Team Carried interest to be shared amongst the Investment Team Members is determined is in line with the practice adopted by those comparable investment funds.

To ensure that we comply with the terms of the Carried Interest Distribution Framework Agreement, we have adopted internal policies to ensure that:

- (i) for each of the Relevant Investment Funds, we will have underlying agreements governing the carried interest distribution arrangement (the “**Underlying Fund Agreements**”) in place by Listing;
- (ii) the Underlying Fund Agreements for each of the Relevant Investment Funds shall provide the fixed percentage of the Distributable Carried Interest to be allocated to the Investment Team Members (provided always that such fixed percentage shall not exceed 75%) and that such percentage shall not change after the establishment of the relevant investment fund;
- (iii) the terms of the Underlying Fund Agreements for each of the Relevant Investment Funds shall conform to the terms of the Carried Interest Distribution Framework Agreement.

We have set up a designated internal business team (the “**Designated Business Unit**”) comprising a number of individuals (without inclusion of any Connected Investment Team Members) who have industry experience in the underlying investment sectors of the investment funds or legal and finance expertise relating to investment funds. Members who have the industry experience will be responsible for assessing whether the carried interest distribution arrangements of the Relevant Investment Funds are in line with the industry norm and will be supported by other members who have the legal and finance expertise to oversee the legal framework, financing and tax issues of the investment funds. The members of the Designated Business Unit comprise executives at senior associate level or above from various business units of our Group (including but not limited to our legal, finance and human resources departments). The Designated Business Unit will be responsible for negotiating and determining on our behalf the portion of carried interests to be allocated to the Connected Investment Team Members. The Designated Business Unit shall function independently within our Group and report to our Audit Committee (which comprises our Independent Non-executive Directors only) directly and not to any other business unit within our Group. No Connected Investment Team Member shall participate in or intervene with any negotiation or decision making process of the Designated Business Unit. After the end of each financial year, the Designated Business Unit shall report to our Audit Committee summaries of, and bases of determining, the carried interest distribution arrangements that are entered into pursuant to the Carried Interest Distribution Framework Agreement. We will only enter into carried interest distribution arrangements when, from the Designated Business Unit’s perspective, those arrangements are in the best interests of our Company and our Shareholders as a whole. To ensure that the Designated Business Unit will be acting in the best interests of our Company, members of the Designated Business Unit will receive discretionary annual bonus which will be linked to our overall financial performance. Our independent non-executive Directors may, depending on the particular circumstances, ratify or approve decisions made by the Designated

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Business Unit regarding the carried interest distribution arrangements under the Carried Interest Distribution Framework Agreement.

To avoid conflicts of interests, we have adopted internal procedures such that: (i) any internal promotion and remuneration package of members of the Designated Business Unit shall be reviewed by the Remuneration Committee and approved by our Audit Committee on an annual basis; (ii) the employment of members of the Designated Business Unit with us shall not be terminated without providing detailed reasons for such termination to and receiving prior approval from our Audit Committee; and (iii) any decision to terminate the employment of members of the Designated Business Unit shall not be made by any Connected Investment Team Members.

Pursuant to the Carried Interest Distribution Framework Agreement, the carried interest that we will receive shall be no less than 25% of the Distributable Carried Interest of the relevant investment fund.

We have in place comprehensive internal procedures for the calculation, payment and retention of carried interests of our investment funds.

We will only involve personnel who are not the relevant Connected Investment Team Members in handling (i) the calculation of monetary amounts of carried interests to be paid to the Investment Team Members and retained in our Group, (ii) the checking and confirmation of such amounts and (iii) the payment of such amounts so as to ensure such payments are made in accordance with the underlying arrangements of the Carried Interest Distribution Framework Agreement. No relevant Connected Investment Team Members shall interfere with the foregoing calculation and payment procedures.

Furthermore, our internal audit team will be held responsible for ensuring that the carried interests of our investment funds are properly shared among our Group and other Investment Team Members in accordance with the Carried Interest Distribution Framework Agreement. The internal audit team shall function independently within our Group and report to our Audit Committee directly for all matters relating to the calculation, payment and retention of carried interests. For this purpose, the internal audit team will communicate with our finance department on a regular basis, review the documentation relating to the arrangements entered into pursuant to the Carried Interest Distribution Framework Agreement, and carry out regular and “spot-check” inspection of our internal records relating to calculation, payment and retention of carried interests of our investment funds. The internal audit team will from time to time report to our Audit Committee any irregularity identified during their inspections. In addition, our Audit Committee will also meet with the internal audit team at least once for each financial year to review and discuss the adequacy of our internal control measures and inspection findings relating to calculation, payment and retention of the carried interests of our investment funds.

With the comprehensive internal procedures outlined above, we believe our internal control measures are adequate to ensure proper calculation, payment and retention of carried interests of the Relevant Investment Funds in accordance with the Carried Interest Distribution Framework Agreement.

Reasons for the Transactions

As with other investment management businesses, we endeavor to provide competitive incentives to members of our fund investment team so as to recognize their contribution in the

CONNECTED TRANSACTIONS

establishment and operation of our investment fund and to attract new competitive team members and motivate our existing team members. The performance of our investment management business hinges on the performance of our investment team members and our ability to attract, motivate and retain quality team members. Experienced and motivated team members are crucial to the operation of investment funds. We believe that such incentive arrangement is in line with the industry practice and our past arrangements and will be carried out in the best interests of our Company.

Historical Amounts and Basis for Not Setting Monetary Annual Caps

During the Track Record Period, we did not make any distribution of carried interest to the Connected Investment Team Members because our investment funds are still in the midst of their investment periods and therefore have not realized gains that are yet to be available for distribution in accordance with the terms and conditions of the transaction documents of the investment funds.

Adoption of monetary annual caps is unsuitable for the distribution of carried interest to the Connected Investment Team Members due to the following reasons:

- (a) it is impossible to have a set of fixed incentive arrangements that applies to all of the Relevant Investment Funds as each of the Relevant Investment Funds will have its own incentive arrangement as determined among the relevant parties (including us, the investment team members and the external limited partners) and may from time to time adjust its incentive arrangement according to its own business needs;
- (b) it would be impossible to predict the future performance of the Relevant Investment Funds and hence the amounts of carried interest that we and the Connected Investment Team Members will be entitled to receive in the future and in respect of each of the financial year during the term of the Carried Interest Distribution Agreement as:
 - (i) the amounts of carried interest distributable to the Investment Team Members can only be realized when we are able to receive our carried interest upon the exit of the Relevant Investment Funds from the underlying investees (the “Exit Events”) and after the achievement of the corresponding contractual hurdle rate (either minimum return levels, or high water marks) of the Relevant Investment Funds;
 - (ii) it is practically impossible to determine when exactly we are able to receive our carried interest (and therefore when exactly the Investment Team Members are able to receive their carried interest) since it is impossible to determine or predict when the Exit Events will occur due to factors that are beyond our control (e.g. market conditions which affect the timing of exit of the Relevant Investment Funds from the underlying investees, and requiring external parties’ cooperation or regulatory authorities’ approval in relation to the Exit Events);
 - (iii) it is also practically impossible to calculate, estimate or predict the amounts of our carried interest in respect of the Relevant Investment Funds (and therefore the carried interest to be paid or distributed to the Investment Team Members) which are generally calculated based on the sale proceeds of the interests in the relevant underlying investees at the time of occurrence of the Exit Events. The amounts of the sale proceeds are subject to various factors that are beyond our control (e.g. market acceptance and conditions); and

CONNECTED TRANSACTIONS

- (iv) there is no historical amount of carried interest distributed to the Connected Investment Team Members that can serve as a meaningful reference point for determining monetary annual caps;
- (c) it is also unduly burdensome and costly for us to comply with the announcement, circular and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules each time when monetary annual caps (if imposed) are underestimated and exceeded subsequently;
- (d) adoption of fixed monetary annual caps for this type of transactions would impose an arbitrary ceiling on the incentives that we can provide to the Connected Investment Team Members and will unnecessarily restrict us from implementing arrangements that can both maximize the returns for us and the Connected Investment Team Members;
- (e) should we be made subject to the disclosure, announcement, circular and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules each time we enter into such transactions with the Connected Investment Team Members or when we exceed the monetary annual caps imposed on us, we will be placed in an extremely disadvantageous position in terms of competition with our peers when it comes to offering incentives to the investment management teams. We may risk losing our valuable investment team members, hence materially and adversely impact our performance; and
- (f) the factors set out in sub-paragraphs (a) to (g) above will therefore prejudice our Company and our Shareholders' interests as a whole.

As noted above, we expect to retain at least 25% of the Distributable Carried Interest for each of the Relevant Investment Funds.

Our Directors are also of the view that the percentage of 75% limit used to calculate the amounts of carried interest to be distributed to the Connected Investment Team Members and the other Investment Team Members is fair and reasonable and has been determined with reference to the historical and prevailing commercial practice in relation to our distribution of carried interest to both the Connected Investment Team Members and the other Investment Team Members. Therefore this percentage limit represents a fair and reasonable alternative to the monetary annual caps in light of the factors highlighted above. We expect that the total carried interest distributable to the Investment Team Members (including the Connected Investment Team Members) for each of the Relevant Investment Funds pursuant to the Carried Interest Distribution Framework Agreement shall fall within the range of 20% to 75%.

Basis for Adopting a Term Exceeding Three Years

The term of the Carried Interest Distribution Framework Agreement shall commence from the date of the agreement and shall end on December 31, 2030.

Under Rule 14A.52 of the Listing Rules, any agreement for continuing connected transactions must not exceed three years except in special circumstances where the nature of the transactions requires them to be of a longer period. The Directors believe that it is appropriate and necessary for the Carried Interest Distribution Framework Agreement to have a term from the date of the agreement to December 31, 2030 based on the following reasons:

- (a) since the underlying transactions of the Carried Interest Distribution Framework Agreement are crucial to the investment management operations of our business, it is

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imperative for the Company to maintain flexibility and stability in terms of distribution of carried interest to our investment management team;

- (b) it is in our Company's best interests to attract, motivate, and retain quality investment team members with a flexible and stable incentive scheme;
- (c) at the time of establishment of each of the Relevant Investment Funds, both the relevant Investment Team Members and its external limited partners would expect to have concrete and stable incentive arrangements in place so as to ensure the stability of the investment team of the investment fund, and therefore enhance the performance of the investment fund;
- (d) the term of the Carried Interest Distribution Framework Agreement will need to conform with the life of the Relevant Investment Funds. During the Track Record Period, the life of the investment funds that we set up ranges from 5 years to 12 years (including one investment fund with its life of up to 12 years established in 2018); and
- (e) the long-term approach of our distribution arrangements in respect of the carried interest is in line with the general practice of the industry. According to CIC, an independent industry consultant, fund life typically lasts for more than ten years, and that term of the Carried Interest Distribution Framework Agreement with respect to the distribution of carried interest to our investment management team should survive the funds themselves under such framework agreement.

For the avoidance of doubt, we will comply with the applicable Listing Rules requirements (including announcement, circular and independent shareholders' approval under Chapter 14A of the Listing Rules) when we enter into (i) any conclusive carried interest distribution arrangement for connected persons of our Company in relation to any of our investment funds other than the Relevant Investment Funds, or (ii) any carried interest distribution arrangement for connected persons of our Company that are not being parties to the Carried Interest Distribution Framework Agreement in relation to any of the Relevant Investment Funds.

We have applied for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 14A.53(1) of the Listing Rules to express annual caps for the amounts of carried interest to be distributed to the Connected Investment Team Members in terms of monetary value. For the avoidance of doubt, the waiver will only apply to the Relevant Investment Funds, namely the 22 investment funds from which we derive income from carried interest, and not including any investment fund other than the Relevant Investment Funds. Furthermore, despite the waiver to express annual caps in terms of monetary value, the percentage of total carried interest to be distributed to Investment Team Members shall not exceed 75%. Since the highest of all applicable percentage ratios in respect of these transactions to be carried out pursuant to the Carried Interest Distribution Framework Agreement may be 5% or more and the total amount of carried interest payable is expected to exceed HK\$10,000,000, the Carried Interest Distribution Framework Agreement will be subject to compliance with the requirements set out under Chapter 14A of the Listing Rules including, among others, reporting, annual review, announcement and independent shareholders' approval requirements. We have applied for, and the Stock Exchange granted, waivers from these requirements as described below.

Compliance with the Listing Rules Requirements for Future Investment Funds

To comply with the applicable Listing Rules requirements in connection with distribution of carried interest to our Company's connected persons for any new investment fund, we will undertake the following steps:

1. For any new investment fund(s) we set up other than the Relevant Investment Funds (any such new fund, a "**New Investment Fund**") from which any connected person of our Company will receive carried interest as an Investment Team Member (any such Investment Team Member, a "**Relevant Connected Investment Team Member**" who for the avoidance of doubt may include any of the Connected Investment Team Members), we will determine the proposed carried interest distribution for the Relevant Connected Investment Team Members in respect of the New Investment Fund in accordance with the Carried Interest Distribution Framework Agreement. When there are conclusive arrangements for the distribution of Distributable Carried Interest to the Relevant Connected Investment Team Members, in respect of a relevant New Investment Fund, the Company will procure such Relevant Connected Investment Team Members to sign written underlying fund agreements ("**New Underlying Fund Agreements**"), and such New Underlying Fund Agreements will be subject to compliance with the requirements set out under Chapter 14A of the Listing Rules including, among others, reporting, annual review, announcement and independent shareholders' approval in the relevant general meeting).
2. Before the relevant general meeting:
 - (a) we will seek the Board's approval in respect of the proposed terms of carried interest distribution arrangement for the Relevant Connected Investment Team Member (which remains subject to independent shareholders' approval in the relevant general meeting);
 - (b) we will form an independent board committee and engage an independent financial advisor as required by Rule 14A.39, and seek their view on whether the proposed terms of the carried interest distribution arrangement for the Relevant Connected Investment Team Member(s) are fair and reasonable, on normal commercial terms or better and to be conducted in our ordinary and usual course of business and in the best interests of our Company; and
 - (c) we will dispatch the circular relating to the relevant general meeting in compliance with Chapter 14A of the Listing Rules.
3. When we dispatch the circular relating to the relevant general meeting, we will ensure that the circular will contain all information as required by Chapter 14A of the Listing Rules or the Stock Exchange, including the following:
 - (a) the description of the New Investment Fund(s) (e.g. investment objective);
 - (b) the name(s), background and relationship with our Company of the Relevant Connected Investment Team Member(s);
 - (c) the role(s) of the Relevant Connected Investment Team Member(s) within the New Investment Fund(s);

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- (d) the proposed non-monetary annual cap(s) for portion of the Distributable Carried Interest that can be distributed to the Relevant Connected Investment Team Member(s) (subject to prior approval of the Stock Exchange); and
 - (e) the basis on which the proposed non-monetary annual cap(s) is determined.
4. The Relevant Connected Investment Team Member(s) (if they are shareholders of our Company) will be required to abstain from voting on the resolutions approving the relevant joinder agreement (where applicable) and the carried interest distribution arrangement in respect of the New Investment Fund(s).

2. Contractual Arrangements

Background

As disclosed in “Contractual Arrangements,” one of our core businesses is investment management, which we engage in through managing private equity investments funds including RMB denominated funds in China. In order to comply with the PRC laws and regulations, we commenced a series of reorganization activities. The contractual arrangements currently in effect were entered into on April 25, 2018 whereby:

- 1. the general partners of our RMB Funds whose investees are subject to FI Restrictions are owned by the Consolidated Affiliates Entities; and
- 2. Huagan Shanghai acquired effective control over the financial and operational policies or our Consolidated Affiliated Entities and has been entitled to all the economic benefits derived from the collection of carried interest by those entities in the capacity as general partners of such RMB Funds.

See “Contractual Arrangements” for the detailed terms of the Contractual Arrangements.

Listing Rules Implications and Reasons for Applying for Waivers

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our company under the Listing Rules upon Listing as two of the parties of the Contractual Arrangements, Mr. Du Yongbo and Mr. Wang Xinwei (i.e. the Registered Shareholders as defined in “Contractual Arrangements”) are connected persons. For information about their relationships with our Company, see the paragraph “—Our Connected Persons” above.

Our Directors are of the view that the Contractual Arrangements are fundamental to our Group’s legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Our Directors are also of the view that our structure, whereby the financial results of the consolidated affiliated entities flow to Huagan Shanghai, and where Huagan Shanghai acquired effective control over the financial and operational policies of our consolidated affiliated entities, place our Group in a special position in relation to the connected transactions rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by our Consolidated Affiliated Entities and any member of our Group

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from time to time (including consolidated affiliated entities) (“**New Intergroup Agreements**” and each of them a “**New Intergroup Agreement**”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement, circular and independent shareholders’ approval requirements

WAIVER APPLICATIONS

1. Carried Interest Distribution Framework Agreement

In relation to the Carried Interest Distribution Framework Agreement, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers from strict compliance with (a) Rule 14A.53(1) of the Listing Rules that the proposed annual caps must be expressed in monetary terms; and (b) the announcement and independent shareholders’ approval requirements under Rule 14A.105 of the Listing Rules, subject to the following conditions:

- (a) the total amount of carried interest to be distributed to Investment Team Members shall not exceed 75% of carried interest received by the Group in respect of each of the Relevant Investment Funds, and the Company has in place the Underlying Fund Agreements for each of the Relevant Investment Funds governing the carried interest distribution arrangements;
- (b) the percentage of carried interest to be allocated to the Investment Team Members is clearly stated in the respective Underlying Fund Agreements and such percentage will not be changed after the Listing;
- (c) our Directors (including our independent non-executive Directors), and the Joint Sponsors are of the view that the continuing connected transactions contemplated in the Carried Interest Distribution Framework Agreement are in the ordinary and usual course of our business, on normal commercial terms, are fair and reasonable and in the interests of the Shareholders as a whole and that the proposed non-monetary annual caps are fair and reasonable and in the interests of the Shareholders as a whole;
- (d) we will disclose in our subsequent annual and interim reports the following information:
 - (i) the amount of carried interest received by each of the Connected Investment Team Members (on a named basis) during the relevant reporting period; and
 - (ii) the amount of carried interest that we receive from each of the Relevant Investment Funds (save for project funds which will be disclosed on an aggregated basis) during the relevant reporting period;
- (e) our independent non-executive Directors will review the underlying transactions of the Carried Interest Distribution Framework Agreement on an annual basis and confirm in our annual reports the matters set out in Rule 14A.55 of the Listing Rules;
- (f) should our independent non-executive Directors be unable to confirm in our annual reports that the underlying transactions of the Carried Interest Distribution Framework Agreement have been entered into in accordance with Rule 14A.55 of the Listing Rules, we will re-comply with the announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules;

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- (g) we will comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules if there is any material change to the terms of the Carried Interest Distribution Framework Agreement (for the avoidance of doubt, including addition of new Investment Team Members who are connected persons of our Company by way of execution of joinder agreements) or the basis of formulating the percentage of carried interests distributable to the Investment Team Members as disclosed in the paragraph “—Non-exempt Continuing Connected Transactions—1. Carried Interest Distribution Framework Agreement—Annual Cap” above;
- (h) we will engage an external auditor to report on, among other things, transactions contemplated in the Carried Interest Distribution Framework Agreement pursuant to Rule 14A.56 of the Listing Rules. We will also ensure that the auditors will have sufficient access to our records (including the Underlying Fund Agreements) for the purpose of reporting on the transactions contemplated in the Carried Interest Distribution Framework Agreement;
- (i) we and our Board will ensure that the relevant underlying transactions are undertaken in accordance with the terms of the Carried Interest Distribution Framework Agreement and the Underlying Fund Agreements and will use our best endeavors to comply with the terms of the Carried Interest Distribution Framework Agreement and the Underlying Fund Agreements and the Listing Rules requirements applicable to the Carried Interest Distribution Framework Agreement to the extent not waived by the Stock Exchange;
- (j) we will disclose in this prospectus (i) the reasons for entering into the Carried Interest Distribution Framework Agreement, (ii) the salient terms of the Carried Interest Distribution Framework Agreement, (iii) the grounds of application for the waivers, (iv) our Directors' and the Joint Sponsors' views on the fairness and the reasonableness of the Carried Interest Distribution Framework Agreement as a whole, and (v) the details of the Relevant Investment Funds (see “Business—Investment Management—Private Equity Funds”);
- (k) we will implement internal procedures as to ensure that the underlying transactions are undertaken in accordance with the terms of the Carried Interest Distribution Framework Agreement and the Underlying Fund Agreements. Our Board will also supervise the implementation of such internal procedures on a regular basis (e.g. holding regular meetings with the relevant internal departments to discuss the issues relating to the underlying transactions of the Carried Interest Distribution Framework Agreement or any potential deviations from the terms of the Carried Interest Distribution Framework Agreement, the Underlying Fund Agreements and the underlying transaction documents);
- (l) we will comply with the applicable Listing Rules requirements (including announcement, circular and independent shareholders' approval under Chapter 14A of the Listing Rules) when we enter into (i) any conclusive carried interest distribution arrangement for connected persons of our Company in relation to any of our investment funds other than the Relevant Investment Funds, or (ii) any carried interest distribution arrangement for connected persons of our Company that are not being parties to the Carried Interest Distribution Framework Agreement in relation to any of the Relevant Investment Funds (see “—Non-exempt Continuing Connected Transactions—1. Carried Interest Distribution Framework Agreement—Compliance with the Listing Rules Requirements for Future Investment Funds” above for further details); and

CONNECTED TRANSACTIONS

- (m) apart from the announcement, independent shareholders' approval and other requirements of which these waivers are sought, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

2. Contractual Arrangements

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

No change without independent non-executive directors' approval

No change to the Contractual Arrangements (including with respect to any fees payable to Huagan Shanghai thereunder) will be made without the approval of the independent non-executive Directors.

No change without independent Shareholders' approval

Save as described below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, except for those described above, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company will however continue to be applicable.

Economic benefits and flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the consolidated affiliated entities through (i) our Group's options (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in the Consolidated Affiliated Entities for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Huagan Shanghai by the Consolidated Affiliated Entities under the Exclusive Business Cooperation Agreement (as defined in headed "Contractual Arrangements"), and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

CONNECTED TRANSACTIONS

Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced without obtaining the approval of the Shareholders: (i) upon the expiry of the existing arrangements or (ii) in relation to any existing, newly established or acquired wholly foreign-owned enterprise or operating company (including branch company), engaging in the same business as that of our Group. Such renewal and/or reproduction is justified by business expediency. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of our Group and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

Any renewed or reproduced framework will be on substantially the same terms and conditions as the existing Contractual Arrangements.

Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis:

- (a) the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules;
- (b) our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by our consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the consolidated affiliated entities during the relevant financial period above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of the Shareholders as a whole;
- (c) our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
- (d) for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," our consolidated affiliated entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as

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connected persons of our Company as applicable under the Listing Rules (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the consolidated affiliated entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules;

- (e) our consolidated affiliated entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the consolidated affiliated entities will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions; and
- (f) in addition, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated in any New Intergroup Agreements (as defined above), (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from our consolidated affiliated entities in any New Intergroup Agreements, and (iii) the requirement to limit the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange. The waiver is subject to the condition that the Contractual Arrangements subsist and that the consolidated affiliated entities will continue to be treated as our Company's subsidiaries, but their directors, chief executives or substantial shareholders of the consolidated affiliated entities and their associates will be treated as our Company's connected persons (excluding for this purpose, our consolidated affiliated entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

DIRECTORS' CONFIRMATION

As aforementioned, our Directors (including independent non-executive Directors) are of the view that the continuing connected transactions set out above have been entered into in our ordinary and usual course of business on normal commercial terms or better which are fair and reasonable and in the interests of our Company and our Shareholders as a whole; that the proposed non-monetary caps in respect of the Carried Interest Distribution Framework Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and that the term of the Carried Interest Distribution Framework Agreement for about 12 years is normal business practice in accordance with Rule 14A.52 of the Listing Rules, as: (i) fund life typically lasts for more than ten years; (ii) some of the Relevant Investment Funds (including one investment fund with its life of up to 12 years established in 2018) have a fund life of up to 12 years; and (iii) the term of the Carried Interest Distribution Framework Agreement with respect to the distribution of carried interest to our Company's investment management team should survive the funds themselves under such framework agreement.

JOINT SPONSORS' CONFIRMATION

Based on the documentation and data provided by us, having made reasonable inquiries and after due and careful consideration, the Joint Sponsors are of the view that, as of the date of this prospectus, the aforesaid continuing connected transactions have been entered into in the ordinary and

CONNECTED TRANSACTIONS

usual course of business of the Group on normal commercial terms which are fair and reasonable, and in the interests of the Company and the Shareholders as a whole; that the proposed non-monetary cap in respect of the Carried Interest Distribution Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole and that the term of the Carried Interest Distribution Framework Agreement for about 12 years is normal business practice in accordance with Rule 14A.52 of the Listing Rules, as: (i) fund life typically lasts for more than ten years; (ii) some of the Relevant Investment Funds (including one investment fund with its life of up to 12 years established in 2018) have a fund life of up to 12 years; and (iii) the term of the Carried Interest Distribution Framework Agreement with respect to the distribution of carried interest to the Company's investment management team should survive the funds themselves under such framework agreement.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Upon Listing, our Board will consist of nine Directors, including three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors. The following table provides certain information about our Directors:

Name	Age	Position	Roles and responsibilities	Date of joining the Group	Date of appointment as Director
Mr. Bao Fan (包凡)	47	Executive Director of the Company; Chairman; Chief Executive Officer; chairman of the Executive Committee; chairman of the Nomination Committee; member of the Remuneration Committee	Formulating the overall strategic planning and business direction of the Group	December 2005	July 13, 2011
Mr. Xie Yi Jing (謝屹璟)	47	Executive Director of the Company; managing director, head of healthcare; member of the Executive Committee	Overseeing the financial advisory business of the healthcare sector of the Group	December 2005	August 8, 2011
Mr. Du Yongbo (杜永波)	47	Executive Director of the Company; managing director, Huaxing Growth Capital; member of the Executive Committee	Overseeing the Huaxing Growth Capital of the investment management business of the Group	April 2006	August 8, 2011
Mr. Neil Nanpeng Shen (沈南鵬)	50	Non-executive Director of the Company	Providing professional opinion and judgment to our Board	June 2018	June 15, 2018
Mr. Li Shujun (李曙軍)	46	Non-executive Director of the Company	Providing professional opinion and judgment to our Board	June 2018	June 15, 2018
Mr. Li Eric Xun (李世默)	50	Non-executive Director of the Company	Providing professional opinion and judgment to our Board	August 2011	August 8, 2011
Ms. Yao Jue (姚瑀)	44	Independent Non-executive Director of the Company; chairman of the Audit Committee; member of the Nomination Committee	Providing independent opinion and judgment to the Board	the date of this document	the date of this document

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Roles and responsibilities	Date of joining the Group	Date of appointment as Director
Mr. Ye Junying (葉俊英)	55	Independent Non-executive Director of the Company; chairman of the Remuneration Committee; member of the Audit Committee	Providing independent opinion and judgment to the Board	the date of this document	the date of this document
Mr. Zhao Yue (肇越)	52	Independent Non-executive Director of the Company; member of the Audit Committee, member of Remuneration Committee; member of Nomination Committee	Providing independent opinion and judgment to the Board	the date of this document	the date of this document

Executive Directors

Mr. Bao Fan (包凡), aged 47, is our Founder. He is also an Executive Director of our Company, and the Chief Executive Officer and Chairman of our Group. Mr. Bao is responsible for our Group's overall strategic planning and business direction. He will be the chairman of the Nomination Committee and a member of the Remuneration Committee with effect from the date of this document. Prior to founding our Group in December 2005, Mr. Bao was the chief strategy officer of AsiaInfo Holdings, Inc., a Chinese IT and software service provider previously listed on Nasdaq with stock code ASIA, from October 2000 to October 2004. Prior to that, Mr. Bao was an investment banker, having served first as an analyst, then as an associate at Morgan Stanley⁽¹⁾ and Credit Suisse⁽²⁾ between July 1994 and May 2000.

Mr. Bao attended Fudan University studying English literature from September 1989 to August 1990, and thereafter went abroad to pursue further studies. He received his master's degree in business and economics from the BI Norwegian School of Management in June 1995. Mr. Bao also obtained the PRC securities company director chairman professional qualification (證券公司董事長類人員任職資格) issued by the Shanghai Bureau of the CSRC in September 2016.

Mr. Bao is a director of certain subsidiaries of our Company. He is also a director of Hero Entertainment Co., Ltd (英雄互娛科技股份有限公司), whose shares are listed on the PRC National Equities Exchange and Quotations with stock code 430127.

Mr. Xie Yi Jing (謝屹璟), aged 47, is a Founder of our Group and an Executive Director of our Company. Since joining our Group in December 2005, Mr. Xie has held various senior positions, including the managing director of the financial sponsor team. He is currently our managing director, head of healthcare, responsible for overseeing the financial advisory business of the healthcare sector of the Group, having held this position since March 2015. Prior to founding our Group, Mr. Xie worked at Credit Suisse⁽²⁾ from January 1998 to July 2005, with his last position serving as vice president of its investment banking division.

Mr. Xie received his bachelor's degree with honors in economics from the University of Sydney in April 1998. Mr. Xie is a director of certain subsidiaries of our Company. During the past three years, Mr. Xie has not been a director of any listed companies.

Mr. Du Yongbo (杜永波), aged 47, is an Executive Director of our Company. Since joining our Group in April 2006, Mr. Du has held various senior positions, including as principal of our TME

DIRECTORS AND SENIOR MANAGEMENT

group, and as managing director of our corporate finance group. He is currently our managing director, Huaxing Growth Capital, responsible for overseeing the new economy investment business of our Group, having held this position since January 2016. Prior to joining our Group, Mr. Du also served at the Lenovo Group for approximately 8 years, where he held various positions in different companies within the Lenovo Group, including as investment director from January 2002 to May 2006, the general manager from November 1998 to October 1999, and the vice general manager of corporate planning from April 1995 to October 1998. Before that, Mr. Du was the procurement manager of Huizhou Samsung Electronics Co., Ltd. (惠州三星電子有限公司) from July 1993 to January 1995.

Mr. Du received his dual bachelor's degrees in engineering (majoring in thermal and nuclear energy, and mechanical engineering) from Tsinghua University in July 1993, and his master of business administration degree in finance from the Chinese University of Hong Kong in December 2006.

Mr. Du is a director of Huaxing Fanya, a subsidiary of our Company, and is an independent non-executive director of Inke Limited whose shares are listed on the Stock Exchange with stock code 3700.

Non-executive Directors

Mr. Neil Nanpeng Shen (沈南鵬), aged 50, is a Non-executive Director of our Company, responsible for providing professional opinion and judgment to our Board.

Neil Nanpeng Shen founded Sequoia Capital China in September 2005 and has been serving as the founding managing partner since then. Prior to founding Sequoia Capital China, he co-founded Ctrip.com International, Ltd., or Ctrip (Nasdaq Ticker: CTRP), a leading travel service provider in China, in 1999. Neil Nanpeng Shen served as Ctrip's president from August 2003 to October 2005 and its chief financial officer from 2000 to October 2005. Neil Nanpeng Shen also co-founded and served as non-executive Co-Chairman of Homeinns Hotel Group, a leading economy hotel chain in China, which commenced operations in July 2002.

Neil Nanpeng Shen received his bachelor's degree in applied mathematics from Shanghai Jiao Tong University in July 1988 and his master's degree from Yale University in November 1992.

Neil Nanpeng Shen has been an independent non-executive director of Ctrip (Nasdaq Ticker: CTRP) since October 2008, an independent non-executive director of Momo Inc. (Nasdaq Ticker: MOMO) since May 2014, a non-executive director of Noah Holdings Limited (NYSE Ticker: NOAH) since January 2016, a non-executive director of BTG Hotels Group (SHSE Stock Code: 600258) since January 2017, a non-executive director of 360 Security Technology Inc. (SHSE Stock Code: 601360) since February 2018, and an independent non-executive director of Pinduoduo Inc. (Nasdaq Ticker: PDD) since April 2018. He is also a non-executive director of Meituan Dianping whose shares are to be listed on the Stock Exchange with stock code 3690.

Notwithstanding the various directorships held by Mr. Shen highlighted above, Mr. Shen has advised us that he will make sufficient time available to discharge his role and responsibilities as a non-executive director of our Company by:

- (i) communicating with the other members of the Board regarding his availability on a regular basis such that the Board can plan ahead as to when to hold any regular or ad-hoc meeting;

DIRECTORS AND SENIOR MANAGEMENT

- (ii) communicating with the other listed companies with which he is holding directorships on a regular basis and, as and when necessary, reschedule his meetings for those other listed companies so as to attend to matters relating to our Company;
- (iii) ensuring that the other members of the Board have the means to contact him promptly as and when required such that he can be contacted for any urgent matters relating to our Group;
- (iv) to the extent practicable, ensuring that he will be available to attend, to the minimum, all regular board meetings as required under the Listing Rules; and
- (v) revisiting his time commitment in other listed companies from time to time to ensure that he will have sufficient time available to discharge his responsibilities as a non-executive director of the Company.

Based on the above, our Directors are of the view that Mr. Shen can devote sufficient time to discharge his role and responsibilities as a non-executive director of our Company.

Based on the Joint Sponsors' background search and due diligence interview with Mr. Shen, (i) Mr. Shen acts as non-executive director or independent non-executive director of the other seven listed companies and is not involved in the daily operation of these companies; (ii) as a non-executive director of our Company, Mr. Shen provides the Group with high level strategic advice but does not participate in the day-to-day operation; and (iii) Mr. Shen's accumulated industry knowledge and experience as directors in China's new economy companies fit into the Company's strategic focus and will benefit the Shareholders as a whole. Based on the aforesaid, the Joint Sponsors did not identify from its due diligence work any material matters which suggest that Mr. Shen cannot devote sufficient time to discharge his role and responsibilities as a non-executive director of our Company.

Neil Nanpeng Shen was a non-executive director of Homeinns Hotel Group from 2006 to 2017 and non-executive director of PPD AI Group Inc. (NYSE Ticker: PPDF) from 2017 to August 2018.

Mr. Li Shujun (李曙軍), aged 46, is a Non-executive Director of our Company, responsible for providing professional opinion and judgment to our Board. He is the founding and managing partner of Trustbridge Partners, a private equity firm focused on investing in growth companies in the TMT, consumer and healthcare sectors, since October 2006. Prior to founding Trustbridge Partners, Mr. Li was the chief financial officer from November 2003 to June 2006 and vice president from July 2003 to June 2006 of Shanda Interactive Entertainment Ltd. (whose stocks are listed on Nasdaq with stock code SNDA).

Mr. Li received his master's degree in political science and economics from Nankai University in June 1998. During the past three years, Mr. Li has not been a director of any listed companies.

Mr. Li Eric Xun (李世默), aged 50, is a Non-executive Director of our Company, responsible for providing professional opinion and judgment to our Board. He is the founding and managing partner of Chengwei Capital, a venture capital firm established in 2000 that focuses on investments in a variety of business sectors including TMT, software, education, consumer and manufacturing, healthcare and media. Furthermore, Mr. Li serves as a director of various companies that provide information technology services, including Shenzhen HSB Tech Co. Ltd (深圳回收寶科技有限公司) since May 2016, and Shanghai Jingcan Information Technology Co., Ltd. (上海經參信息技術有限公司) since July 2008.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li received his bachelor of arts degree from the University of California at Berkeley in August 1990 and his master of business administration degree from The Leland Stanford Junior University in June 1995. Mr. Li further received his doctor's degree in international relations from Fudan University in January 2012. During the past three years, Mr. Li has not been a director of any listed companies.

Independent Non-executive Directors

Ms. Yao Jue (姚珏), aged 44, will be appointed as an Independent Non-executive Director, chairman of the Audit Committee and member of the Nomination Committee of our Company with effect from the date of this document. Ms. Yao has had over 20 years of experience in accounting and corporate finance matters. She was the chief financial officer of Qihoo 360 Technology Co., Ltd. from 2012 and subsequently served as the chief financial officer of 360 Security Technology Inc. (三六零安全科技股份有限公司) to April 2018, having previously held various positions in the company since May 2006, including as its financial director, vice president of finance and its co-chief financial officer.

Ms. Yao is our Director with appropriate professional accounting or related financial management expertise for the purpose of Rule 3.10(2) of the Listing Rules through her experiences listed above. In addition, She is a qualified accountant of the Chinese Institute of Certified Public Accountants since 2000. Ms. Yao received her bachelor's degree in accounting from the University of International Business and Economics in China in June 1996.

During the past three years, Ms. Yao has held directorships in the following listed companies:

- Yintech Investment Holdings Limited, whose shares are listed on the Nasdaq with stock code YIN, as an independent director since April 2016; and
- 360 Security Technology Inc. (三六零安全科技股份有限公司), whose shares are listed on the Shanghai Stock Exchange with stock code 601360, as a director from February 2017 to October 2017.

Ms. Yao is a proposed independent director of CooTek (Cayman) Inc., whose American depositary shares are proposed to be listed on the New York Stock Exchange.

Mr. Ye Junying (葉俊英), aged 55, will be appointed as an Independent Non-executive Director, chairman of the Remuneration Committee and member of the Audit Committee of our Company with effect from the date of this document. Mr. Ye served as the chairman of the board at Gortune Investment Co., Ltd (廣東民營投資股份有限公司) since September 2016. Previously, he was the president and then the chairman of the board at E Fund Management Co., Ltd. (易方達基金管理有限公司) from November 2000 to April 2016, and the general manager of the investment banking department and then the vice president at GF Securities Co., Ltd. (廣發證券股份有限公司), whose shares are listed on the Shenzhen Stock Exchange with stock code 000776 and the Hong Kong Stock Exchange with stock code 1776, from March 1993 to October 2000.

Mr. Ye received his bachelor of law degree in economics law from Peking University in July 1985, his master of law degree in international economics law from Wuhan University in July 1988, and his doctor of economics degree in national economics from Southwestern University of Finance and Economics in June 2005. During the past three years, Mr. Ye has not been a director of any listed companies.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhao Yue (肇越), aged 52, will be appointed as an Independent Non-executive Director and member of the Audit Committee, Remuneration Committee and Nomination Committee of our Company with effect from the date of this document. Mr. Zhao serves as the chief economist of Chief Group since 2012. Previously, he was a senior manager of China Investment Corporation from May 2008 to January 2012.

Mr. Zhao received his bachelor of science degree in physics from Peking University in July 1988 and his doctor's degree in finance from the Financial Research Institute of People's Bank of China in October 2005. During the past three years, Mr. Zhao has not been a director of any listed companies.

SENIOR MANAGEMENT

The following table provides information about our senior management team (except for those that are our Executive Directors):

Name	Age	Position	Roles and Responsibilities	Date of joining the Group	Date of appointment as senior manager
Mr. Wang Xinwei (王新衛)	51	Co-Chief Financial Officer; member of the Executive Committee	Overseeing the overall financial management of the Group	July 2007	June 15, 2018
Mr. Jiang Shan (姜山) . .	47	Co-Chief Financial Officer; member of the Executive Committee	Overseeing the overall financial management of the Group	April 2018	June 15, 2018
Ms. Zou Juan (鄒涓) . . .	44	Chief Human Resources Officer; member of the Executive Committee	Overseeing the corporate culture and human resources strategic management of our Group	July 2014	June 15, 2018
Mr. Wang Lixing (王力行)	38	managing director, head of advisory; member of the Executive Committee	Overseeing the financial advisory business of our Group	January 2007	June 15, 2018
Mr. Lam Ka Cheong Jason (林家昌)	44	president of CR International; member of the Executive Committee	Overseeing all business units and operational functions of our Group in HK and the US ("CR International")	March 2013	June 15, 2018

Mr. Wang Xinwei (王新衛), aged 51, is our Co-Chief Financial Officer, primarily responsible for overseeing the overall financial management of the Group. He joined our Group in 2007 as the financial director, and served as his current role since January 2011. Prior to joining our Group, Mr. Wang served as the financial controller of Vimicro Corporation, a company previously listed on Nasdaq with stock code VIMC, from November 2003 to July 2007. Before that, Mr. Wang held various senior positions in the subsidiaries of AsiaInfo Holdings, Inc. (a company previously listed on

DIRECTORS AND SENIOR MANAGEMENT

Nasdaq with stock code ASIA) from January 1996 to July 2002, including, as the chief financial officer of Marsec Network Systems Co., Ltd. (瑪賽網絡系統有限公司) from January 2001 to July 2002, financial controller of Zhejiang AsiaInfo Dekang Communication Technology Co., Ltd (浙江亞信德康通信技術有限責任公司) from January 1999 to December 2000, and the financial manager of AsiaInfo Technologies (China) Inc. from January 1996 to December 1998.

Mr. Wang received his bachelor of engineering degree (majoring in managerial science) from the University of Science and Technology of China in July 1990, and his master's degree in economics from Peking University in July 2007. In addition, Mr. Wang has been a non-practising member of the Chinese Institute of Certified Public Accountants since 2003.

Mr. Wang is a director of certain subsidiaries and consolidated affiliated entities within the Group. During the past three years, Mr. Wang has not been a director of any listed companies.

Mr. Jiang Shan (姜山), aged 47, is our Co-Chief Financial Officer, primarily responsible for overseeing the overall financial management of the Group. Prior to joining our Group in April 2018, Mr. Jiang held various positions between November 2010 to July 2012, including as managing director with the investment banking department at Morgan Stanley Huaxin Securities. Previously, he was the director with the investment team at TPG Capital from February 2007 and the chief representative of TPG Capital—China Limited Beijing Representative Office from August 2007 to January 2009. Mr. Jiang was the executive director in the Corporate Finance Department of Goldman Sachs (Asia) L.L.C. from September 2004 to January 2007, and he also held various positions at UBS⁽³⁾ from April 2000 to September 2004, including as director of the investment banking department. From July 1994 to May 1997, he was an auditor at Arthur Andersen Huaqiang CPAs.

Mr. Jiang received his bachelor's degree in English from Beijing Foreign Studies University in July 1994 and his master's in business administration degree from Kelley School of Business, Indiana University. Mr. Jiang has been a non-practising member of the Chinese Institute of Certified Public Accountants since March 2002. During the past three years, Mr. Jiang has not been a director of any listed companies.

Ms. Zou Juan (鄒涓), aged 44, is our Chief Human Resources Officer, responsible for overseeing the corporate culture and human resources strategic management of our Group. Ms. Zou has nearly 20 years of experience in organizational, talent and human resources development. Prior to joining our Group, Ms. Zou was the vice president of SinoMedia Group from July 2012 to June 2014. Before that, she served as the China human resources director of Avenue Asia Services LLC from October 2008 to December 2011, and the human resources head of the China transportation business at General Electric (China) Co., Ltd. (通用電氣(中國)有限公司) from June 2005 to April 2008. Between June 1998 and June 2002, Ms. Zou served sequentially as regional office assistant manager, human resources officer, human resources manager and director of the people & culture unit at Chongqing Ericsson Technology Co. Ltd and Guangdong Ericsson Technology Co. Ltd.

Ms. Zou received her bachelor's degree in English from Sichuan International Studies University in July 1995, and a master's degree in human resources management from the University of Manchester in November 2003. During the past three years, Ms. Zou has not been a director of any listed companies.

Mr. Wang Lixing (王力行), aged 38, is the managing director, head of advisory of our Group, responsible for overseeing the financial advisory business of our Group. Mr. Wang started his

DIRECTORS AND SENIOR MANAGEMENT

investment banking career with the Group in July 2007. From July 2007 to September 2014, he served as analyst, associate, vice president of the TME Group division, director of the corporate finance group division, managing director of the corporate finance group division, before serving as his current role since January 2016.

Mr. Wang received his bachelor's degree in automotive engineering in July 2002 and his master's degree in information and communication engineering in July 2007, both from Tsinghua University. During the past three years, Mr. Wang has not been a director of any listed companies.

Mr. Lam Ka Cheong Jason (林家昌), aged 44, is the president of CR International, responsible for overseeing all business units and operational functions of our Group in Hong Kong and the US. Mr. Lam has over 20 years of investment banking, corporate finance and capital markets experience in Greater China and Asia, with a focus in the technology sector. He joined our Group in March 2013 as the managing director and head of equity capital markets, then as our managing director and co-head of investment banking from October 2015 to February 2016, and as president of CRS (Hong Kong) from March 2016 to February 2017, before serving in his current role as president of CR International since March 2017. Prior to joining our Group, Mr. Lam was an investment banker at Credit Suisse⁽²⁾, where he was managing director, co-head of technology coverage in Asia and the deputy head of corporate finance in Greater China from March 2007 to February 2013. Mr. Lam also previously held various investment banking positions at UBS⁽³⁾, ABN AMRO Bank N.V. and Credit Suisse⁽²⁾ from August 1997 to March 2007.

Mr. Lam received his bachelor of science degree from Cornell University in May 1996 and his master's degree in engineering economics system and operation research from Stanford University in June 1997.

Mr. Lam is a director of certain subsidiaries of our Company. During the past three years, Mr. Lam has not been a director of any listed companies.

COMPANY SECRETARY

Mr. Yee, Ming Cheung Lawrence (余名章) is currently the Chief Compliance Officer of the Group. He joined our Group in August 2016 as managing director, head of legal and compliance of CRS (Hong Kong), and took on the additional role of chief operating officer of CRS (Hong Kong) in July 2017. Prior to joining our Group, Mr. Yee served as the Asia head of investment banking and research compliance, Asia control room and Asia conflicts of J.P. Morgan Chase Bank, N.A. from May 2010 to August 2016. Previously, he held various positions, including as director of global markets compliance, at HSBC Markets (Asia) Ltd. from February 2006 to May 2010, legal counsel at The Hongkong and Shanghai Hotels, Limited from June 2003 to January 2006, and a solicitor at Richards Butler (now known as Reed Smith Richards Butler) from April 2000 to June 2003.

Mr. Yee received his bachelor's degree in law from the School of Oriental and African Studies, University of London in August 1996 and was awarded the postgraduate certificate in laws from the

Notes:

- (1) "Morgan Stanley" refers to Morgan Stanley Asia Limited, Morgan Stanley International Inc., Morgan Stanley Huaxin Securities or their affiliates
- (2) "Credit Suisse" refers to Credit Suisse (Hong Kong) Limited (previously known as Credit Suisse First Boston (Hong Kong) Limited), Credit Suisse Management (Australia) Pty Limited (previously known as Credit Suisse First Boston Australia Management Pty Limited), or their affiliates
- (3) "UBS" refers to UBS AG, UBS Investment Bank or their affiliates

DIRECTORS AND SENIOR MANAGEMENT

University of Hong Kong in June 1997. He was admitted as a practicing solicitor in Hong Kong as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong) in December 1999.

MANAGEMENT AND CORPORATE GOVERNANCE

Audit Committee

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal controls system (including risk management) of the Group, review and approve connected transactions and provide advice and comments to the Board. The Audit Committee consists of three members, namely Ms. Yao Jue, Mr. Ye Junying and Mr. Zhao Yue. Ms. Yao Jue will be appointed as the chairman of the audit committee and is our independent non-executive Director with the appropriate professional qualifications.

Remuneration Committee

We have established a Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The Remuneration Committee consists of three members, namely Mr. Ye Junying, Mr. Zhao Yue, and Mr. Bao. Mr. Ye will be appointed as the chairman of the Remuneration Committee.

Nomination Committee

We have established a Nomination Committee with written terms of reference in compliance with the Code on Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The Nomination Committee consists of three members, namely Mr. Bao, Mr. Zhao Yue and Ms. Yao Jue. Mr. Bao will be appointed as the chairman of the Nomination Committee.

Executive Committee

We have established an Executive Committee with written terms of reference as the regular management body of the Group. The primary duties of the Executive Committee are (i) consider the Company's overall objectives, corporate strategies and key results, (ii) to make strategic and executive decisions for the Group including but not limited to business plans, corporate development policies and performance targets, and (iii) to authorize a person or persons to implement specific parts of operational management. The Executive Committee also considers issues in relation to risks and controls arising from the regular business operations of the Group.

The Executive Committee currently consists of eight members of senior management, namely Mr. Bao, Mr. Xie Yi Jing, Mr. Du Yongbo and each of the persons listed in the table under "Directors and Senior Management—Senior Management." Mr. Bao, as our Chief Executive Officer, has been

DIRECTORS AND SENIOR MANAGEMENT

appointed as the chairman of the Executive Committee. Meetings of the Executive Committee are held on a monthly basis.

Corporate Governance Code

We aim to achieve high standards of corporate governance which are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 of the Listing Rules after the Listing.

Management Presence

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong.

Since the principal business operations of our Group are conducted in China, members of our senior management are, and are expected to continue to be, based in China. Further, as our executive Directors have a vital role in our Group's operations, it is crucial for them to remain in close proximity to our Group's central management located in China. Our Company does not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. We have applied for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules. For further details, see "Waivers from strict compliance with the Listing Rules—Waiver in respect of management presence in Hong Kong."

JOINT COMPLIANCE ADVISORS

We have appointed China Renaissance Securities (Hong Kong) Limited and Guotai Junan Capital Limited as our Joint Compliance Advisors pursuant to Rule 3A.19 of the Listing Rules. Our Joint Compliance Advisors will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Joint Compliance Advisors shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

DIRECTORS AND SENIOR MANAGEMENT

REMUNERATION

Our Directors and senior management receive remuneration, including salaries, allowances and benefits in kind, including our contribution to the pension plan on their behalf.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors for the years ended December 31, 2015, 2016, 2017 and three months ended March 31, 2018 was approximately US\$865,000, US\$1,427,000, US\$5,491,000 and US\$1,668,000, respectively. None of our Directors waived any remuneration during the aforesaid periods.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for the five highest paid individuals for the years ended December 31, 2015, 2016, 2017 and three months ended March 31, 2018, excluding our Directors, was approximately US\$7,817,000, US\$6,939,000, US\$4,786,000 and US\$1,201,000, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2015, 2016, 2017 and three months ended March 31, 2018 by our Company to our Directors.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

See “Statutory and General Information—D. ESOP and—E. RSU Plan” in Appendix IV for details regarding the incentive plan for senior management.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Save as disclosed below, each of our executive Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Mr. Neil Nanpeng Shen is the founding and managing partner of Sequoia Capital China. Mr. Li Shujun is the founding and managing partner of Trustbridge Partners. Mr. Li Eric Xun is the founding and managing partner of Chengwei Capital. Each of Sequoia Capital China, Trustbridge Partners and Chengwei Capital invests in a wide variety of growing business sectors in China, in which our investment funds may also invest from time to time. Notwithstanding the foregoing, the day-to-day operations and investment decision-making functions of our investment funds are generally independent from and do not require reporting to or prior approval by our Board. In the event that any investment presents a potential conflicts of interest, the advisory committee constituted by members from the limited partners of the funds will first decide on whether the investment shall proceed and make recommendation to the investment committee, then the investment committee will make the final decision. Unless otherwise required by laws and regulations (including the Listing Rules), our Board generally has no participation in or influence on the decision making process of these investments of

DIRECTORS AND SENIOR MANAGEMENT

our investment funds. We will also implement policies to the effect that information relating to specific projects or client of our investment banking business or portfolio companies of our investment management business will not be shared with Mr. Neil Nanpeng Shen, Mr. Li Shujun and Mr. Li Eric Xun unless otherwise required by laws and regulations (including the Listing Rules). These directors will also be subject to confidentiality obligations in respect of such information that they receive as directors of our Company.

Should under any circumstance an investment to be made by our investment funds requires prior approval by our Board, and conflicts of interest arise due to Mr. Neil Nanpeng Shen's position with Sequoia Capital China (or any of its underlying investment vehicles or investees), Mr. Li Shujun's position with Trustbridge Partners (or any of its underlying investment vehicles or investees) and/or Mr. Li Eric Xun's position with Chengwei Capital (or any of its underlying investment vehicles or investees), Mr. Neil Nanpeng Shen, Mr. Li Shujun, and Mr. Li Eric Xun will not vote on the relevant board resolution for the investment and will not be counted towards the quorum (if applicable) as required by the Articles or any of the applicable laws and regulations. In any event, our Board will have sufficient number of Directors to constitute a quorum for board meetings and will be able to resolve any conflicts of interest that arise under such circumstances.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, and assuming that the Over-allotment Option and the outstanding options under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan, the following persons will have interests or short positions (as applicable) in our Shares or underlying shares of our Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

(a) Interest in the shares of our Company

Name of shareholder	Capacity / nature of interest	Number of shares	Approximate percentage of interest in our Company after the Global Offering (Note 1)
CR Partners ^(Note 2)	Beneficial owner	244,240,000	44.53%
FBH Partners ^(Note 2)	Interest in a controlled corporation	244,240,000	44.53%
Mr. Bao ^(Note 2)	Interest in a controlled corporation	244,240,000	44.53%
	Settlor of a trust who can influence how the trustee exercises the voting power of its shares	31,064,000	5.66%
	Beneficial owner	16,400,000	2.99%
Renaissance Greenhouse HK Limited ^(Note 3)	Beneficial owner	46,109,084	8.41%
CW Renaissance Holdings Limited ^(Note 3)	Interest in a controlled corporation	46,109,084	8.41%
Chengwei Capital HK Limited ^(Note 3)	Interest in a controlled corporation	46,109,084	8.41%
Chengwei Evergreen Capital, LP ^(Note 3)	Interest in a controlled corporation	46,109,084	8.41%
Bamboo Green ^(Note 4)	Beneficial owner	34,565,216	6.30%
Sequoia Capital China Growth Fund III, L.P. ^(Note 4)	Interest in a controlled corporation	34,565,216	6.30%
SC China Growth III Management, L.P. ^(Note 4)	Interest in a controlled corporation	34,565,216	6.30%
SC China Holding Limited ^(Note 4)	Interest in a controlled corporation	34,565,216	6.30%
SNP China Enterprises Limited ^(Note 4)	Interest in a controlled corporation	34,565,216	6.30%
Mr. Neil Nanpeng Shen ^(Note 4) . .	Interest in a controlled corporation	34,565,216	6.30%
Mr. Li Shujun ^(Note 5)	Interest in controlled corporations	35,652,172	6.50%
Sky Allies Development Limited ^(Note 6)	Nominee for another person (other than a bare trustee)	31,064,000	5.66%
Infiniti Trust (Hong Kong) Limited ^(Note 6)	Trustee	31,064,000	5.66%

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) It is assumed that the Over-allotment Option and the outstanding options under the ESOP are not exercised and that no new Shares are issued pursuant to the RSU Plan.
- (2) FBH Partners owns 73.37% equity interest in CR Partners. Mr. Bao owns 79% of the equity interest in FBH Partners, and as a result of a voting proxy granted by Ms. Hui Yin Ching, the 21% owner of FBH Partners, over all her equity interests in FBH Partners, Mr. Bao controls 100% of the voting power at the general meetings of FBH Partners. Under the SFO, each of Mr. Bao and FBH Partners is deemed to be interested in the 244,240,000 Shares held by CR Partners. Separately, Mr. Bao is the settlor of Sky Allies Trust Scheme who can influence how Infiniti Trust (Hong Kong) Limited exercises the voting of its 31,064,000 Shares held through Sky Allies Development Limited for the trust. Under the SFO, Mr. Bao is also deemed to be interested in the 31,064,000 Shares held by Sky Allies Development Limited. Mr. Bao is also entitled to receive 16,400,000 Shares pursuant to the exercise of his options granted under the ESOP.
- (3) Renaissance Greenhouse HK Limited is wholly-owned by CW Renaissance Holdings Limited, which is in turn wholly-owned by Chengwei Capital HK Limited. Chengwei Capital HK Limited is wholly-owned by Chengwei Evergreen Capital, LP. Under the SFO, each of CW Renaissance Holdings Limited, Chengwei Capital HK Limited and Chengwei Evergreen Capital LP is interested in the 46,109,084 Shares held by Renaissance Greenhouse HK Limited.
- (4) Bamboo Green is wholly-owned by Sequoia Capital China Growth Fund III, L.P. The general partner of Sequoia Capital China Growth Fund III, L.P. is SC China Growth III Management, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is a wholly-owned subsidiary of SNP China Enterprises Limited, whose sole shareholder is Mr. Neil Nanpeng Shen. Under the SFO, each of Sequoia Capital China Growth Fund III, L.P., SC China Growth III Management, L.P., SC China Holding Limited, SNP China Enterprises Limited and Mr. Neil Nanpeng Shen is deemed to be interested in the 34,565,216 Shares held by Bamboo Green.
- (5) Greenhouse CR Holdings Co., Ltd. is wholly-owned by Trustbridge Partners IV L.P., whose general partner is TB Partners GP4, L.P.. The general partner of TB Partners GP4, L.P. is TB Partners GP Limited, whose sole shareholder is Mr. Li Shujun. Greenhouse CR Holdings II Co., Ltd. is wholly-owned by Trustbridge Partners V L.P., whose general partner is TB Partners GP5, L.P.. The general partner of TB Partners GP5, L.P. is TB Partners GP5 Limited, whose sole shareholder is Mr. Li Shujun. Under the SFO, Mr. Li Shujun is deemed to be interested in the 20,000,000 Shares held by Greenhouse CR Holdings Co., Ltd. and the 15,652,172 Shares held by Greenhouse CR Holdings II Co., Ltd. in the capacity of holders of interests in controlled corporations as opposed to beneficial owners.
- (6) The entire share capital of Sky Allies Development Limited is held by Infiniti Trust (Hong Kong) Limited as trustee of Sky Allies Trust Scheme for the benefit of selected employees. Sky Allies Development Limited holds the subject shares in our Company as nominee in trust for Infiniti Trust (Hong Kong) Limited as trustee of Sky Allies Trust Scheme.

(b) Substantial shareholders of other members of our Group

<u>Name of substantial shareholder</u>	<u>Name of member of our Group</u>	<u>Capacity / nature of interest</u>	<u>Approximate percentage of interest held by the substantial shareholder</u>
Maxlink International Investments Limited ^(Note 1)	Huaxing Associates GP, LLC	Beneficial owner	30%
Maxlink International Investments Limited ^(Note 1)	Huaxing Associates GP II, LLC	Beneficial owner	40%
Maxlink International Investments Limited ^(Note 1)	Huaxing Capital Management, LLC	Beneficial owner	40%
Zhang Junjie (張俊傑)	Helix Capital Partners	Beneficial owner	49%
Shanghai Enlight Investment Holdings Limited (上海光線投資控股有限公司) ^(Note 2)	Huajing Securities	Beneficial owner	34.24%
Beijing Enlight Pictures Co., Ltd. (北京光線影業有限公司) ^(Note 3)	Shanghai Huasheng	Beneficial owner	20%
Shanghai Languo Equity Investment Management Center, L.P. (上海藍果股權投資管理中心 (有限合夥)) ^(Note 4)	Shanghai Huasheng	Beneficial owner	30%
Zhang Junjie (張俊傑)	Tianjin Huaqing	Beneficial owner	49%
Zhang Junjie (張俊傑)	Ningbo Huajie	Beneficial owner	49%

SUBSTANTIAL SHAREHOLDERS

<u>Name of substantial shareholder</u>	<u>Name of member of our Group</u>	<u>Capacity / nature of interest</u>	<u>Approximate percentage of interest held by the substantial shareholder</u>
Tian Hongsen (田洪森)	Ningbo Meishan Bonded Port Area Rongjin Investment Management Limited (寧波梅山保稅港區榕錦投資管理有限責任公司)	Beneficial owner	49%
Cantrust (Far East) Limited ^(Note 5) . . .	Honor Equity Limited	Trustee	100%
Infiniti Trust (Hong Kong) Limited ^(Note 6)	Sky Allies Development Limited	Trustee	100%

Notes:

- (1) John Yao Chow Hsin is the sole shareholder of Maxlink International Investments Limited.
- (2) Wang Changtian (王長田) is the majority shareholder of Shanghai Enlight Investment Holdings Limited (上海光線投資控股有限公司).
- (3) Beijing Enlight Pictures Co., Ltd (北京光線影業有限公司) is a wholly-owned subsidiary of Beijing Enlight Media Co., Ltd (北京光線傳媒股份有限公司).
- (4) The general partner of Shanghai Languo Equity Investment Management Center, L.P. (上海藍果股權投資管理中心 (有限合夥)) is Huixin Qingcheng (Beijing) Technology Co., Ltd. (匯新青橙(北京)科技有限公司) which is in turn wholly-owned by Chen Yanhong (陳艷紅).
- (5) Cantrust (Far East) Limited holds the entire share capital of Honor Equity Limited as trustee of Honor Equity Trust Scheme for the benefit of selected employees.
- (6) Infiniti Trust (Hong Kong) Limited holds the entire share capital of Sky Allies Development Limited as trustee of Sky Allies Trust Scheme for the benefit of selected employees.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering (assuming the Over-allotment Option and outstanding options under the ESOP are not exercised and no new Shares are issued under the RSU Plan), have any interest and/or short position in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited immediately before and following the completion of the Global Offering:

	Number of shares	Aggregate nominal value of Shares
Authorized share capital as of the date of this document, prior to the Global Offering	2,000,000,000 shares divided into 1,820,000,000 ordinary Shares with par value of US\$0.000025 each, 80,000,000 Series A Preferred Shares with par value of US\$0.000025 each, and 100,000,000 Series B Preferred Shares with par value of US\$0.000025 each	US\$50,000
Shares in issue as of the date of this document	439,647,948 issued shares, consisting of 295,278,000 ordinary Shares, 60,000,000 Series A Preferred Shares, and 84,369,948 Series B Preferred Shares	US\$10,991.1987
Shares in issue as of the date immediately after conversion of 2018 Convertible Notes, prior to the Global Offering	463,431,612 issued shares consisting of 319,061,664 ordinary Shares, 60,000,000 Series A Preferred Shares, and 84,369,948 Series B Preferred Shares	US\$11,585.7903
Shares to be issued under the Global Offering	85,008,000 ordinary Shares	US\$2,125.2000
Shares in issue immediately following the Global Offering	548,439,612 ordinary Shares	US\$13,710.9903

Assumptions

The above table assumes that (i) each outstanding Preferred Share is converted into ordinary Shares immediately prior to the Global Offering, and (ii) the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering. The above tables also do not take into account any Shares which: (i) may be issued pursuant to an exercise of the Over-allotment Option and outstanding options granted under the ESOP; (ii) may be issued pursuant to the RSU Plan; and (iii) may be issued or repurchased by us under the general mandates granted to our Directors as referred in “—Potential Changes to Share Capital” below.

Ranking

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue, in issue in the future, or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

SHARE CAPITAL

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances Under Which General Meetings Are Required

Upon Listing, our Company shall have only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law to reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See “Summary of the Constitution of the Company and Cayman Company Law—Articles of Association—Alteration of Capital” in Appendix III for further details.

ESOP

We adopted the ESOP on August 24, 2012 and amended the same by resolution of the Board on March 1, 2013, April 27, 2015 and June 5, 2018. For further details, see “Statutory and General Information—D. ESOP” in Appendix IV. Our Company may issue up to 57,462,000 Shares upon the full exercise of the outstanding options granted under the ESOP. Our Company will not grant any further options under the ESOP after Listing.

RSU Plan

We adopted a RSU Plan on June 15, 2018. For further details, please refer to “Appendix IV—Statutory and General Information—E. RSU Plan.” Our Company may further issue a total of 12,000,000 Shares for the purpose of distribution of restricted share units under the RSU Plan within five years of the Listing.

General Mandate to Issue Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering (without taking into account any Shares which may be issued pursuant to an exercise of the Over-allotment Option and the outstanding options under the ESOP or otherwise pursuant to the RSU Plan); and
- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph “—General Mandate to Repurchase Shares” in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

SHARE CAPITAL

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See "Statutory and General Information—A. Further Information about our Company and our Subsidiaries—4. Resolutions of the Shareholders of our Company dated September 7, 2018" in Appendix IV for further details of this general mandate to allot, issue and deal with Shares.

General Mandate to Repurchase Shares

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with a total nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued pursuant to an exercise of the Over-allotment Option and the outstanding options under the ESOP or otherwise pursuant to the RSU Plan).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in "Statutory and General Information—A. Further Information about our Company and our Subsidiaries—4. Resolutions of the Shareholders of our Company dated September 7, 2018" in Appendix IV.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See "Statutory and General Information—A. Further Information about our Company and our Subsidiaries—4. Resolutions of the Shareholders of our Company dated September 7, 2018" in Appendix IV for further details of this general mandate to repurchase Shares.

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements (each a “**Cornerstone Investment Agreement**”, and together the “**Cornerstone Investment Agreements**”) with three cornerstone investors as set out below (each a “**Cornerstone Investor**”, and together, the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to, subject to certain conditions, subscribe at the Offer Price for a certain number of our Offer Shares (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$31.80, being the low-end of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 30,854,500 Offer Shares, representing approximately 36.30% of the Offer Shares and approximately 5.63% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option and the outstanding options granted under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan).

Assuming an Offer Price of HK\$33.30, being the mid-point of the indicative Offer Price range set out in this prospectus, the total number of Offer Shares to be subscribed by the Cornerstone Investors would be 29,464,500 Offer Shares, representing approximately 34.66% of the Offer Shares and approximately 5.37% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option and the outstanding options granted under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan).

Assuming an Offer Price of HK\$34.80, being the high-end of the indicative Offer Price range set out in this prospectus, the total number of Shares to be subscribed by the Cornerstone Investors would be 28,194,500 Offer Shares, representing approximately 33.17% of the Offer Shares and approximately 5.14% of our total issued share capital immediately upon completion of the Global Offering (assuming the Over-allotment Option and the outstanding options granted under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan).

The Cornerstone Placing will form part of the International Offering, and the Cornerstone Investors will not acquire any Offer Shares under the Global Offering (other than pursuant to the Cornerstone Investment Agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the fully paid Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any Board representation in our Company, nor will they become substantial shareholders of the Company. Each of the Cornerstone Investors is an Independent Third Party and is independent of other Cornerstone Investors, and is not a connected person of the Company (as defined in the Listing Rules).

The table below sets forth details of the Cornerstone Placing:

Cornerstone Investor	Total subscription amount	Assuming a final Offer Price of HK\$31.80 per Share (being the low-end of the Indicative Offer Price range)			Assuming a final Offer Price of HK\$33.30 per Share (being the mid-point of the Indicative Offer Price range)			Assuming a final Offer Price of HK\$34.80 per Share (being the high-end of the Indicative Offer Price range)								
		Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised	Assuming the Over-allotment Option is not exercised		Assuming the Over-allotment Option is fully exercised						
		Number of Offer Shares to be subscribed ⁽²⁾	Approximate % of the Offer Shares in issue ⁽³⁾	Approximate % of the Offer Shares	Number of Offer Shares to be subscribed ⁽²⁾	Approximate % of the Offer Shares in issue ⁽³⁾	Approximate % of the Offer Shares	Number of Offer Shares to be subscribed ⁽²⁾	Approximate % of the Offer Shares in issue ⁽³⁾	Approximate % of the Offer Shares						
Alipay (Hong Kong) Holding Limited	US\$50,000,000 (HK\$392,470,000) ⁽¹⁾	12,341,800	14.52%	2.25%	12.62%	2.20%	11,785,800	13.86%	2.15%	12.06%	2.10%	11,277,800	13.27%	2.06%	11.54%	2.01%
LGT Group Foundation	US\$25,000,000 (HK\$196,235,000) ⁽¹⁾	6,170,900	7.26%	1.13%	6.31%	1.10%	5,892,900	6.93%	1.07%	6.03%	1.05%	5,638,900	6.63%	1.03%	5.77%	1.00%
Snow Lake Funds	US\$50,000,000 (HK\$392,470,000) ⁽¹⁾	12,341,800	14.52%	2.25%	12.62%	2.20%	11,785,800	13.86%	2.15%	12.06%	2.10%	11,277,800	13.27%	2.06%	11.54%	2.01%

Notes:

- (1) Calculated based on an exchange rate of US\$1.00 to HK\$7.8494 as described in the section headed "Information about this Document and the Global Offering—Exchange Rate Conversion". The actual investment amount of each Cornerstone Investor in Hong Kong dollars may vary due to the actual exchange rate prescribed in the relevant Cornerstone Investment Agreement.
- (2) Subject to rounding down to the nearest whole board lot of 100 Shares.
- (3) Immediately following the completion of the Global Offering and assuming the outstanding options granted under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan.

THE CORNERSTONE INVESTORS

The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

1. Alipay (Hong Kong) Holding Limited

Alipay (Hong Kong) Holding Limited has agreed to acquire such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased with US\$50,000,000 at the Offer Price.

Alipay (Hong Kong) Holding Limited is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Ant Small and Micro Financial Services Group Co., Ltd. (浙江蚂蚁小微金融服务集团股份有限公司) (“Ant Financial”). Ant Financial is a technology company focused on providing inclusive financial services to small and micro enterprises and consumers in China and across the world through sustained technological innovation and cooperation with financial institutions. It primarily operates a digital payment services business as well as financial technology platform services for wealth management, micro financing, insurance and other areas.

2. LGT Group Foundation

LGT Group Foundation has agreed to acquire such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased with US\$25,000,000 at the Offer Price.

LGT Group Foundation is a foundation established in the Principality of Liechtenstein.

LGT Group Foundation and its subsidiaries (together “LGT”) are a leading international private banking and asset management group that have been fully controlled by the Liechtenstein Princely family for over 80 years. As at June 30, 2018, LGT managed assets of US\$207.5 billion for wealthy private individuals and institutional clients. LGT employs over 3,000 people who work out of more than 20 locations in Europe, Asia, the Americas and the Middle East. The core business of LGT comprises wealth management services for private clients, and investment management services for institutional clients and investment funds.

3. Snow Lake Funds

Snow Lake China Master Fund, Ltd. and Snow Lake China Master Long Fund, Ltd. (the “**Snow Lake Funds**”) has agreed to acquire such number of Offer Shares (rounded down to the nearest whole board lot) which may be purchased with US\$50,000,000 at the Offer Price.

The Snow Lake Funds are exempted companies established under the laws of the Cayman Islands. Snow Lake Capital Limited (“**Snow Lake Capital**”), a Cayman Islands limited liability company, serves as the investment manager of the Snow Lake Funds.

Snow Lake Capital, together with its affiliates, is an Asian alternative investment management firm founded in 2009. The firm employs a long-term fundamental investment approach, leveraging its in-house proprietary research capabilities and disciplined investment process in selecting high quality businesses with forward-thinking management. Snow Lake Capital mainly invests in leading companies in the TMT, consumer, healthcare, financial services and real estate sectors. Snow Lake Capital manages capital mainly for institutional clients globally, including university endowments, foundations, family offices, sovereign wealth funds and pensions.

CLOSING CONDITIONS

The subscription obligation of each Cornerstone Investors to subscribe for the Offer Shares under the respective Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (i) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in the Hong Kong Underwriting Agreement and the International Underwriting Agreement, and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (ii) the Offer Price having been agreed upon between the Company and the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters);
- (iii) the Listing Committee having granted the listing of, and permission to deal in, the Shares (including the Shares under the Cornerstone Placing as well as other applicable waivers and approvals) and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (iv) no laws shall have been enacted or promulgated by any Governmental Authority (as defined in the relevant Cornerstone Investment Agreement) which prohibits the consummation of the transactions contemplated in the Global Offering or the Cornerstone Investment Agreement, and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (v) the representations, warranties, undertakings and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are and will be (as of the closing of the Cornerstone Investment Agreement) accurate and true in all material respects and not misleading and that there is no breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors has agreed that, among other things, without the prior written consent of each of our Company, the Joint Representatives and the Joint Sponsors, it will not, at any time during the period of six months from the Listing Date (the “**Lock-up Period**”), whether directly or indirectly, (i) dispose of any of the Offer Shares they have purchased pursuant to the relevant cornerstone investment agreements, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, or (ii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

In addition, each of LGT Group Foundation and the Snow Lake Funds has agreed that, without the prior written consent of each of our Company, the Joint Representatives and the Joint Sponsors, it will not, at any time during the Lock-up Period, whether directly or indirectly, allow itself to undergo a

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change of control (as defined in The Codes on Takeovers and Mergers and Share Buy-backs promulgated by the SFC) at the level of its ultimate beneficial owner, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of such Cornerstone Investor, including the Lock-up Period restriction.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information and the related notes included in the Accountant's Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. For further details, see "Forward-Looking Statements."

OVERVIEW

We are the leading investment banking and investment management firm dedicated to China's New Economy businesses, which are transforming the economy through entrepreneurship, technological advancement, and innovative business models. We have built our business specifically to discover best-in-class entrepreneurs and businesses and engage them with advisory and capital markets services and investment through all phases of their development. As of March 31, 2018, we had advised on approximately 700 transactions worth over US\$100 billion on a cumulative basis since inception, and had AUM worth approximately US\$4.1 billion.

The following table sets forth our total revenue, profit or loss attributable to owners of the Company, adjusted revenue, and adjusted net profit attributable to owners of the Company for the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018. For a discussion of adjusted revenue and adjusted net profit attributable to owners of the Company, see "—Non-IFRS Measures."

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Total revenues	120,171	133,363	139,414	23,406	38,833
Profit/(Loss) for the year/period attributable to owners of the Company	28,844	31,833	32	(1,135)	(65,262)
Non-IFRS Measures:					
Adjusted revenue (unaudited)⁽¹⁾	143,041	143,923	212,450	33,773	92,921
Adjusted net profit attributable to owners of the Company (unaudited)⁽²⁾	73,353	55,179	58,103	6,820	35,667

Notes:

- (1) We define adjusted revenue as total revenue adjusted for the impact of unrealized income from carried interest. Adjusted revenue is not a measure required by, or presented in accordance with, IFRS. The use of adjusted revenue has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. See "—Non-IFRS Measures" for further details.
- (2) We define adjusted net profit attributable to owners of the Company as profit or loss for the year or period attributable to owners of the Company adjusted for the impact of (i) share-based compensation expenses, (ii) change in fair value of convertible notes, (iii) change in fair value of convertible redeemable preferred shares, (iv) unrealized income from carried interest, and (v) carried interest to management team and other parties. Adjusted net profit attributable to owners of the Company is not a measure required by, or presented in

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accordance with, IFRS. The use of adjusted net profit attributable to owners of the Company has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. For further details, see “—Non-IFRS Measures.”

We report our results of operations in three segments: investment banking, investment management, and Huajing. For the investment banking segment, we earn transaction and advisory fees. For the investment management segment, we earn management fees and, when realized, income from carried interest. For the Huajing segment, we earn transaction and advisory fees and interest income.

The following table sets forth selected summary financial data of our investment banking segment for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
	US\$'000				
Investment Banking					
Segment revenue	112,318	105,179	98,864	14,883	21,398
Segment operating expenses	(56,157)	(58,949)	(85,577)	(13,266)	(19,097)
Segment operating profit	56,161	46,230	13,287	1,617	2,301

After experiencing favorable market conditions and strong market momentum in 2015, the financial services market for China’s new economy entered into a phase of adjustments, which saw the aggregate transaction volume dropped in 2016 and stayed flattish into 2017. Believing in the long-term growth potential of China’s new economy, we, however, had invested significantly for the future.

- We expanded strategically, having built our early-stage startups coverage, and significantly scaled up our equity research, sales and trading capabilities, among other initiatives, which echoes our funnel business model and strengthens our capabilities as a platform.
- We extended our sector coverage, having built a more extensive, in-depth coverage model for TME sectors and having increased our coverage of new sectors such as healthcare in a more dedicated fashion. The number of our investment banking professionals more than tripled during the Track Record Period.
- We invested significantly in talent across all our business lines, and successfully enabled our next-generation leaders to assume key management positions.

These investments have improved our capabilities to capture emerging winners among the Chinese new economy startups, to better engage our best-in-class clients at each phase of their developments by serving their increasingly complex needs for financial services, and to benefit further and broadly from the growth of the expanding new economy. We have seen early signs of these investments paying off, with strong results of operations recorded in the first quarter of 2018.

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The following table sets forth selected summary financial data of our investment management segment for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017 (unaudited)	2018
	US\$'000				
Investment Management					
Segment revenue ⁽¹⁾	30,723	36,679	101,385	16,127	65,963
Segment operating expenses ⁽²⁾	(21,588)	(24,133)	(68,243)	(10,878)	(37,285)
Segment operating profit	9,135	12,546	33,142	5,249	28,678

Notes:

(1) Adjusted for unrealized income from carried interest. For a discussion of our non-IFRS measures, see “—Non-IFRS Measures.”

(2) Adjusted for carried interest to management team and other parties. For a discussion of our non-IFRS measures, see “—Non-IFRS Measures.”

During the Track Record Period, our investment management segment experienced significant growth. We formed a diverse portfolio of investment funds with various sector focuses, currencies, and product types. The commitment by limited partners, invested capital and AUM of our private equity funds significantly increased during the Track Record Period. The number of partners and investment professionals increased more than five times during the Track Record Period.

The following table sets forth selected summary financial data of our Huajing segment for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017 (unaudited)	2018
	US\$'000				
Huajing					
Segment revenue	—	2,065	12,201	2,763	5,560
Segment operating expenses	—	(18,194)	(41,154)	(5,843)	(8,336)
Segment operating profit	—	(16,129)	(28,953)	(3,080)	(2,776)

We established Huajing Securities to maintain our leadership in serving China’s new economy and to capture long-term growth opportunities in China’s onshore securities markets. In late 2016 and 2017, we allocated significant upfront financial, managerial, and human resources to commence and expand our Huajing Securities. Within a short period of time, we had built a multi-licensed securities platform with commensurate business, information technology and compliance infrastructure. We had built from scratch a team of experienced management and close to 200 professionals. This segment had breakthroughs across its multiple lines of businesses including advisory, equity and ABS underwriting, structured finance, asset management, and securities investment. As a result of an equity financing in December 2017, Huajing Securities established net assets of RMB2.8 billion and was added prominent shareholders such as Jiangsu Communications, Liby Group, and New Hope Group, with an implied valuation of approximately RMB7.0 billion.

BASIS OF PRESENTATION

Our Historical Financial Information has been prepared in accordance with IFRS and includes applicable disclosure required by the Listing Rules and the Companies (Winding Up and

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Miscellaneous Provisions) Ordinance. We prepared our Historical Financial Information under the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set forth below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Our Historical Financial Information consolidates the operating results of our Company and entities (including structured entities) controlled by our Company and our subsidiaries. Control of an entity is achieved when we (i) have power over an entity, (ii) are exposed, or have rights, to variable returns from our engagement with the entity, and (iii) have the ability to use our power to affect our returns. Where necessary, we made adjustments to the financial statements of our subsidiaries to bring their accounting policies in line with those used by our Group. All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of our Group are eliminated in full in consolidation. The Historical Financial Information is presented in U.S. dollars and all values are rounded to the nearest thousand except where otherwise indicated.

For the purpose of presenting the Historical Financial Information, the assets and liabilities of our foreign operations are translated into our presentation currency at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the reporting period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of other reserve.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, many of which are outside of our control, including the following.

Development of China's New Economy

Our dedication to China's new economy since inception has historically rewarded us with robust organic growth for more than a decade. The development of China's new economy has materially affected, and likely will continue to affect, our business and profitability. According to the CIC Report, the GDP for China's new economy increased from approximately US\$0.4 trillion for 2013 to approximately US\$1.5 trillion for 2017, representing a robust CAGR of 37.1%, and the GDP for China's new economy as a percentage of the GDP of China's overall economy increased from 5.0% for 2013 to 13.2% for 2017. A strong growth of China's new economy has resulted in, and likely will continue to result in, a steady supply of fast growing new economy entrepreneurs, an increasing demand for our guidance in entrepreneurial financing and strategies and our direct capital support, as well as continuous expansion of our client base. Our investment banking and investment management businesses have capitalized, and likely will continue to capitalize, on the development of China's new economy. Nevertheless, the trends, timing, and strengths of development of China's new economy are unpredictable. A declining or slowing new economy in China could adversely affect our profitability.

In addition, the PRC regulatory authorities' policies and approaches towards China's new economy could affect its development, which in turn could affect our business prospects and results of operations. For example, in March 2018, the CSRC as backed by the PRC State Council officially announced a pilot program, which allows, in principle, certain qualified China-based, overseas-listed companies to offer CDRs in China and certain qualified innovative PRC companies to fast-track in A Share IPOs. It was generally believed that the pilot program would incentivize domestic innovation,

attract high quality China-based, overseas-listed companies to the A Share market, and strengthen China's capital markets. We have invested significantly in our Huajing Securities business and are well-positioned to take on this policy-driven opportunities. If, however, the pilot program fails to put through, the growth of Huajing Securities may be impeded and we may take longer time to recoup our expenditure with respect to Huajing Securities. Further, if the PRC regulatory authorities impose strict supervision on areas where China's new economy have benefited from the laissez-faire policies, such as financial advisory and private equity, our business prospects may face the resulting challenges.

Conditions and Trends of Capital Markets

Our results of operations are affected by the conditions and trends of capital markets in China, Hong Kong, and the United States. Favorable capital market conditions are generally characterized by, among other factors, sufficient liquidity, high investor confidence, generally strong business earnings, and efficient market valuation. Unfavorable or uncertain capital market conditions can be characterized by general declines in macroeconomic growth, business activities, or investor confidence, market volatility and fluctuations, decreases in the availability of or increases in the cost of credit and capital, outbreaks of hostilities or other geopolitical instability, and natural disasters or pandemics. The financial performance of some of our major businesses is affected, to varying extent, by the conditions and trends of the relevant capital markets.

Advisory. Public and private capital market conditions could affect expectation of entrepreneurs, strategic investors, or other institutional investors in planning financing activities or executing M&A strategies. According to the CIC Report, private capital markets are now more accessible with increasing capital inflow and investor interest, hence giving private companies an option to stay private while having access to capital. IPOs serve as one of the main exit channels for liquidity, and public capital markets provide valuation reference for pricing private companies. We believe that positive investor reception, high level of investor confidence, or favorable valuation of certain new economy sectors could lead to more financing activities with higher valuations in the relevant sectors, which in turn could result in an increase in our fee revenue for the advisory services. Nevertheless, adverse conditions of the public capital markets could result in more M&A activities, providing alternative venues for expansion or exits. Under certain circumstances, adverse public capital market conditions could also lead to opportunities for our advisory services, such as going-private transactions of China-based, U.S.-listed companies with less-than-expected valuations on the United States capital market.

Equity Underwriting. By definition, capital market conditions in China, Hong Kong, and the United States have direct impacts on the number and value of transactions for our equity underwriting business and the amount of underwriting commissions in these jurisdictions.

Sales, Trading, and Brokerage. Capital market conditions could affect investor confidence and trading activities, which in turn could affect our commissions and other fees. Strong performance of capital markets may facilitate trading activities, while unforeseeable declines and significant volatility in the market may substantially inhibit the development of our sales, trading, and brokerage services.

Investment Management. Capital market conditions and trends and fundraising environment could affect our ability to continuously attract capital commitments, the pace of our investing activities and valuations of our portfolio companies with respect to our private equity operations as well as our exit strategies, whether through IPOs or trade sales, which in turn could affect our private equity

operations. In addition, capital market trends in favor of certain new economy sectors could potentially guide and facilitate our selection of promising new economy sectors to achieve satisfactory return for our private equity business.

Our Ability to Expand Our Investment Banking Business

The investment banking business is one of our key segments. We earn transaction and advisory fees for various services rendered primarily under our investment banking business. Transaction value is a principal factor affecting the prospects and results of operations under our investment banking business, which is fee-based and currently constitutes a majority of our businesses. The transaction value in turn could be affected by various factors, such as microeconomic environment, market conditions, competition, our brand and reputation, and our performance in delivering satisfactory results to clients. For our investment banking business, we charge fees by a percentage of the underlying transaction value and record them as transaction and advisory fees. Although market practices allow micro-adjustment of fee percentages upward or downward for transactions of smaller or larger sizes, respectively, such micro-adjustment does not negate the significant impact of transaction value on our results of operations. A significant decrease in the aggregate value of underlying transactions during a reporting period could result in a significant decrease in our transaction and advisory fees, which in turn could affect our results of operations.

Our Ability to Grow Our Investment Management Business

Investment management business is another key segment of our operations. We obtain financial returns in our investment management business primarily through three channels: (i) managements fees, which are recognized as revenue; (ii) income from investment in our capacity as a general partner and in our capacity as a limited partner from our own private equity funds and third-party funds, which is recognized as investment income, and (iii) income from carried interest, which is calculated at the end of each reporting period pursuant to the applicable fund agreements as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized, to be recognized as revenue upon realization.

The management fees are charged by a percentage of private equity fund capital commitments. The income from investment in our capacity as a general partner and in our capacity as a limited partner from our own private equity funds is recorded as investment income determined based on fair value change of the investments. The income from carried interest are determined based on certain percentages of realized gains of our private equity funds, to which the AUM is relevant. We record the amount of income from carried interest after a private equity fund achieves its contractual hurdle rate, and recognize it as revenue in accordance with IFRS when significant reversal is unlikely. Such realized and unrealized income from carried interest reflect our management skills and our share of profit of our private equity funds. The portfolio performance is essential to ensure value creation and growth by our private equity funds and our various sources of income thereunder. If the portfolio performance is unsatisfactory, the AUM may shrink, resulting in a decrease in the amount of income from carried interest (to the extent realized) and income from investment in our capacity as a general partner and in our capacity as a limited partner from our private equity funds, and thus adversely affect our profitability.

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Our Plan to Expand Our New Business Lines

Following our full lifecycle coverage philosophy, we may launch new business lines from time to time to meet the dynamic demands of our clients. New business launch could adversely affect our profitability for a period of time. For example, since 2016, we have devoted significant resources to the commencement and expansion of our Huajing Securities business, which incurred operating losses of US\$16.1 million, US\$29.0 million, US\$3.1 million, and US\$2.8 million for the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018, respectively.

Our Ability to Effectively Invest in People

Talent acquisition and retention are essential to us because our businesses are human capital intensive. As we compete to acquire and retain qualified employees, we believe it is necessary and customary to prepare attractive compensation packages that include cash-based and share-based compensation and benefits, so that we may have to incur significant share-based compensation, which could adversely affect our results of operations. For example, our compensation and benefit expenses for the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018 were US\$43.6 million, US\$64.7 million, US\$101.4 million, US\$15.5 million, and US\$24.2 million, respectively, representing approximately 36.3%, 48.5%, 72.7%, 66.4%, and 62.4% of our total revenue for the corresponding periods. The share-based compensation for the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018 were US\$3.8 million, US\$3.6 million, US\$8.2 million, US\$0.6 million, and US\$2.3 million, respectively. Compensation and benefits expenses of Huajing Securities for the years ended December 31, 2016 and 2017 and the three months ended March 31, 2017 and 2018 were US\$12.1 million, US\$29.6 million, US\$3.8 million, and US\$5.7 million, respectively.

Our Ability to Compete Effectively

We face intense competition in all aspects of our businesses. The burgeoning financial advisory and investment management sectors have attracted an increasing number of competitors. On the other hand, we have also expanded into several complementary sectors to compete against strong existing players in these sectors, such as equity underwriting, sales, trading, brokerage, and research.

Increasing competition or an adverse change in our competitive position could result in a reduction of market share and thus a decrease of revenue and profit. Competition could also raise our costs of hiring and retaining qualified employees necessary for our businesses.

Our Ability to Comply with Regulatory Requirements

Our equity underwriting, sales, trading, brokerage, and research services, and Huajing Securities business are subject to various regulatory regimes in Hong Kong, the United States, and China. Compliance with multi-jurisdictional regulatory requirements will result in higher operating expenses. In addition, developments of any regulatory environment, particularly in China, could present us with growth opportunities arising from the opening up of previously regulated areas. On the other hand, the uncertainty of China's regulatory policies could disrupt our business plans and affect our results of operations.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS, AND ESTIMATES

We have identified certain accounting policies, judgments, and estimates that are significant to the preparation of the Historical Financial Information in accordance with the IFRS. Our significant

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accounting policies, which are important for an understanding of our financial position and results of operations, are set forth in detail in Note 3 to the Accountant's Report in Appendix I. Other than IFRS 9 that we adopted on January 1, 2018, we have applied these significant accounting policies consistently throughout the Track Record Period.

Some of our accounting policies require us to apply estimates and assumptions as well as complex judgments relating to accounting items. The estimates and assumptions that we use and the judgments that we make in applying our accounting policies have a significant impact on our financial position and results of operations. Our management continually evaluates such estimates, assumptions, and judgments based on past experience and other factors, including industry practices and expectations of future events that we believe to be reasonable under the circumstances. There has not been any material deviation between our management's estimates or assumptions and actual results, and we have not made any material changes to these estimates or assumptions during the Track Record Period. We do not expect any material changes in these estimates and assumptions in the foreseeable future. Our critical accounting judgments and estimates that were used in the preparation of the Historical Financial Information are set forth in Note 4 to the Accountant's Report in Appendix I.

Critical Accounting Policies

Revenue Recognition

We recognize revenue when (or as) a performance obligation is satisfied, or when "control" of the services underlying the particular performance obligation is transferred to our customers.

Control of the services may be transferred over time or at a point in time. If control of the services transfers over time, revenue is recognized over the period of the contract by reference to the progress toward complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when our customer obtains control of the services.

Transaction and advisory fees

Transaction and advisory fees represent underwriting fees and financial advisory fees associated with private placement transactions, public capital raising transactions, and mergers and acquisitions. Such transaction revenues are recognized at a point in time when the services for the transactions are completed under the terms of each engagement and the revenue can be measured reliably, since only by that time we have a present right to payment from the customers for the service performed.

Management fees

Management fees represent fees associated with the management services for the funds at a fixed percentage of capital commitment under management. Management fees are recognized over time based on contractual terms specified in the underlying investment management agreements, since the managed fund simultaneously receives and consumes the benefits provided by our performance as we perform and the fee rate and the capital contribution of the fund that are used to determine the management fees are reliably measured.

Income from carried interest

Income from carried interest earned based on the performance of the managed funds is a form of variable consideration in our contracts with customers to provide investment management services.

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Income from carried interest is earned based on fund performance during the period, subject to the achievement of minimum return levels, or high water marks, in accordance with the respective terms set out in each fund's governing agreements. Income from carried interest will not be recognized as revenue until (i) it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur, or (ii) the uncertainty associated with the variable consideration is subsequently resolved. Income from carried interest is typically recognized as revenue at a late stage of the fund life.

Interest income

Interest income from a financial asset is accrued on a time basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Financial Instruments (before the adoption of IFRS 9 on January 1, 2018)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Our financial assets are classified as loans and receivables, financial assets at fair value through profit or loss, and available-for-sale financial assets based on the nature, purpose of the financial assets and are determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial liabilities and equity instruments issued by us are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

For a discussion of accounting treatment of our financial instruments, see "Appendix I—Accountants' Report—Notes to the Consolidated Financial Statements—Significant Accounting Policies—Financial instruments."

Application of IFRS

IFRS 9 and IFRS 15 are both effective for the annual periods beginning on or after January 1, 2018, allowing early adoption. In preparing and presenting the Historical Financial Information for the years ended and as of December 31, 2015, 2016, and 2017, we have not applied in advance certain significant new and revised IFRS relevant to our financial performance that had been issued but were not yet effective except for IFRS 15, which is adopted consistently during the Track Record Period. Since January 1, 2018, we have applied some of these new and revised IFRS in preparing and presenting the Historical Financial Information for the three months ended and as of March 31, 2018.

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We had elected to apply IFRS 9 “Financial Instruments” since January 1, 2018. We had further assessed the effects of the adoption of IFRS 9 as compared to IAS 39 on our financial statements and we considered that the adoption of IFRS 9 did not have significant impact on our financial position and performance since January 1, 2018, based on the current impacts as of the date of initial application, as set out in Note 2 to the Accountant’s Report in Appendix I, and the financial information for the three months ended March 31, 2018.

We had elected to consistently apply IFRS 15 “Revenue from Contracts with Customer” throughout the Track Record Period. In order to provide additional information to the potential Listing, we further assessed the financial impact of the adoption and application of IFRS 15 on us. Based on the Historical Financial Information, had IAS 18 been consistently applied throughout the Track Record Period, there would be no significant change in our financial position and performance. The adoption of IFRS 15 as compared to IAS 18 had resulted in more disclosures in our Historical Financial Information throughout the Track Record Period.

IFRS 9—Financial Instruments

Issued in July 2014, IFRS 9—Financial Instruments introduces new requirements for the classification and measurement of financial assets, financial liabilities, and general hedge accounting and impairment requirements for financial assets. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Selected key requirements of IFRS 9

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortized cost at the end of subsequent accounting periods. Debt investments that (y) are held within a business model whose objective is to both collect contractual cash flows and sell financial assets and (z) have contractual terms specifying dates of cash flows that are solely payments of principal and interest on the outstanding principal are measured at fair value through other comprehensive income. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, an irrevocable election can be made to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

With respect to the measurement of financial liabilities designated at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of financial liabilities that is attributable to changes in the credit risk of the financial liabilities is presented in other comprehensive income, unless the recognition of the effects of changes in the credit risk of the financial liabilities in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in the fair value of financial liabilities attributable to changes in the credit risk of the financial liabilities are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of financial liabilities designated at fair value through profit or loss is presented in profit or loss.

With respect to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as compared to the incurred credit loss model under IAS 39. The expected credit loss model

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requires a company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, the occurrence of a credit event is no longer necessary before credit losses can be recognized.

Transitional impact

Beginning on January 1, 2018, we adopted IFRS 9 “Financial Instruments,” and had further assessed the effects of the adoption of IFRS 9 as compared to IAS 39 on our financial statements. We considered that the adoption of IFRS 9 did not have significant impact on our financial position and performance since January 1, 2018, based on the current impacts as of the date of initial application, as set out in Note 2 to the Accountant’s Report in Appendix I, and the financial information for the three months ended March 31, 2018.

Critical Accounting Judgments and Estimates

Critical judgments in applying accounting policies

Revenue Recognition

The recognition of each of the Group’s revenue stream requires judgement by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgement, the directors of the Company consider the detailed criteria for recognition of revenue set out in IFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the detailed terms of transaction as stipulated in the contracts entered into with its customers and counterparties.

For the transaction and advisory services, the directors of the Company have assessed that the Group has a present right to payment from customers for the services performed upon the time when the customers have received and endorsed the project completion report. Therefore, the directors of the Company have satisfied that there was only a single performance obligation, and the respective transaction and advisory services income is satisfied at a point in time.

For the management fee associated with the management services fees for the funds, the directors of the Company have assessed that the customers (i.e. the funds) simultaneously receive and consume benefit provided by the Group’s performances as the Group performs. The Group is required to provide necessary services to the customers over the subscription period (i.e. the funds’ life). Therefore, the directors of the Company are satisfied that the performance obligation in respect of the management fee income is satisfied over time and have recognized such income on a straight-line basis over the subscription period.

For the income from carried interest in a typical arrangement in which the Group serves as fund manager, the Group is entitled to a performance-based fee on the extent by which the fund’s investment performance exceeds the minimum return levels. Such performance-based fees are typically calculated and distributed when the cumulative return of the fund can be determined (i.e. investment gains are realized), and is not subject to clawback provisions. The income from carried interest will not be recognized as revenue until (a) it is highly probable that a significant reversal in the amount of cumulative revenue will not occur, or (b) the uncertainty associated with the Carried Interest is subsequently resolved.

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Carried interest to management team and other parties represents carried interest (which may be distributed in cash or in-kind) allocations to employees, senior managing directors and other parties participating in certain profit sharing initiatives. The related expenses could be recognized when these parties have rendered services to the Group and the amounts that will be eventually paid out can be reliably measured. This could result in recognition of the related expenses in advance of recognition of Carried Interest revenue under the Group's fund management contracts.

Income Taxes

The recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. Where actual future taxable profit generated is less or more than expected, or any change in facts and circumstances results in revision of future taxable profit estimation, a material reversal or future recognition of deferred tax assets may arise, which would be recognized in the consolidated statements of profit or loss and other comprehensive income for the period in which such a reversal or future recognition took place.

NON-IFRS MEASURES

To supplement our Historical Financial Information, which is presented in accordance with IFRS, we also use adjusted revenue and adjusted net profit attributable to owners of the Company as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by adjusting for potential impacts of items, which our management considers to be indicative of our operating performance. We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. Our presentation of adjusted revenue and adjusted net profit attributable to owners of the Company may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as analytical tools, and you should not consider them in isolation from, or as substitutes for analysis of, or our results of operations as reported under IFRS.

Adjusted revenue adjusts for the impact of unrealized income from carried interest.

The following table reconciles our adjusted revenue for the periods indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is revenue.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Total Revenue	120,171	133,363	139,414	23,406	38,833
Add:					
Unrealized income from carried interest ⁽¹⁾	22,870	10,560	73,036	10,367	54,088
Non-IFRS Measure					
Adjusted revenue (unaudited)	143,041	143,923	212,450	33,773	92,921

Note:

- (1) Unrealized income from carried interest represents the gross amount of carried interest that would have been received by the general partners of our private equity funds, as if the fair value of the underlying investment were realized. The amount of carried interest that ultimately would have been retained by the general partners of our private equity funds, if it were realized, is the net carried interest, which is equal to income from carried interest minus carried interest to management team and other parties.

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Adjusted net profit attributable to owners of the Company adjusts for the impact of (i) share-based compensation expenses, (ii) change in fair value of convertible notes, (iii) change in fair value of convertible redeemable preferred shares, (iv) unrealized income from carried interest, and (v) carried interest to management team and other parties.

The following table reconciles our adjusted net profit attributable to owners of the Company for the periods indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit or loss attributable to owners of the Company.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Profit/(Loss) for the year/period attributable to owners of the Company	28,844	31,833	32	(1,135)	(65,262)
Add:					
Share-based compensation expenses	3,768	3,645	8,203	611	2,326
Change in fair value of convertible notes	—	2,600	504	395	—
Change in fair value of convertible redeemable preferred shares	34,039	13,978	25,730	3,173	73,770
Subtotal before adjustments relating to carried interest	66,651	52,056	34,469	3,044	10,834
Add:					
Unrealized net carried interest ⁽¹⁾	6,702	3,123	23,634	3,776	24,833
Non-IFRS Measure					
Adjusted net profit attributable to owners of the Company (unaudited)	73,353	55,179	58,103	6,820	35,667

Note:

- (1) The unrealized net carried interest is equal to unrealized income from carried interest minus carried interest to management team and other parties, as illustrated below. For further details, see “Appendix I—Accountant’s Report—Notes to the Consolidated Financial Statements—Segment Information—Segment revenue and results—note (b).”

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000				
Unrealized income from carried interest	22,870	10,560	73,036	10,367	54,088
Carried interest to management team and other parties	(16,168)	(7,437)	(49,402)	(6,591)	(29,255)
Unrealized net carried interest	6,702	3,123	23,634	3,776	24,833

Recognition of unrealized income from carried interest and carried interest to management and third parties

As of the Latest Practicable Date, some of our private equity investments were realized through multiple exits made by some of our private equity funds, although we had not yet realized any carried interest. Carried interest with respect to a private equity fund is realized when the fund’s cumulative returns are in excess of the contractual hurdle rate. After realization of the carried interest, which is typically at a late stage of a fund’s life, we are able to determine the fund’s income from carried interest. The unrealized income from carried interest is based on the underlying fair value change of the respective funds under our investment management business during the Track Record Period. The

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unrealized income from carried interest is allocated to us based on the cumulative fund performance to date, subject to the achievement of minimum return levels to limited partners. At the end of each reporting period, we calculate the unrealized income from carried interest that would be due to us for each fund, pursuant to the relevant fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies among reporting periods, it is necessary to make adjustments to amounts presented as unrealized income from carried interest. Such adjustments may, in certain circumstances, reverse the unrealized income from carried interest reported in the prior period due to fluctuations in the value of the underlying investments. For risks associated with the timing and receipt of carried interest, see “Risk Factors—Risks Relating to Our Business and Industry—Our investment management business may be materially and adversely affected by poor performance of our investment portfolios, and the timing and receipt of carried interest from our investment funds are unpredictable and will contribute to the volatility of our cash flows.”

The operating expense adjustments represent the proportion of unrealized carried interest that would be payable to fund management teams and third parties. The proportion of carried interest recognized that is allocated to fund management teams and other parties (and only payable as a proportion of any carried interest received) is included, on a basis consistent with such unrealized income from carried interest, as an expense in the investment management segment. Such allocation is normally within a certain range of percentages of unrealized carried interest, which is customary within the private equity industry.

Valuation methodologies for our portfolio companies

We adopt various valuation methodologies for our portfolio companies. When we value our portfolio companies that are public, we use the market price as their fair value, adjusted for various factors such as trading restrictions. When valuing our portfolio companies prior to their IPOs, we take into consideration the cost, latest financing price of the investments, and changes in circumstances such as: (i) current performance of the portfolio company, and (ii) market, economic, or company specific conditions. We use appropriate methodologies such as comparable data, discounted cash flows to quantify the adjustment from cost or latest financing price when adjustment is necessary. During the Track Record Period, we engaged PwC as auditor of our Huaxing Growth Capital and Huaxing Healthcare Capital.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue consists of (i) transaction and advisory fees, (ii) management fees, and (iii) interest income. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, we had total revenue of US\$120.2 million, US\$133.4 million, US\$139.4 million, US\$23.4 million, and US\$38.8 million, respectively.

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The following table sets forth a breakdown of our revenue by type for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
	US\$'000				
Revenue Type					
Transaction and advisory fees	112,318	106,239	106,770	16,774	22,682
Management fees	7,853	26,119	28,349	5,760	11,875
Interest income	—	1,005	4,295	872	4,276
Total	120,171	133,363	139,414	23,406	38,833

Transaction and advisory fees

We earn transaction and advisory fees for various services rendered primarily under our investment banking business. Beginning in 2016, we also earn transaction and advisory fees through our Huajing Securities business. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, our transaction and advisory fees were US\$112.3 million, US\$106.2 million, US\$106.8 million, US\$16.8 million, and US\$22.7 million, respectively.

Management fees

We earn management fees for the private equity operations under our investment management business. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, our management fees were US\$7.9 million, US\$26.1 million, US\$28.3 million, US\$5.8 million, and US\$11.9 million, respectively.

Interest income

We earn interest income from our financing and investment business, which was primarily carried out by Huajing during the Track Record Period. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, our interest income was nil, US\$1.0 million, US\$4.3 million, US\$0.9 million, and US\$4.3 million, respectively.

The following table sets forth a breakdown of our revenue by reporting segment for the periods indicated.

Business Segment	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
	US\$'000				
Investment Banking	112,318	105,179	98,864	14,883	21,398
Investment Management	7,853	26,119	28,349	5,760	11,875
Huajing	—	2,065	12,201	2,763	5,560
Total	120,171	133,363	139,414	23,406	38,833

Operating expenses

Our operating expenses consist of (i) compensation and benefit expenses and (ii) other operating expenses.

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The following table sets forth a breakdown of our expenses for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017 (unaudited)	2018
	US\$'000				
Operating expenses					
Compensation and benefit expenses	43,569	64,730	101,366	15,546	24,240
Other operating expenses	18,008	29,109	44,206	7,850	11,223
Total	61,577	93,839	145,572	23,396	35,463

Compensation and benefit expenses

Our compensation and benefit expenses consist of (i) employee salary, bonus, and benefit expenses, and (ii) share-based compensation expenses relating to employee stock options. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, our compensation and benefit expenses were US\$43.6 million, US\$64.7 million, US\$101.4 million, US\$15.5 million, and US\$24.2 million, respectively.

The following table sets forth a breakdown of our compensation and benefit expenses for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017 (unaudited)	2018
	US\$'000				
Compensation and benefit expenses					
Employee salary, bonus, and benefit expenses	39,801	61,085	93,163	14,935	21,914
Share-based compensation expenses	3,768	3,645	8,203	611	2,326
Total	43,569	64,730	101,366	15,546	24,240

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The following table sets forth a breakdown of our compensation and benefit expenses by segment for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Compensation and benefit expenses					
Investment Banking					
—Employee salary, bonus, and benefit expenses	37,103	42,586	54,082	8,483	12,242
—Share-based compensation expenses	3,618	3,255	7,907	556	2,225
—Subtotal	40,721	45,841	61,989	9,039	14,467
Investment Management					
—Employee salary, bonus, and benefit expenses	2,698	6,644	9,657	2,732	4,044
—Share-based compensation expenses	150	99	128	13	70
—Subtotal	2,848	6,743	9,785	2,745	4,114
Huajing					
—Employee salary, bonus, and benefit expenses	—	11,855	29,424	3,720	5,628
—Share-based compensation expenses	—	291	168	42	31
—Subtotal	—	12,146	29,592	3,762	5,659
Total Consolidated					
—Employee salary, bonus, and benefit expenses	39,801	61,085	93,163	14,935	21,914
—Share-based compensation expenses	3,768	3,645	8,203	611	2,326
— Total	43,569	64,730	101,366	15,546	24,240

Other operating expenses

Our other operating expenses primarily consist of (i) professional service fees for fundraising, legal, and other services, (ii) project related and business development expenses, (iii) operating lease charges for our office space, (iv) office expenses, (v) technology expenses, (vi) depreciation and amortization, and (vii) auditor's remuneration. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, our other operating expenses were US\$18.0 million, US\$29.1 million, US\$44.2 million, US\$7.9 million, and US\$11.2 million, respectively.

The following table sets forth a breakdown of our other operating expenses for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Other operating expenses					
Professional service fees	5,784	10,970	12,372	1,616	3,266
Project related and business development expenses	4,166	5,911	9,972	1,805	2,458
Operating lease charges	2,713	4,258	7,166	1,404	1,896
Office expenses	1,148	1,896	3,630	686	973
Technology expenses	959	2,144	4,087	1,025	771
Depreciation and amortization	672	1,255	3,779	754	1,216
Auditor's remuneration	298	146	302	70	79
Others	2,268	2,529	2,898	490	564
Total	18,008	29,109	44,206	7,850	11,223

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Other income, gains or losses

The following table sets forth a breakdown of our other income, gains or losses for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
			US\$'000		
Other income, gains or losses					
Government grants	201	4,042	1,556	85	233
Bank and loans interest income	367	263	727	67	257
Exchange gains/(losses)	44	2,246	(1,504)	(406)	424
Others	58	31	29	(75)	1
Total	670	6,582	808	(329)	915

The government grants were incentives provided by local government authorities, which primarily include (i) settlement allowances that aim to encourage financial institutions to be incorporated in Shanghai, China in 2016, and (ii) tax incentive awards granted by local government authorities in Shanghai and Tibet Autonomous Region, China based on our contribution to the development of the local financial sector in 2016 and 2017. The bank and loans interest income arises from our cash and cash equivalents, term deposits, and pledged bank deposits other than financing and investing business, and loans from related parties and third parties. The foreign exchange gains or losses result from the settlement of foreign currency transactions, which are translated into the functional currency using the foreign exchange rates prevailing at the dates of the transactions or valuation where items are re-measured, and from the translation at the year-end foreign exchange rates of the monetary assets and liabilities denominated in foreign currencies. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, we had other income or gains of US\$0.7 million, US\$6.6 million, US\$0.8 million, other losses of US\$0.3 million, and other income or gains of US\$0.9 million, respectively.

Interest expenses

We incur interest expenses primarily on our (i) from the ICBCI Loan utilized in November 2017, and (ii) the 2016 Convertible Notes, which were issued in June 2016 and automatically converted into our series B convertible redeemable preferred shares in April 2017. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, our interest expenses were nil, US\$0.02 million, US\$1.4 million, nil, and US\$2.9 million, respectively.

Impairment losses on assets

Our impairment losses on assets primarily consist of losses from impairment of (i) available-for-sale financial assets prior to January 1, 2018, representing our passive equity holdings in non-associate companies acquired mainly in exchange for our early-stage services provided to our clients, a practice that we ceased in 2016, and (ii) accounts receivable prior to January 1, 2018 in connection with our business operations. On January 1, 2018, we adopted IFRS 9 and started measuring such equity investments at fair value through profit or loss and estimating the amount of loss allowance for debt instruments measured at amortized cost or fair value through other comprehensive income. For a discussion of accounting treatment of allowances for impairment of

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accounts receivables and estimated loss allowance of debt instruments measured at amortized cost or at fair value through other comprehensive income, see “—Critical Accounting Policies, Judgments, and Estimates—Critical Accounting Policies—Financial Instruments.” For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, our impairment losses on assets were US\$0.4 million, US\$1.4 million, US\$1.0 million, nil, and US\$0.3 million, respectively.

Investment income

Our investment income consists of fair value change of financial assets at fair value through profit or loss, which in turn primarily includes (i) investments in our own private equity funds in which we invested in our capacity as a general partner and in our capacity as a limited partner under the investment management business, (ii) investments in third-party private equity funds in our capacity as a limited partner, (iii) investments in the form of preferred shares of other companies, (iv) passive equity holdings in non-associate companies, which were previously recorded as available-for-sale financial assets prior to January 1, 2018, (v) hedge asset related to an interest rate cap for the ICBCI Loan, and (vi) cash management investments. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, our investment income was US\$10.6 million, US\$8.8 million, US\$17.9 million, US\$1.5 million, and US\$7.9 million, respectively.

The following table sets forth a breakdown of investment income by the nature of investments for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Investment income					
Investments in our own private equity funds in our capacity as a general partner	2,100	2,204	4,025	437	1,419
Investments in our own private equity funds in our capacity as a limited partner	3,314	283	1,959	81	441
Investments in third-party private equity funds in our capacity as a limited partner	2,428	5,771	3,744	464	2,922
Investments in the form of preferred shares of other companies	2,625	(769)	6,191	(8)	496
Passive equity holdings in non-associate companies . . .	—	539	—	—	95
Hedge asset related to an interest rate cap	—	—	79	—	859
Cash management investments	154	809	1,909	516	1,674
Total	10,621	8,837	17,907	1,490	7,906

Share of results of associates

Our share of results of associates represents our share of profit or loss of unlisted associate companies that we invested in and are accounted for using the equity method. For further information of our holdings in these unlisted companies, see “Appendix I—Accountant’s Report—Notes to the Consolidated Financial Statements—Investments in Associates.” For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, our share of results of associates was nil, a loss of \$0.3 million, a profit of \$0.1 million, a loss of \$0.2 million, and a profit of \$0.01 million, respectively.

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Change in fair value of convertible notes

Change in fair value of convertible notes represents the difference between the ending and the beginning balances of the convertible notes issued by us on our consolidated statements of financial position. In June 2016, we issued convertible notes in an aggregate principal amount of US\$20 million for business development. All of the convertible notes were automatically converted into our series B convertible redeemable preferred shares in April 2017. For further details on our convertible notes, including the 2016 Convertible Notes and the 2018 Convertible Notes, see “—Indebtedness—Convertible Notes.” We used the discounted cash flow method to determine our underlying equity value and adopted equity allocation model to determine the fair value of the convertible notes. At initial recognition, we irrevocably designated the convertible notes as financial liabilities at fair value through profit or loss. Any change in the fair value of the convertible notes is recorded as “change in fair value of convertible notes” on our consolidated statements of profit or loss and other comprehensive income. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, change in fair value of convertible notes was a loss of nil, US\$2.6 million, US\$0.5 million, US\$0.4 million, and nil, respectively.

Change in fair value of convertible redeemable preferred shares

We designate the convertible redeemable preferred shares issued by us as financial liabilities at fair value through profit or loss. Any change in their fair value is recorded as “change in fair value of convertible redeemable preferred shares” on our consolidated statements of profit or loss and other comprehensive income.

Change in fair value of convertible redeemable preferred shares represents the difference between the ending and the beginning balances of our convertible redeemable preferred shares on our consolidated statements of financial position. We used the discounted cash flow method to determine our underlying share value and adopted the equity allocation model to determine the fair value of our convertible redeemable preferred shares as of the dates of issuance and at the end of each reporting period. For the years ended December 31, 2015, 2016, and 2017 and the three months ended March 31, 2017 and 2018, change in fair value of convertible redeemable preferred shares was a loss of US\$34.0 million, US\$14.0 million, US\$25.7 million, US\$3.2 million, and US\$73.8 million, respectively. For a discussion of key assumptions of the valuation of our convertible redeemable preferred shares during the Track Record Period, see “Appendix I—Accountant’s Report—Notes to the Consolidated Financial Statements—Convertible Redeemable Preferred Shares.” On the Listing Date, all of our convertible redeemable preferred shares will be automatically converted into our Shares. The fair value of each convertible redeemable preferred share will then be equivalent to the fair value of each of our Shares on the conversion date, which will be the Offer Price in the Global Offering.

Listing expenses

For the three months ended March 31, 2018, we recorded listing expenses of US\$1.0 million, representing a portion of our estimated expenses in connection with the Global Offering and the Listing on the Stock Exchange.

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TAXATION

Cayman Islands

We are not subject to income or capital gains tax under the current Cayman Islands law. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

British Virgin Islands

We are not subject to income or capital gains tax under the current British Virgin Islands law.

Hong Kong

Our Hong Kong subsidiaries are subject to Hong Kong profits tax rate of 16.5% on the assessable profits for the periods presented, based on the existing legislation, interpretations and practices in respect thereof.

United States

Our U.S. subsidiary is taxed at both the federal and state levels in the United States. U.S. federal corporate income tax is imposed at graduated rates from 15% to 39%, and the state income tax rate is set by each state. Our U.S. subsidiary is subject to the federal tax rate at 34% for the years ended December 31, 2015, 2016, and 2017, and state income tax rate at 7.1% for the year ended December 31, 2015, and 6.5% starting from the year ended December 31, 2016.

In December 2017, the Tax Cuts and Jobs Act was signed into law and, among other items, reduces the federal corporate tax rate to 21% from the existing rate of 34% effective on January 2018.

China

Under the PRC Enterprise Income Tax Law, our PRC subsidiaries are subject to the statutory enterprise income tax rate of 25% during the Track Record Period, except that some of our PRC subsidiaries incorporated in Tibet Autonomous Region of China are subjected to the tax rate at 15% from 2011 to 2020 according to the local preferential tax policies. In addition, such PRC subsidiaries also benefit from a special local preferential tax policy, which reduced the tax rate to 9% during the Track Record Period.

The income tax on our profit or loss before income tax differs from the theoretical amount that would apply using the statutory income tax rate applicable to the profit or loss of the consolidated entities. The following table sets forth the detailed calculation.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
	US\$'000				
Profit/(Loss) before income tax	35,487	36,734	(15,918)	(2,596)	(65,768)
Income tax expenses calculated at 25%	8,872	9,184	(3,980)	(649)	(16,442)
Effect of expenses that are not deductible	9,263	5,276	7,592	919	18,731
Effect of share of results of associates	—	(64)	31	(50)	1
Effect of income that is not taxable	(1,643)	(2,273)	(1,684)	(328)	(1,678)
Effect of tax losses not recognized	52	1,556	2,500	1,189	948
Effect of different tax rates of subsidiaries	(10,648)	(5,504)	(6,871)	(1,219)	(1,501)
Income tax expenses/(benefits)	5,896	8,175	(2,412)	(138)	59

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Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared from China to foreign investors. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors. During the Track Record Period, we did not have any plan to require our PRC subsidiaries to distribute their retained earnings and intended to retain them to operate and expand our business in China.

During the Track Record Period and up to the Latest Practicable Date, we had fulfilled all our tax obligations and did not have any unresolved tax disputes with the relevant tax authorities in China or other jurisdictions.

RESULTS OF OPERATIONS

The following table summarizes our consolidated results of operations for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Transaction and advisory fees	112,318	106,239	106,770	16,774	22,682
Management fees	7,853	26,119	28,349	5,760	11,875
Interest income	—	1,005	4,295	872	4,276
Total revenue	120,171	133,363	139,414	23,406	38,833
Compensation and benefit expenses	(43,569)	(64,730)	(101,366)	(15,546)	(24,240)
Other operating expenses	(18,008)	(29,109)	(44,206)	(7,850)	(11,223)
Total operating expenses	(61,577)	(93,839)	(145,572)	(23,396)	(35,463)
Operating profit/(loss)	58,594	39,524	(6,158)	10	3,370
Other income, gains, or losses	670	6,582	808	(329)	915
Interest expenses	—	(19)	(1,399)	—	(2,856)
Impairment losses on assets	(359)	(1,358)	(967)	—	(313)
Investment income	10,621	8,837	17,907	1,490	7,906
Share of results of associates	—	(254)	125	(199)	5
Change in fair value of convertible notes	—	(2,600)	(504)	(395)	—
Change in fair value of convertible redeemable preferred shares	(34,039)	(13,978)	(25,730)	(3,173)	(73,770)
Listing expenses	—	—	—	—	(1,025)
Profit/(Loss) before income tax	35,487	36,734	(15,918)	(2,596)	(65,768)
Income tax (expenses)/benefits	(5,896)	(8,175)	2,412	138	(59)
Profit/(Loss) for the year/period	29,591	28,559	(13,506)	(2,458)	(65,827)
Profit/(Loss) for the year/period attributable to owners of the Company	28,844	31,833	32	(1,135)	(65,262)
Non-IFRS Measures					
Adjusted revenue (unaudited) ⁽¹⁾	143,041	143,923	212,450	33,773	92,921
Adjusted net profit attributable to owners of the Company (unaudited) ⁽²⁾	73,353	55,179	58,103	6,820	35,667

Notes:

- (1) We define adjusted revenue as total revenue adjusted for the impact of unrealized income from carried interest. Adjusted revenue is not a measure required by, or presented in accordance with, IFRS. The use of adjusted revenue has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. For further details, see “—Non-IFRS Measures.”
- (2) We define adjusted net profit attributable to owners of the Company as profit or loss for the year or period attributable to owners of the Company adjusted for the impact of (i) share-based compensation expenses, (ii) change in fair value of convertible notes, (iii) change in

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fair value of convertible redeemable preferred shares, (iv) unrealized income from carried interest, and (v) carried interest to management team and other parties. Adjusted net profit attributable to owners of the Company is not a measure required by, or presented in accordance with, IFRS. The use of adjusted net profit attributable to owners of the Company has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. For further details, see “—Non-IFRS Measures.”

We operate our businesses in three segments: (i) investment banking, (ii) investment management, and (iii) Huajing.

The following table sets forth our segment revenue, segment operating expenses, segment operating profit or loss, and segment operating margin for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Investment Banking					
Segment revenue	112,318	105,179	98,864	14,883	21,398
Segment operating expenses	(56,157)	(58,949)	(85,577)	(13,266)	(19,097)
Segment operating profit	56,161	46,230	13,287	1,617	2,301
Investment Management					
Segment revenue ⁽¹⁾	30,723	36,679	101,385	16,127	65,963
Segment operating expenses ⁽²⁾	(21,588)	(24,133)	(68,243)	(10,878)	(37,285)
Segment operating profit	9,135	12,546	33,142	5,249	28,678
Huajing					
Segment revenue	—	2,065	12,201	2,763	5,560
Segment operating expenses	—	(18,194)	(41,154)	(5,843)	(8,336)
Segment operating loss	—	(16,129)	(28,953)	(3,080)	(2,776)
Consolidation Adjustments and Reconciling Items					
Revenue adjustment ⁽¹⁾	(22,870)	(10,560)	(73,036)	(10,367)	(54,088)
Operating expense adjustment ⁽²⁾	16,168	7,437	49,402	6,591	29,255
Operating profit/(loss) adjustment	(6,702)	(3,123)	(23,634)	(3,776)	(24,833)
Total Consolidated					
Revenue	120,171	133,363	139,414	23,406	38,833
Operating expenses	(61,577)	(93,839)	(145,572)	(23,396)	(35,463)
Operating profit/(loss)	58,594	39,524	(6,158)	10	3,370

Notes:

(1) Adjusted for unrealized income from carried interest. For a discussion of our non-IFRS measures, see “—Non-IFRS Measures.”

(2) Adjusted for carried interest to management team and other parties. For a discussion of our non-IFRS measures, see “—Non-IFRS Measures.”

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

Revenue

Our total revenue increased by 65.9% from US\$23.4 million for the three months ended March 31, 2017 to US\$38.8 million for the three months ended March 31, 2018.

Our transaction and advisory fees increased by 35.2% from US\$16.8 million for the three months ended March 31, 2017 to US\$22.7 million for the three months ended March 31, 2018. This increase was primarily due to (i) an increase in our private placement advisory fees resulting from a strong transaction backlog formed in 2017, and (ii) an increase in our M&A advisory fees resulting from favorable M&A market conditions, partially offset by a decrease in our equity underwriting fees.

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Our management fees increased significantly from US\$5.8 million for the three months ended March 31, 2017 to US\$11.9 million for the three months ended March 31, 2018. This increase was primarily due to an increase in total commitment by limited partners under our investment management business from US\$1.7 billion as of March 31, 2017 to US\$3.1 billion as of March 31, 2018 primarily in connection with the first closing of Huaxing Growth Capital RMB Fund III and the first closing of Huaxing Healthcare Capital RMB Fund I.

Our interest income increased significantly from US\$0.9 million for the three months ended March 31, 2017 to US\$4.3 million for the three months ended March 31, 2018. This increase was primarily due to a significant increase in the cash and liquid financial assets of Huajing Securities resulting from its equity financing in December 2017.

Segment revenue

For the investment banking segment, our segment revenue increased by 43.8% from US\$14.9 million for the three months ended March 31, 2017 to US\$21.4 million for the three months ended March 31, 2018. This increase shared substantially the same reasons for the increase in our overall transaction and advisory fees for the same periods.

For the investment management segment, our segment revenue increased significantly from US\$16.1 million for the three months ended March 31, 2017 to US\$66.0 million for the three months ended March 31, 2018. This increase was primarily due to (i) a significant increase of management fees from US\$5.8 million for the three months ended March 31, 2017 to US\$11.9 million for the three months ended March 31, 2018, and (ii) an increase in unrealized income from carried interest from US\$10.4 million for the three months ended March 31, 2017 to US\$54.1 million for the three months ended March 31, 2018 resulting from the appreciation in value of the portfolio companies under our investment management business.

For the Huajing segment, our segment revenue increased significantly from US\$2.8 million for the three months ended March 31, 2017 to US\$5.6 million for the three months ended March 31, 2018. This increase was primarily due to an increase in advisory services for new economy companies and an increase in interest income, partially offset by a decrease in fees in connection with ABS underwriting resulting from unfavorable market conditions.

Adjusted revenue

Our adjusted revenue increased significantly from US\$33.8 million for the three months ended March 31, 2017 to US\$92.9 million for the three months ended March 31, 2018. For a discussion of our adjusted revenue, see “—Non-IFRS Measures.”

Operating expenses

Our total operating expenses increased by 51.6% from US\$23.4 million for the three months ended March 31, 2017 to US\$35.5 million for the three months ended March 31, 2018. This increase was primarily due to a significant increase in compensation and benefit expenses.

Our compensation and benefit expenses increased by 55.9% from US\$15.5 million for the three months ended March 31, 2017 to US\$24.2 million for the three months ended March 31, 2018. This increase was primarily due to (i) an increase in the total number of employees across our businesses,

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especially those of our investment banking and Huajing Securities businesses, and (ii) an increase in share-based compensation expenses in connection with new option grants to attract and retain talent, which represented 3.9% and 9.6% of the compensation and benefit expenses for the three months ended March 31, 2017 and 2018, respectively.

Our other operating expenses increased by 43.0% from US\$7.9 million for the three months ended March 31, 2017 to US\$11.2 million for the three months ended March 31, 2018. This increase was primarily due to (i) a significant increase in professional service fees in connection with formation of new private equity funds, (ii) a significant increase in project related and business development expenses in connection with the growth of business, and (iii) a significant increase in operating lease charges for the new office space of Huajing Securities in Beijing, China.

Segment operating expenses

For the investment banking segment, our segment operating expenses increased by 44.0% from US\$13.3 million for the three months ended March 31, 2017 to US\$19.1 million for the three months ended March 31, 2018. This increase was primarily due to an increase in our compensation and benefit expenses resulting from an increase in the number of employees for our equity research, sales and trading, and advisory services.

For the investment management segment, our segment operating expenses, as adjusted, increased significantly from US\$10.9 million for the three months ended March 31, 2017 to US\$37.3 million for the three months ended March 31, 2018. This increase was primarily due to (i) an increase in compensation and benefit expenses resulting from an increase in the total number of employees of our Huaxing Growth Capital, Huaxing Healthcare Capital, and other new fund product offerings, and (ii) professional services fees in connection with our fundraising activities, adjusted for a significant increase in unrealized carried interest that amounted to US\$22.7 million to management team and other parties in line with the increase of unrealized income from carried interest.

For the Huajing segment, our segment operating expenses increased by 42.7% from US\$5.8 million for the three months ended March 31, 2017 to US\$8.3 million for the three months ended March 31, 2018. This increase was primarily due to (i) an increase in compensation and benefit expenses resulting from an increase in the number of employees of Huajing Securities, and (ii) an increase in other operating expenses in connection with the opening of the new office by Huajing Securities in Beijing, China.

Operating profit

As a result of the foregoing, our operating profit increased significantly from US\$0.01 million for the three months ended March 31, 2017 to US\$3.4 million for the three months ended March 31, 2018, and our operating margin increased from close to nil for the three months ended March 31, 2017 to 8.7% for the three months ended March 31, 2018.

Segment operating profit

For the investment banking segment, our segment operating profit increased by 42.3% from US\$1.6 million for the three months ended March 31, 2017 to US\$2.3 million for the three months ended March 31, 2018, and our segment operating margin remained at 10.9% and 10.8% for the three months ended March 31, 2017 and 2018, respectively.

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For the investment management segment, our segment operating profit, as adjusted, increased significantly from US\$5.2 million for the three months ended March 31, 2017 to US\$28.7 million for the three months ended March 31, 2018, and our segment operating margin, as adjusted, increased from 32.5% for the three months ended March 31, 2017 to 43.5% for the three months ended March 31, 2018.

For the Huajing segment, our segment operating loss decreased from US\$3.1 million for the three months ended March 31, 2017 to US\$2.8 million for the three months ended March 31, 2018.

Other income, gains or losses

We had other income or gains of US\$0.9 million for the three months ended March 31, 2018, as compared to other losses of US\$0.3 million for the three months ended March 31, 2017. This shift from net other losses to net other gains was primarily due to (i) an increase in government grants in Shanghai, China, and (ii) foreign exchange gain of US\$0.4 million for the three months ended March 31, 2018.

Interest expenses

Our interest expenses were nil and US\$2.9 million for the three months ended March 31, 2017 and 2018, respectively. This increase in interest expenses was primarily due to our bank borrowings utilized in November 2017.

Impairment losses on assets

Our impairment losses on assets were US\$0.3 million for the three months ended March 31, 2018, compared to nil for the three months ended March 31, 2017. The change of impairment losses on assets was due to our adoption of IFRS 9 on January 1, 2018, under which we began assessing expected credit loss of debt instruments at amortized cost and financial assets at fair value through other comprehensive income, which was nil for the three months ended March 31, 2017.

Investment income

Our investment income increased significantly from US\$1.5 million for the three months ended March 31, 2017 to US\$7.9 million for the three months ended March 31, 2018. This increase was primarily due to (i) an increase in the income of other cash management investments from US\$0.5 million for the three month ended March 31, 2017 to US\$1.7 million for the three month ended March 31, 2018, (ii) appreciation in value of portfolio companies managed by the third-party private equity funds in which we invested in our capacity as a limited partner, from US\$0.5 million for the three months ended March 31, 2017 to US\$2.9 million for the three months ended March 31, 2018; (iii) appreciation in value of portfolio companies under our own private equity funds in which we invested in our capacity as a general partner and in our capacity as a limited partner under the investment management, from US\$0.5 million to US\$1.9 million; (iv) appreciation in value of our hedge asset related to interest rate cap of US\$0.9 million for the three months ended March 31, 2018, compared to nil for the three months ended March 31, 2017, and (v) appreciation in value of the investments in the form of preferred shares of other companies of US\$0.5 million for the three months ended March 31, 2018, which was nil for the three months ended March 31, 2017.

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Share of results of associates

Our share of results of associates increased from share of loss of US\$0.2 million for the three months ended March 31, 2017 to share of profit of US\$0.01 million for the three months ended March 31, 2018.

Change in fair value of convertible notes

The change in fair value of convertible notes was nil for the three months ended March 31, 2018, as compared to a fair value loss of US\$0.4 million for the three months ended March 31, 2017. This change was primarily due to the automatic conversion of our 2016 Convertible Notes in April 2017.

Change in fair value of convertible redeemable preferred shares

The change in fair value of convertible redeemable preferred shares increased significantly from a fair value loss of US\$3.2 million for the three months ended March 31, 2017 to a fair value loss of US\$73.8 million for the three months ended March 31, 2018. This increase was primarily due to the significant increase in valuation of our Company.

Loss before tax

As a result of the foregoing, particularly due to the significant increase in the fair value loss of our convertible redeemable preferred shares and the impact of our continuing expenditure to expand Huajing Securities, we had losses before tax of US\$2.6 million and US\$65.8 million for the three months ended March 31, 2017 and 2018, respectively.

Income tax benefit/(expenses)

Our income tax expenses were US\$0.1 million for the three months ended March 31, 2018, compared to income tax benefit of US\$0.1 million for the three months ended March 31, 2017. This was primarily due to improved operation results of investment banking and investment management businesses, partially offset by further losses of Huajing Securities.

Loss for the period and loss for the period attributable to owners of the Company

As a result of the foregoing, our loss for the period increased significantly from US\$2.5 million for the three months ended March 31, 2017 to US\$65.8 million for the three months ended March 31, 2018, and our loss for the period attributable to owners of the Company increased significantly from US\$1.1 million for the three months ended March 31, 2017 to US\$65.3 million for the three months ended March 31, 2018.

Adjusted net profit attributable to owners of the Company

As a result of the foregoing, our adjusted net profit attributable to owners of the Company increased significantly from US\$6.8 million for the three months ended March 31, 2017 to US\$35.7 million for the three months ended March 31, 2018. For a discussion of our adjusted net profit attributable to owners of the Company, see “—Non-IFRS Measures.”

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Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

Revenue

Our total revenue increased by 4.5% from US\$133.4 million for 2016 to US\$139.4 million for 2017.

Our transaction and advisory fees remained relatively stable at US\$106.8 million for 2017, as compared to US\$106.2 million for 2016. This was primarily due to (i) a robust growth of early-stage services, (ii) recovery of our equity underwriting services resulting from the increase of IPOs by new economy companies, and (iii) the launch of ABS underwriting services by Huajing Securities, partially offset by the general reduction in deal size in a flattish market in 2017 despite the steady growth of deal counts for our advisory services.

Our management fees increased by 8.5% from US\$26.1 million for 2016 to US\$28.3 million for 2017. This increase was primarily due to an increase in total commitment by limited partners under our investment management business from US\$1.7 billion as of December 31, 2016 to US\$2.7 billion as of December 31, 2017 in connection with the first closing of Huaxing Growth Capital RMB Fund III in November 2017 and both the first and final closings of Huaxing Healthcare Capital RMB Fund I in 2017.

Our interest income increased significantly from US\$1.0 million for 2016 to US\$4.3 million for 2017. This increase was primarily due to an increase in the cash and liquid financial assets of Huajing Securities resulting from its initial capitalization in 2016 and equity financing in 2017.

Segment revenue

For the investment banking segment, our segment revenue decreased from US\$105.2 million for 2016 to US\$98.9 million for 2017. This decrease was primarily due to a decrease in deal size, partially offset by growth of early-stage and equity underwriting services.

For the investment management segment, our segment revenue increased significantly from US\$36.7 million for 2016 to US\$101.4 million for 2017. This increase was primarily due to (i) an increase in management fees by 8.5% from US\$26.1 million for 2016 to US\$28.3 million for 2017 and (ii) an increase in unrealized income from carried interest from US\$10.6 million for 2016 to US\$73.0 million for 2017 resulting from the appreciation in value of the portfolio companies managed under our Huaxing Growth Capital.

For the Huajing segment, our segment revenue increased significantly from US\$2.1 million for 2016 to US\$12.2 million for 2017. This increase was primarily due to the fast growth of our newly-commenced ABS underwriting and advisory services of Huajing Securities and an increase in its interest income.

Adjusted revenue

Our adjusted revenue increased by 47.6% from US\$143.9 million for 2016 to US\$212.5 million for 2017. For a discussion of our adjusted revenue, see “—Non-IFRS Measures.”

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Operating expenses

Our total operating expenses increased by 55.1% from US\$93.8 million for 2016 to US\$145.6 million for 2017. This increase was primarily due to an increase in compensation and benefit expenses.

Our compensation and benefit expenses increased by 56.6% from US\$64.7 million for 2016 to US\$101.4 million for 2017. This increase was primarily due to (i) an increase in the number of employees mainly for Huajing Securities, as well as for other services such as advisory, equity underwriting, investment management, new products such as structured finance, and middle and back office, and (ii) a significant increase in share-based compensation expenses in connection with new option grants to attract and retain talent in 2017, which represented 5.6% and 8.1% of our compensation and benefit expenses for 2016 and 2017, respectively.

Our other operating expenses increased by 51.9% from US\$29.1 million for 2016 to US\$44.2 million for 2017. This increase was primarily due to (i) increases in project related and business development expenses for the development of investment banking business, (ii) increases in office lease charges and depreciation and amortization mainly in connection with our new offices in Beijing, China and Huajing Securities' new office in Shanghai, China, and (iii) professional service fees in connection with our fundraising activities.

Segment operating expenses

For the investment banking segment, our segment operating expenses increased by 45.2% from US\$58.9 million for 2016 to US\$85.6 million for 2017. This increase was primarily due to an increase in compensation and benefit expenses resulting from an increase in the number of employees for equity sales and trading services and advisory services.

For the investment management segment, our segment operating expenses, as adjusted, increased significantly from US\$24.1 million for 2016 to US\$68.2 million for 2017. This increase was primarily due to (i) an increase in the total number of employees of our existing and newly-established funds and (ii) significant increase in carried interest that amounted to US\$42.0 million to management team and other parties, in line with increase in unrealized income from carried interest.

For the Huajing segment, our segment operating expenses increased significantly from US\$18.2 million for 2016 to US\$41.2 million for 2017. This increase was primarily due to (i) the fact that Huajing Securities had only five months of operations in 2016, (ii) an increase in compensation and benefit expenses resulting from an increase in number of employees of Huajing Securities, and (iii) an increase in operating lease charges in connection with the expansion of Huajing Securities.

Operating profit/(loss)

As a result of the foregoing, particularly due to our continuing expenditure to expand Huajing Securities, we recorded an operating loss of US\$6.2 million for 2017, compared to an operating profit of US\$39.5 million and operating margin of 29.6% for 2016.

Segment operating profit/(loss)

For the investment banking segment, our segment operating profit decreased significantly from US\$46.2 million for 2016 to US\$13.3 million for 2017, and our segment operating margin decreased from 44.0% for 2016 to 13.4% for 2017.

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For the investment management segment, our segment operating profit, as adjusted, increased significantly from US\$12.5 million for 2016 to US\$33.1 million for 2017, while our segment operating margin, as adjusted, slightly decreased from 34.2% for 2016 to 32.7% for 2017.

For the Huajing segment, our operating loss increased from US\$16.1 million for 2016 to US\$29.0 million for 2017.

Other income, gains or losses

Our other income, gains or losses decreased significantly from US\$6.6 million for 2016 to US\$0.8 million for 2017. This decrease was primarily due to (i) the one-time government grants in 2016 relating to the establishment of Huajing Securities and (ii) foreign exchange loss of US\$1.5 million for 2017.

Interest expenses

Our interest expenses increased significantly from US\$0.02 million for 2016 to US\$1.4 million for 2017. This increase was primarily due to our bank borrowings utilized in November 2017.

Impairment losses on assets

Our impairment losses on assets decreased from US\$1.4 million for 2016 to US\$1.0 million for 2017.

Investment income

Our investment income increased by 102.6% from US\$8.8 million for 2016 to US\$17.9 million for 2017. This increase was primarily due to appreciation in value of our equity investment in un-listed companies and appreciation in value of portfolio companies under the private equity funds managed by us in which we invested in our capacity as a general partner and in our capacity as a limited partner under the investment management business.

Share of results of associates

Our share of results of associates increased significantly from share of loss of US\$0.3 million for 2016 to share of profit of US\$0.1 million for 2017.

Change in fair value of convertible notes

The change in fair value of convertible notes significantly decreased from US\$2.6 million for 2016 to US\$0.5 million for 2017. This decrease was due to the automatic conversion of our 2016 Convertible Notes in April 2017.

Change in fair value of convertible redeemable preferred shares

Change in fair value of convertible redeemable preferred shares increased by 84.1% from a fair value loss of US\$14.0 million for 2016 to a fair value loss of US\$25.7 million for 2017. This increase was primarily due to the higher valuation of our Company.

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Profit/(Loss) before tax

As a result of the foregoing, particularly due to the significant increase in the fair value loss of our convertible redeemable preferred shares and the impact of our continuing expenditure to expand Huajing Securities, attract and retain talent, and upgrade our platform capabilities, we recorded a loss before tax of US\$15.9 million for 2017, compared to a profit before tax of US\$36.7 million for 2016.

Income tax (expenses)/benefit

Our income tax benefit was US\$2.4 million for 2017, compared to income tax expenses of US\$8.2 million for 2016. This was primarily due to higher losses by Huajing Securities in 2017.

Profit/(Loss) for the year and profit/(loss) for the year attributable to owners of the Company

As a result of the foregoing, we recorded a loss for the year of US\$13.5 million and a profit for the year attributable to owners of the Company of US\$0.03 million for 2017, compared to a profit for the year of US\$28.6 million and a profit for the year attributable to owners of the Company of US\$31.8 million.

Adjusted net profit attributable to owners of the Company

As a result of the foregoing, our adjusted net profit attributable to owners of the Company increased 5.3% from US\$55.2 million for 2016 to US\$58.1 million for 2017. For a discussion of our adjusted net profit attributable to owners of the Company, see “—Non-IFRS Measures.”

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Revenue

Our total revenue increased by 11.0% from US\$120.2 million for 2015 to US\$133.4 million for 2016.

Our transaction and advisory fees decreased from US\$112.3 million for 2015 to US\$106.2 million for 2016. This decrease was primarily due to decreases in M&A and equity underwriting transaction volume corresponding to a downward market adjustment in 2016 after experiencing favorable market conditions and strong market momentum in 2015, partially offset by strong growth of early-stage and large private placement transactions.

Our management fees increased significantly from US\$7.9 million for 2015 to US\$26.1 million for 2016. This increase was primarily due to a significant increase in total commitment by limited partners under our investment management business from US\$1.1 billion as of December 31, 2015 to US\$1.7 billion as of December 31, 2016 in connection with the first closing of Huaxing Growth Capital RMB Fund II in October 2015 and the final closing of Huaxing Growth Capital USD Fund II in November 2016.

Segment revenue

For the investment banking segment, our segment revenue decreased from US\$112.3 million for 2015 to US\$105.2 million for 2016. This decrease shared substantially the same reasons for the decrease in our overall transaction and advisory fees for the same periods.

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For the investment management segment, our segment revenue increased by 19.5% from US\$30.7 million for 2015 to US\$36.7 million for 2016, primarily due to a significant increase in management fees from US\$7.9 million for 2015 to US\$26.1 million for 2016 resulting from a significant increase in total commitment by limited partners under our investment management business in connection with the first closing of Huaxing Growth Capital RMB Fund II in October 2015 and the final closing of Huaxing Growth Capital USD Fund II in November 2016, partially offset by a decrease in unrealized income from carried interest due to a slight downward market adjustment in 2016.

Adjusted revenue

We had adjusted revenue of US\$143.0 million and US\$143.9 million for 2015 and 2016, respectively. For a discussion of our adjusted revenue, see “—Non-IFRS Measures.”

Operating expenses

Our total operating expenses increased by 52.4% from US\$61.6 million for 2015 to US\$93.8 million for 2016. This increase was primarily due to a significant increase in compensation and benefit expenses to attract and retain talent to support our business expansion including Huajing Securities.

Our compensation and benefit expenses increased by 48.6% from US\$43.6 million for 2015 to US\$64.7 million for 2016. This increase was primarily due to an increase of number of employees for Huajing Securities, early-stage services, and technology team, partially offset by a decrease in share-based compensation expenses in connection with fewer new option grants, which represented 8.6% and 5.6% of our compensation and benefit expenses for 2015 and 2016, respectively.

Our other operating expenses increased by 61.6% from US\$18.0 million for 2015 to US\$29.1 million for 2016. This increase was primarily due to (i) an overall increase in operating expenses in connection with the establishment of Huajing Securities, (ii) an increase in professional service fees in connection with our fundraising activities, and (iii) increases in operating lease charges, office expenses, and technology expenses in connection with the relocation of our Beijing office.

Segment operating expenses

For the investment banking segment, our segment operating expenses increased by 5.0% from US\$56.2 million for 2015 to US\$58.9 million for 2016. This increase was primarily due to an increase in compensation and benefit expenses resulting from an increase of number of employees in our early-stage services and technology teams.

For the investment management segment, our segment operating expenses, as adjusted, increased by 11.8% from US\$21.6 million for 2015 to US\$24.1 million for 2016. This increase was primarily due to an increase of number of employees for our Huaxing Growth Capital, partially offset by a decrease in carried interest to management team and other parties, in line with the decrease in our unrealized income from carried interest.

Operating profit

As a result of the foregoing, our operating profit decreased from US\$58.6 million for 2015 to US\$39.5 million for 2016.

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Segment operating profit

For the investment banking segment, our segment operating profit decreased from US\$56.2 million for 2015 to US\$46.2 million for 2016.

For the investment management segment, our segment operating profit, as adjusted, increased by 37.3% from US\$9.1 million for 2015 to US\$12.5 million for 2016.

Other income, gains or losses

Our other income, gains or losses increased significantly from US\$0.7 million for 2015 to US\$6.6 million for 2016. This increase was primarily due to government grants of US\$4.0 million in 2016 relating to the establishment of Huajing Securities.

Interest expenses

We did not incur any interest expenses for 2015 and recorded US\$0.02 million of interest expenses for 2016. Our incurrence of interest expenses in 2016 was primarily due to a one-time, short-term borrowing to support our corporate development.

Impairment losses on assets

Our impairment losses on assets increased significantly from US\$0.4 million for 2015 to US\$1.4 million for 2016. This increase was primarily due to increases in allowance for impairment of our passive equity holdings in non-associate companies acquired mainly in exchange for our early-stage services provided to our clients, which was a practice that we ceased in 2016.

Investment income

Our investment income decreased by 16.8% from US\$10.6 million for 2015 to US\$8.8 million for 2016. This decrease was primarily due to lower appreciation in value of our investments in the form of preferred shares of other companies compared with a large appreciation for the year ended December 31, 2015.

Share of results of associates

Our share of results of associates was nil for 2015, compared to share of loss of US\$0.3 million for 2016. This decrease was primarily due to loss on our equity investments in certain unlisted associate companies.

Change in fair value of convertible notes

We did not record change in fair value of convertible notes for 2015 and recorded US\$2.6 million of change in fair value of convertible notes for 2016, which was issued in June 2016.

Change in fair value of convertible redeemable preferred shares

Change in fair value of convertible redeemable preferred shares decreased significantly from a fair value loss of US\$34.0 million for 2015 to a fair value loss of US\$14.0 million for 2016. This decrease was primarily due to higher increase in valuation of our Company due to superior performance of our overall businesses in 2015 as compared to 2016.

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Profit before tax

As a result of the foregoing, our profit before tax was US\$35.5 million and US\$36.7 million for 2015 and 2016, respectively.

Income tax expenses

Our income tax expenses increased by 38.7% from US\$5.9 million for 2015 to US\$8.2 million for 2016. This increase was primarily due to an increase in taxable profit by some of our PRC subsidiaries.

Profit for the year and profit for the year attributable to owners of the Company

As a result of the foregoing, our profit for the year slightly decreased from US\$29.6 million for 2015 to US\$28.6 million to 2016, while our profit for the year attributable to owners of the Company increased by 10.4% from US\$28.8 million for 2015 to US\$31.8 million for 2016.

Adjusted net profit attributable to owners of the Company

As a result of the foregoing, our adjusted net profit attributable to owners of the Company decreased from US\$73.4 million for 2015 to US\$55.2 million for 2016. For a discussion of our adjusted net profit attributable to owners of the Company, see “—Non-IFRS Measures.”

DISCUSSION OF CERTAIN KEY ITEMS ON THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Investments in associates

Our investments in associates consist of (i) investments in funds, representing investments in our own private equity funds where we act as a general partner under our investment management business, which include investments in our capacity as a general partner, typically of 1% of equity interest consistent with customary market practice, and investments in our capacity as a limited partner, and (ii) investments in unlisted companies, representing our strategic minority equity investments incidental to our business operations.

The following table sets forth a breakdown of our investments in associates as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	US\$'000			
Investments in funds	20,574	27,527	38,560	42,088
Investments in unlisted companies	645	3,833	4,972	5,174
Total	21,219	31,360	43,532	47,262

Our investments in associates increased by 8.6% from US\$43.5 million as of December 31, 2017 to US\$47.3 million as of March 31, 2018, primarily due to the fair value gain of our private equity funds in the form of investment income.

Our investments in associates increased by a CAGR of 43.2% from US\$21.2 million as of December 31, 2015 to US\$31.4 million as of December 31, 2016, and further to US\$43.5 million as of

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December 31, 2017, primarily due to (i) an increase in the investment amount in our own private equity funds, (ii) appreciation in value of portfolio companies under our own private equity funds, and (iii) our strategic minority equity investments in 2016.

The following table sets forth a breakdown of our investments in funds as of the dates indicated.

	As of December 31,			As of March 31, 2018
	2015	2016	2017	
	US\$'000			
Cost of investments in funds	12,911	19,542	24,251	24,961
Fair value change on funds	7,663	8,385	13,908	16,006
Exchange adjustments	—	(400)	401	1,121
Total	20,574	27,527	38,560	42,088

Available-for-sale financial assets

Our available-for-sale financial assets prior to January 1, 2018 consisted of financial bonds for cash management purposes and our passive equity-holdings in non-associate companies. Following our adoption of IFRS 9 on January 1, 2018, we measured financial bonds at fair value through other comprehensive income and measured these passive equity holdings in non-associate companies at fair value through profit or loss, and ceased record them as available-for-sale financial assets.

The following table sets forth a breakdown of our available-for-sale financial assets as of the dates indicated.

	As of December 31,		
	2015	2016	2017
	US\$'000		
Listed—financial bonds	—	—	32,317
Unlisted—equity investments	5,935	4,950	4,279
Total	5,935	4,950	36,596

Our available-for-sale financial assets increased significantly from US\$5.0 million as of December 31, 2016 to US\$36.6 million as of December 31, 2017, primarily due to our purchase of financial bonds for cash management in 2017. Our available-for-sale financial assets slightly decreased from US\$5.9 million as of December 31, 2015 to US\$5.0 million as of December 31, 2016, due to the disposal of our passive equity holdings in non-associate companies.

Financial assets at fair value through profit or loss

Our financial assets at fair value through profit loss consists of (i) unlisted wealth management products, reflecting our short-term cash management products, (ii) unlisted investment funds at fair value, representing our investments in third-party private equity funds in our capacity as a limited partner, (iii) unlisted debt security investments, representing our strategic minority investments in the preferred shares of certain companies, (iv) an interest rate cap relating to the ICBCI Loan, and (v) unlisted equity investments, representing our passive equity holdings in non-associate companies that had been recorded as available-for-sale financial assets prior to January 1, 2018.

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The following table sets forth a breakdown of our financial assets at fair value through profit or loss as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	US\$'000			
Current				
Unlisted wealth management products	13,737	47,365	65,111	154,276
Subtotal, current	13,737	47,365	65,111	154,276
Non-Current				
Unlisted investment funds at fair value	19,381	27,764	36,962	41,557
Unlisted debt security investments	11,890	8,510	14,708	15,204
Interest rate cap	—	—	1,354	2,212
Unlisted equity investments	—	—	—	8,923
Subtotal, non-current	31,271	36,274	53,024	67,896
Total	45,008	83,639	118,135	222,172

Our financial assets at fair value through profit or loss increased by 88.1% from US\$118.1 million as of December 31, 2017 to US\$222.2 million as of March 31, 2018, primarily due to a significant increase in the holdings of cash management products during the first quarter of 2018.

Our financial assets at fair value through profit or loss increased by a CAGR of 62.0% from US\$45.0 million as of December 31, 2015 to US\$83.6 million as of December 31, 2016, and further to US\$118.1 million as of December 31, 2017, primarily due to (i) an increase in the holdings of cash management products in 2017 and (ii) appreciation in value of portfolio companies under third-party private equity funds in which we invested.

Financial assets at fair value through other comprehensive income

Our financial assets at fair value through other comprehensive income consists of financial bonds for cash management purposes, which were recorded as available-for-sale financial assets prior to January 1, 2018. As of March 31, 2018, we had US\$218.1 million of financial assets at fair value through other comprehensive income.

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Accounts and other receivables

We allow an average credit period of 180 days for our customers. The following table sets forth a breakdown of our accounts and other receivables as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	US\$'000			
Accounts receivables	46,346	14,138	36,287	62,634
—Accounts receivable	34,900	13,572	24,252	16,782
—Open trade receivable	11,446	566	12,035	45,852
Advance to suppliers	1,105	4,905	3,844	3,754
Other receivables	1,442	6,080	12,094	7,519
—Rental and other deposits	809	3,834	7,153	5,783
—Interest receivables	141	447	1,886	—
—Value-added tax recoverable	—	1,047	2,675	—
—Others	492	752	380	1,736
Subtotal	48,893	25,123	52,225	73,907
Less: Impairment loss allowance	—	—	—	(363)
Total	48,893	25,123	52,225	73,544

Our accounts and other receivables increased by 40.8% from US\$52.2 million as of December 31, 2017 to US\$73.5 million as of March 31, 2018, primarily due to an increase in our open trade receivables in connection with our sales, trading, and brokerage services in the first quarter of 2018, partially offset by a decrease in our accounts receivable and other receivables due to tighter control of our receivables.

Our accounts and other receivables increased significantly from US\$25.1 million as of December 31, 2016 to US\$52.2 million as of December 31, 2017, primarily due to significant increases in (i) our open trade receivable in connection with our sales, trading, and brokerage services, (ii) accounts receivable, and (iii) rental and other deposits, partially offset by a decrease in advance to suppliers.

Our accounts and other receivables decreased significantly from US\$48.9 million as of December 31, 2015 to US\$25.1 million as of December 31, 2016, primarily due significant decreases in our open trade receivable in connection with our sales, trading, and brokerage services and accounts receivable, partially offset by increases in our other receivables.

Our senior management regularly reviews overdue balances. For the years ended December 31, 2015, 2016, and 2017, nil, US\$0.5 million, and US\$0.1 million accounts receivable were impaired and written-off. For the three months ended March 31, 2018, US\$0.1 million of expected credit losses for accounts and other receivables were recognized in the consolidated statements of profit or loss and other comprehensive income.

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The following table sets forth an aging analysis of accounts receivable that are past due but not impaired as of the dates indicated.

	As of December 31,			As of March 31, 2018
	2015	2016	2017	
	US\$'000			
Days Overdue				
0-30 days	—	—	—	514
31-60 days	—	—	—	—
61-90 days	416	—	—	—
91-180 days	—	247	—	—
181-360 days	72	—	2,766	1,388
361 days or more	150	—	—	—
Total	638	247	2,766	1,902

As of July 31, 2018, we had settled 95.4% of our accounts receivables as of March 31, 2018 in an amount of US\$59.7 million.

Accounts and other payables

The following table sets forth a breakdown of our accounts and other payables as of the dates indicated.

	As of December 31,			As of March 31, 2018
	2015	2016	2017	
	US\$'000			
Open trade payable	11,446	566	12,035	45,852
Salaries, bonus, and other benefit payables	24,102	32,383	49,477	27,731
Payables to interest holders of consolidated structured entities	3,058	4,006	5,274	6,424
Prepaid management fees	414	6,587	4,552	5,499
Other payables	1,801	3,391	4,469	4,535
Interest payables	—	—	1,397	—
Dividend payables	—	—	—	3,599
Other tax payables	921	2,457	1,663	3,221
Consultancy fee payables	2,377	3,998	1,460	2,189
Accrued expenses	1,938	1,590	1,437	1,733
Accrued listing expenses	—	—	—	1,025
Subtotal	46,057	54,978	81,764	101,808
Less: Non-current portion	—	—	(367)	—
Total	46,057	54,978	81,397	101,808

Our accounts and other payables increased by 25.1% from US\$81.4 million as of December 31, 2017 to US\$101.8 million as of March 31, 2018, primarily due to a significant increase in open trade payables in connection with the growth of our sales, trading, and brokerage services in the first quarter of 2018, partially offset by a significant decrease in salaries, bonus, and other benefit payables due to the settlement of 2017 annual bonus in the first quarter of 2018.

Our accounts and other payables increased by 48.1% from US\$55.0 million as of December 31, 2016 to US\$81.4 million as of December 31, 2017, primarily due to (i) a significant increase in open trade payables in connection with the growth of our sales, trading, and brokerage services, and (ii) an increase in salaries, bonus, and other benefit payables in connection with an increase in the number of

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employees mainly for Huajing Securities, as well as for other services such as advisory, equity underwriting, investment management, new products such as structured finance, and middle and back office.

Our accounts and other payables increased by 19.4% from US\$46.1 million as of December 31, 2015 to US\$55.0 million as of December 31, 2016, primarily due to (i) an increase in salaries, bonus, and other benefit payables in connection with an increase of number of employees for Huajing Securities, early-stage services, and technology team, and (ii) a significant increase in prepaid management fees under our investment management business, partially offset by a significant decrease in open trade payable in connection with our sales, trading, and brokerage services.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our working capital and other capital requirements primarily from cash generated from our business operations, issuance of convertible notes, issuances of convertible redeemable preferred shares, and bank borrowings. We have primarily used cash to fund our capital expenditures and working capital for our business expansion, including the establishment and development of Huajing Securities.

As of July 31, 2018, we had aggregate cash and cash equivalents of US\$35.4 million. Excluding Huajing Securities, we had cash and cash equivalents, term deposits, and financial assets at fair value through profit or loss (current portion) of US\$210.4 million as of July 31, 2018. We generally deposit our excess cash in interest bearing bank accounts and current accounts, and invest in investment-grade financial bonds and other cash management investments.

When determining the amount of capital and other resources to be allocated to each business line, we mainly take into account our growth strategy and business focus, the capital requirements and estimated return for each business line and applicable regulatory requirements, such as those in relation to capital adequacy, liquidity, and risk management.

After the Global Offering, we intend to continue to finance our future capital requirements through similar sources of funding as discussed above, together with the net proceeds that we expect to receive from the Global Offering and any other funds that we may raise from capital markets from time to time. We do not anticipate any changes to the availability of financing to fund our operations in the future, although there is no assurance that we will be able to access any financing on favorable terms, or at all.

Working Capital Sufficiency Statement

Our Directors are of the opinion that, taking into account the cash and cash equivalents on hand as of the date of this prospectus and the financial resources available to us, including internally generated funds, available facilities, and the estimated net proceeds from the Global Offering, we have sufficient working capital for our present requirements, that is, for at least the next 12 months from the date of this prospectus.

The following discussion of liquidity and capital resources primarily focuses on our consolidated statements of cash flows, assets and liabilities, and indebtedness.

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Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000			(unaudited)	
Net cash generated from/(used in) operating activities . . .	40,834	77,982	(5,811)	(1,808)	22,051
Net cash used in investing activities	(41,165)	(39,368)	(58,016)	(1,881)	(281,114)
Net cash generated from financing activities	96,000	25,123	314,569	—	19
Net increase/(decrease) in cash and cash equivalents	95,669	63,737	250,742	(3,689)	(259,044)
Cash and cash equivalents at beginning of the year/period	32,893	128,419	186,620	186,620	442,969
Effect of foreign exchange rate changes	(143)	(5,536)	5,607	865	11,719
Cash and cash equivalents at end of the year/period . .	128,419	186,620	442,969	183,796	195,644

Operating activities

Our cash generated from operating activities consists primarily of our transaction and advisory fees, management fees, and interest income from financing and investing business. Cash flow from operating activities reflects: (i) profit or loss before income tax adjusted for non-cash and non-operating items, such as change in fair value of convertible notes and change in fair value of convertible redeemable preferred shares, share-based compensation expenses, depreciation, amortization, and impairment loss on assets; (ii) the effects of movements in working capital, such as increase or decrease in accounts and other receivables, amounts due from related parties, amounts due to related parties and accounts and other payables; and (iii) other cash items such as income tax paid.

For the three months ended March 31, 2018, we had net cash generated from operating activities of US\$22.1 million, resulting from our loss before income tax of US\$65.8 million adjusted for non-cash and non-operating items of US\$68.1 million, income tax payment of US\$5.0 million, interest received of US\$2.3 million and offset by positive movements in working capital of US\$22.5 million. Our positive movements in working capital primarily reflected: (i) an increase of US\$17.6 million in accounts and other payables in connection with our compensation and other payments; (ii) an increase of US\$29.3 million in amounts due to related parties resulting from receiving fund management fees in advance at the beginning of the year, and offset by (iii) an increase of US\$23.6 million in accounts and other receivables in connection with our business operations.

For the three months ended March 31, 2017, we had net cash used in operating activities of US\$1.8 million, resulting from our loss before income tax of US\$2.6 million adjusted for non-cash and non-operating items of US\$2.8 million, income tax payment of US\$2.5 million, interest received of US\$0.8 million and negative movements in working capital of US\$0.3 million. Our negative movements in working capital primarily reflected: (i) a decrease of US\$12.6 million in accounts and other payables primarily for salary and bonus payables, and (ii) an increase of US\$13.3 million in amount due to related parties resulting from receipt of fund management fees in advance at the beginning of the year.

For the year ended December 31, 2017, we had net cash used in operating activities of US\$5.8 million, resulting from our loss before income tax of US\$15.9 million adjusted for non-cash

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and non-operating items of US\$17.5 million, income tax payment of US\$10.0 million, interest received of US\$2.2 million and positive movements in working capital of US\$0.4 million.

For the year ended December 31, 2016, we had net cash generated from operating activities of US\$78.0 million, resulting from our profit before income tax of US\$36.7 million adjusted for non-cash and non-operating items of US\$13.1 million, income tax payment of US\$4.3 million, interest received of US\$0.6 million and positive movements in working capital of US\$31.9 million. Our positive movements in working capital primarily reflected: (i) a decrease of US\$23.5 million in accounts and other receivables resulting from our tightened internal control of credit terms; and (ii) an increase of US\$9.2 million in accounts and other payables primarily resulting from the balance of Huajing Securities, which was established in 2016.

For the year ended December 31, 2015, we had net cash generated from operating activities of US\$40.8 million, resulting from our profit before income tax of US\$35.5 million adjusted for non-cash and non-operating items of US\$27.8 million, income tax payment of US\$5.6 million, and partially offset by negative movements in working capital of US\$16.9 million. Our negative movements in working capital primarily reflected: (i) an increase of US\$44.0 million in accounts and other receivables resulting from an increase in revenue recognized in the fourth quarter of 2015 compared with 2014; and offset by (ii) an increase of US\$29.1 million in accounts and other payables resulting from bonus payables that increased due to our good financial performance and an increase in the number of employees.

Investing activities

Our cash outflows from investing activities primarily consist of our purchase of property and equipment, intangible assets, financial assets at fair value through profit or loss, available-for-sale financial assets, financial bonds, other cash management investments, and term deposits, as well as investment in associates and loan receivables. Our cash inflows from investing activities primarily consist of interest received, proceeds from disposal of financial assets at fair value through profit or loss, disposal of financial bonds, maturity of term deposits, and repayment of loan receivables.

For the three months ended March 31, 2018, our net cash used in investing activities was US\$281.1 million, primarily due to (i) net cash outflows from purchase of financial bonds of US\$179.9 million for cash management by Huajing Securities, (ii) net cash outflows from purchase of financial assets at fair value through profit or loss of US\$87.8 million and net cash outflows from purchase of term deposits of US\$7.2 million for cash management, (iii) loan receivables of US\$5.3 million, and (iv) investments in associated companies of US\$0.9 million.

For the three months ended March 31, 2017, our net cash used in investing activities was US\$1.9 million, primarily due to (i) net cash outflows from purchase of financial assets at fair value through profit or loss of US\$11.3 million for cash management and investment in the third-party private equity funds in which we invested in our capacity as a limited partner, (ii) purchase of furniture and equipment of US\$1.6 million, and (iii) purchase of term deposits of US\$0.9 million for cash management. These cash outflows were partially offset by net proceeds from maturity of term deposits of US\$12.4 million.

For the year ended December 31, 2017, our net cash used in investing activities was US\$58.0 million, primarily due to (i) net cash outflows from purchase of financial assets at fair value

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through profit or loss of US\$16.0 million for our cash management, and investment in third-party private equity funds in which we invested in our capacity as a limited partner, (ii) purchases of term deposits of US\$65.4 million, (iii) loans to third parties of US\$7.3 million, (iv) investment in our own private equity funds in our capacity as a general partner and in our capacity as a limited partner of US\$5.8 million, and (v) purchase of furniture, equipment and intangible assets of US\$4.6 million primarily for building the infrastructure of Huajing Securities. These cash outflows were partially offset by net proceeds from maturity of term deposits of US\$73.4 million.

For the year ended December 31, 2016, our net cash used in investing activities was US\$39.4 million, primarily due to (i) net cash outflows from purchase of financial assets at fair value through profit or loss of US\$34.1 million for our cash management and investment in third-party private equity funds in which we invested in our capacity as a limited partner, (ii) investment in our own private equity funds in our capacity as a general partner and in our capacity as a limited partner of US\$10.1 million, (iii) purchases of furniture, equipment and intangible assets of US\$9.2 million in connection with the property for the new Huajing Securities business, and (iv) purchase of term deposits of \$4.6 million. These cash outflows were partially offset by net proceeds from maturity of term deposits of US\$18.3 million, and proceeds from disposal of our passive equity holdings in non-associate companies of US\$1.2 million.

For the year ended December 31, 2015, our net cash used in investing activities was US\$41.2 million, primarily due to (i) net cash outflows from purchase of financial assets at fair value through profit or loss of US\$27.8 million resulting from an increase in our holdings in third-party private equity funds in which we invested in our capacity as a limited partner and for our cash management purposes, (ii) investment in our own private equity funds in our capacity as a general partner and in our capacity as a limited partner of US\$8.8 million, (iii) purchases of available-for-sale financial assets of US\$5.8 million as our passive equity holdings in non-associate companies.

Financing activities

Financing activities primarily consist of issuances of convertible redeemable preferred shares, issuance of convertible notes, bank borrowings, distribution of dividends to our shareholders and the payment of interests on our debt.

For the three months ended March 31, 2018, our net cash generated from financing activities was US\$0.02 million, resulting from capital contribution from non-controlling shareholders.

For the year ended December 31, 2017, our net cash generated from financing activities was US\$314.6 million, primarily due to (i) capital contribution to Huajing Securities by non-controlling shareholders of US\$160.2 million, (ii) bank borrowings of US\$150.0 million from ICBCI Investment Management, and (iii) proceeds from issuance of convertible redeemable preferred shares of US\$10.0 million, which were partially offset by dividends of US\$4.2 million paid to our shareholders.

For the year ended December 31, 2016, our net cash generated from financing activities was US\$25.1 million, primarily due to (i) capital contribution of US\$76.8 million to Huajing Securities and US\$6.0 million to Beijing Zhulu from non-controlling shareholders, and (ii) proceeds from issuance of convertible notes of US\$20.0 million, which were partially offset by dividends of US\$77.5 million paid to one shareholder.

For the year ended December 31, 2015, our net cash generated from financing activities was US\$96.0 million, primarily due to proceeds from issuance of convertible redeemable preferred shares

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of US\$100.0 million, which were partially offset by dividends of US\$4.0 million paid to one shareholder.

Assets and Liabilities

In order to ensure appropriate liquidity management and capital allocation, we dynamically monitor the size and composition of our balance sheet. The major components of our consolidated statements of financial position consist of current assets and current liabilities, due to the liquid nature of our business.

Current Assets and Current Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated.

	As of December 31,			As of	As of
	2015	2016	2017	March 31,	July 31,
				2018	2018
	US\$'000				(unaudited)
Current Assets					
Accounts and other receivables	48,893	25,123	52,225	73,544	54,168
Loans to third parties	500	721	—	—	—
Loans to related parties	—	—	2,219	3,449	—
Amounts due from related parties	2,611	4,232	4,979	5,669	6,336
Financial assets at fair value through profit or loss	13,737	47,365	65,111	154,276	317,164
Term deposits	29,037	15,373	7,363	14,537	193,744
Pledged bank deposits	—	835	—	—	—
Cash and cash equivalents	128,419	186,620	442,969	195,644	35,437
Total Current Assets	223,197	280,269	574,866	447,119	606,849
Current Liabilities					
Accounts and other payables	46,057	54,978	81,397	101,808	101,868
Amounts due to related parties	33	872	2,652	31,947	16,634
Convertible notes	—	22,600	—	—	—
Bank borrowing	—	—	—	—	153,882
Income tax payable	1,855	9,182	5,159	2,505	740
Total Current Liabilities	47,945	87,632	89,208	136,260	273,124
Net Current Assets	175,252	192,637	485,658	310,859	333,725

Our current assets primarily consist of cash and cash equivalents, accounts and other receivables, loans to third parties, loans to related parties, amounts due from related parties, pledged bank deposits, term deposits, and financial assets at fair value through profit or loss. Our current liabilities primarily consist of accounts and other payables, convertible notes, amounts due to related parties bank borrowing, and income tax payable. Our Directors confirm that we did not have any material default in payment of trade and non-trade payables during the Track Record Period.

Our net current assets, the difference between total current assets and total current liabilities, remained positive and increased significantly during the Track Record Period, and was US\$310.9 million and US\$333.7 million as of March 31 and July 31, 2018, respectively.

Our net current assets increased significantly to US\$485.7 million as of December 31, 2017 from US\$192.6 million as of December 31, 2016 because the increase in our total current assets was

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greater than the increase in our total current liabilities. The increase in our total current assets was primarily due to (i) a significant increase in cash and cash equivalents from US\$186.6 million as of December 31, 2016 to US\$443.0 million as of December 31, 2017 resulting from our bank borrowings and capital contribution to Huajing Securities to prepare for the development of Huajing Securities and other businesses, (ii) a significant increase in financial assets at fair value through profit or loss from US\$47.4 million as of December 31, 2016 to US\$65.1 million as of December 31, 2017 resulting from the purchase of publicly tradable cash management investments of Huajing Securities, (iii) an increase in accounts and other receivables from US\$25.1 million as of December 31, 2016 to US\$52.2 million as of December 31, 2017. The increase in our total current liabilities was primarily due to an increase in accounts and other payables from US\$55.0 million as of December 31, 2016 to US\$81.4 million as of December 31, 2017, partially offset by a decrease in income tax payable from US\$9.2 million as of December 31, 2016 to US\$5.2 million as of December 31, 2017 resulting from a decrease of current income tax from US\$11.7 million as of December 31, 2016 to US\$6.0 million as of December 31, 2017, as well as the conversion of the 2016 Convertible Notes to convertible redeemable preferred shares in 2017.

Our net current assets increased by 9.9% to US\$192.6 million as of December 31, 2016 from US\$175.3 million as of December 31, 2015 because the increase in our total current assets was greater than the increase in our total current liabilities. The increase in our total current assets was primarily due to (i) a significant increase in cash and cash equivalents from US\$128.4 million as of December 31, 2015 to US\$186.6 million as of December 31, 2016 resulting from the capital contribution to Huajing Securities as we set out to prepare for the various businesses of Huajing Securities, and (ii) an increase in financial assets at fair value through profit or loss from US\$13.7 million as of December 31, 2015 to US\$47.4 million as of December 31, 2016 primarily resulting from the purchase of cash management investments. The increase in our total current liabilities was primarily due to (y) the issuance of the 2016 Convertible Notes and (z) a significant increase in income tax payable from US\$1.9 million as of December 31, 2015 to US\$9.2 million as of December 31, 2016 due to the increase of current income tax from US\$6.4 million as of December 31, 2015 to US\$11.7 million as of December 31, 2016.

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Non-Current Assets and Non-Current Liabilities

The following table sets forth our non-current assets and non-current liabilities as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	US\$'000			
Non-Current Assets				
Furniture and equipment	1,725	8,709	10,104	9,806
Intangible assets	1,413	2,023	4,403	4,223
Deferred tax assets	1,675	5,418	14,336	17,365
Investments in associates	21,219	31,360	43,532	47,262
Loans to third parties	—	—	5,050	9,046
Available-for-sale financial assets	5,935	4,950	36,596	—
Financial assets at fair value through profit or loss	31,271	36,274	53,024	67,896
Financial assets at fair value through other comprehensive income	—	—	—	218,122
Pledged bank deposits	892	—	—	—
Total Non-Current Assets	64,130	88,734	167,045	373,720
Non-Current Liabilities				
Bank borrowing	—	—	150,000	154,253
Other payable	—	—	367	—
Deferred tax liabilities	136	498	650	886
Convertible redeemable preferred shares	189,839	203,817	262,651	336,421
Total Non-Current Liabilities	189,975	204,315	413,668	491,560
Net Non-Current Assets	(125,845)	(115,581)	(246,623)	(117,840)

Our non-currents assets primarily consist of various financial assets and investments in associates, furniture and equipment, financial assets at fair value through other comprehensive income, and financial assets at fair value through profit or loss. Our non-current liabilities primarily consist of bank borrowings and convertible redeemable preferred shares. See “—Assets and Liabilities—Financial Instruments” and “—Indebtedness” for further details.

Financial Instruments

Our financial instruments primarily include financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, available-for-sale financial assets, and convertible redeemable preferred shares. For a discussion of our accounting policies with respect to financial instruments, see “—Critical Accounting Policies, Judgments, and Estimates—Critical Accounting Policies—Financial Instruments.” For further details on our convertible redeemable preferred shares, see “—Indebtedness—Convertible Redeemable Preferred Shares.”

As of March 31, 2018, our financial assets at fair value through profit or loss amounted to US\$222.2 million, including US\$67.9 million of non-current assets and US\$154.3 million of current assets. Our financial assets at fair value through profit or loss primarily consist of other cash management investments, investments in third-party private equity funds, and equity investments in unlisted companies.

Under IFRS 9 that we adopted on January 1, 2018, our available-for-sale financial assets were reclassified to financial assets at fair value through profit or loss or financial assets at fair value

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through other comprehensive income, and the ending balance was thus nil. Our available-for-sale financial assets during the Track Record Period primarily consisted of our passive equity holdings in non-associate companies and the financial bonds.

INDEBTEDNESS

As of December 31, 2015, 2016, and 2017 and March 31, 2018, our total indebtedness amounted to US\$189.8 million, US\$226.4 million, US\$413.0 million, and US\$490.7 million, respectively. As of July 31, 2018, being the latest practicable date for determining our indebtedness, our total indebtedness amounted to US\$730.0 million.

Bank Borrowings

In October 2017, we entered into a facilities agreement with ICBCI Investment Management in an aggregate amount of US\$200 million. We utilized US\$150 million of ICBCI Loan in November 2017. As of July 31, 2018, being the latest practicable date for determining our indebtedness, we had US\$50 million of unutilized banking facilities. The term of the ICBCI Loan is three years with a variable interest rate based on LIBOR plus 600 basis points. We have an option to extend the final repayment date by 12 months after the third and fourth anniversary of the date of our utilization, subject to several conditions, one of which is that we have repaid at least 20% of the aggregate principal of the ICBCI Loan and that no default has occurred prior to each extension. We entered into an interest rate cap agreement to hedge the interest rate risk of the ICBCI Loan. The total consideration of the interest rate cap was US\$1.3 million and the fair value as of December 31, 2017 and March 31, 2018 was US\$1.4 million and US\$2.2 million, respectively, with the change in the fair value recorded in the investment income in our consolidated statements of profit or loss and other comprehensive income. For further details of the interest rate cap agreement, see “Appendix I—Accountant’s Report—Notes to the Consolidated Financial Statements—Financial Assets at Fair Value Through Profit or Loss.”

Upon completion of the Global Offering, the facilities will be canceled and all outstanding amount due thereunder will become due and payable within ten business days after the Listing Date.

To secure the ICBCI Loan, CR Partners pledged 119,800,000 Shares taking into account the effect of the 2018 Share Subdivision, and we also pledged 100% of the equity interest in three subsidiaries. We expect that the share pledge by CR Partners will be released prior to the Listing.

Convertible Redeemable Preferred Shares

We raised an aggregate of US\$140 million in cash from multiple issuances of convertible redeemable preferred shares to various investors, including US\$110 million raised during the Track Record Period. All of these convertible redeemable preferred shares are unsecured and unguaranteed. Since March 31, 2018 and up to July 31, 2018, no issuance, conversion, or redemption of our convertible redeemable preferred shares had taken place. On the Listing Date, all of our convertible redeemable preferred shares will be automatically converted into our Shares. For a discussion of our issuances of convertible redeemable preferred shares, see “History, Reorganization and Corporate Structure—Pre-IPO Investments.” As of December 31, 2015, 2016, and 2017 and July 31, 2018, our convertible redeemable preferred shares had fair values of US\$189.8 million, US\$203.8 million, US\$262.7 million, and US\$492.8 million, respectively, because the value of our Company increased in light of our results of operations and we were approaching our initial public offering. For further

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information regarding our convertible redeemable preferred shares, see “Appendix I—Accountant’s Report—Notes to the Consolidated Financial Information—Convertible Redeemable Preferred Shares.”

Convertible Notes

In June 2016, we issued convertible notes in an aggregate principal amount of US\$20 million, or the 2016 Convertible Notes. The 2016 Convertible Notes were unsecured and unguaranteed. In April 2017, all the 2016 Convertible Notes were fully converted into 3,260,868 series B convertible redeemable preferred shares. As of July 31, 2018, we did not have any issued and outstanding 2016 Convertible Notes.

In May 2018, we issued convertible notes in an aggregate principal amount of US\$86 million, or the 2018 Convertible Notes. The 2018 Convertible Notes are unsecured and unguaranteed. As of July 31, 2018, we had US\$86 million aggregate principal amount of the 2018 Convertible Notes issued and outstanding, whose carrying amount was US\$83.3 million. The 2018 Convertible Notes will be automatically converted into our Shares immediately prior to the Listing.

Except as discussed in this prospectus, our Directors confirm that there has not been any material increase in our indebtedness since July 31, 2018 to the date of this prospectus. As of the Latest Practicable Date, there was no material restrictive covenant in our indebtedness which could significantly limit our ability to obtain future financing, nor was there any material default on our indebtedness or breaches of financial covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that we did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

As of July 31, 2018, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there has not been any material change in our contingent liabilities since July 31, 2018.

Except as aforesaid and apart from intra-group liabilities, as of July 31, 2018, we did not have any other loans issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges hire purchase commitments, guarantees or other material contingent liabilities.

CAPITAL EXPENDITURES

Our capital expenditures primarily consist of expenditures for the purchase of furniture and equipment, intangible assets, and financial assets. We had funded our capital expenditure requirements during the Track Record Period primarily with issuances of convertible redeemable preferred shares, bank borrowing, convertible notes, and cash generated from our operations.

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The following table sets forth our capital expenditures for the periods presented.

	For the Year Ended December 31,			For the Three Months Ended March 31,
	2015	2016	2017	2018
	US\$'000			
Purchases of furniture and equipment, net of proceeds from disposal of furniture and equipment	1,921	8,958	4,556	271
Purchase of intangible assets	1,212	275	2,442	—
Purchases of financial assets at fair value through profit or loss, net of proceeds from disposal of financial assets at fair value through profit or loss	27,840	34,196	15,981	87,764
Purchases of financial assets at fair value through other comprehensive income, net of proceeds from disposal of financial assets at other comprehensive income	—	—	—	179,914
Investments in associates, net of partial disposal of associates ..	8,825	10,074	5,487	908
Purchases of available-for-sale financial assets, net of proceeds from disposal of available-for-sale financial assets	5,157	(349)	32,487	—
Total	44,955	53,154	60,953	268,857

We expect our capital expenditure for 2018 to be approximately US\$339.6 million. We plan to fund our planned capital expenditure using cash generated from our operations and the net proceeds received from the Global Offering.

CONTRACTUAL OBLIGATIONS

Capital Commitments

During the Track Record Period, we had capital commitments for future minimum investments in the private equity funds managed by us.

The following table sets forth our capital commitments as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	US\$'000			
Committed Investments	19,217	17,734	25,048	21,262

Operating Lease Commitments

During the Track Record Period, we leased some of our offices under operating lease agreements. A majority of these lease agreements are renewable at the end of the lease at market rates.

The following table sets forth our operating lease commitments by lease terms as of the dates indicated.

	As of December 31,			As of March 31,
	2015	2016	2017	2018
	US\$'000			
Within one year	2,734	6,498	6,907	7,113
From the second to fifth year, inclusive	3,632	22,647	16,965	15,908
Total	6,366	29,145	23,872	23,021

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OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except as disclosed in this prospectus, as of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

MATERIAL RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. Our Directors confirm that each of the related party transactions set out in Note 35 to the Accountant's Report in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties, and that all the balances with related parties as of March 31, 2018 that are non-trade in nature will be settled prior to the Listing. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our results of operations or make our historical results not reflective of our future performance.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks: credit risk, liquidity risk, interest rate risk, currency risk, and other price risk, which are set forth in detail in Notes 38 to the Accountant's Report in Appendix I to this prospectus. We regularly monitor our exposure to these risks.

In order to hedge the exposure of interest rate risk underlying the variable interest rate of the ICBCI Loan, we entered into an interest rate cap agreement with a total consideration of US\$1.3 million. For further details, see "Appendix I—Accountant's Report—Notes to the Consolidated Financial Statements—Financial Assets at Fair Value Through Profit or Loss."

As of the Latest Practicable Date, other than the single interest rate cap, we did not hedge or consider it was necessary to hedge any of these risks.

DIVIDEND

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries incorporated in China. Our subsidiaries must comply with their respective constitutional documents and the PRC laws and regulations in declaring and paying dividends to us. Pursuant to the laws applicable to China's foreign-investment enterprises, our subsidiaries must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. Historically, our PRC subsidiaries have not paid dividends to us, and they will not be able to pay dividends until they generate accumulated profits. Our Company had a negative equity of US\$39.2 million as of March 31, 2018 on our consolidated statements of financial position. As advised by our legal advisors on Cayman Islands law, Maples and Calder (Hong Kong) LLP, the existence of negative equity, however, does not necessarily restrict us from declaring and paying dividends to our Shareholders. Under Cayman Islands law, our Company may pay a dividend out of either our profits (realized or unrealized) or amounts standing to the credit of our share premium account, provided that this would not result in our Company being unable to pay our debts as they fall due in the ordinary course of business.

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Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board of Directors. No dividend will be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board of Directors.

The following table sets forth our dividend declarations for the periods indicated.

	For the Year Ended December 31,			For the Three Months Ended March 31,	
	2015	2016	2017	2017	2018
				(unaudited)	
				US\$'000	
Dividends to an ordinary shareholder of the Company	<u>4,000</u>	<u>77,500</u>	<u>4,150</u>	<u>4,150</u>	<u>3,599</u>

Currently we do not have a formal dividend policy or a fixed dividend distribution ratio. There is no assurance that dividends of any amount will be declared or distributed in any year.

DISTRIBUTABLE RESERVES

As of March 31, 2018, we did not have any distributable reserves.

SUMMARY OF UNAUDITED RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED JUNE 30, 2018

Our unaudited condensed consolidated interim financial statements for the six months ended June 30, 2018 have been reviewed by our reporting accountant, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity.”

Based on these reviewed but unaudited condensed consolidated interim financial statements, our total revenue increased by 100.0% from US\$54.2 million for the six months ended June 30, 2017 to US\$108.5 million for the six months ended June 30, 2018, primarily due to increases in our transaction and advisory fees, management fees, and interest income across all segments. Our total operating expenses increased by 53.7% from US\$57.3 million for the six months ended June 30, 2017 to US\$88.1 million for the six months ended June 30, 2018, primarily due to an increase in compensation and benefit expenses from US\$39.1 million for the six months ended June 30, 2017 to US\$64.1 million for the six months ended June 30, 2018. Among our compensation and benefit expenses, the share-based compensation increased by 86.2% from US\$3.3 million for the six months ended June 30, 2017 to US\$6.1 million for the six months ended June 30, 2018. As a result of the foregoing, we recorded an operating profit of US\$20.3 million for the six months ended June 30, 2018, compared to an operating loss of US\$3.1 million for the six months ended June 30, 2017.

Our investment income increased significantly from US\$5.2 million for the six months ended June 30, 2017 to US\$19.1 million for the six months ended June 30, 2018, primarily due to appreciation in value of portfolio companies managed by the third-party private equity funds in which

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we invested in our capacity as a limited partner, from US\$1.6 million for the six months ended June 30, 2017 to US\$9.8 million for the six months ended June 30, 2018.

The Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) was promulgated on June 28, 2018 and became effective on July 28, 2018, pursuant to which the limit of ownership percentage by foreign investors in a securities company increased from 49% to 51%. Our call option to acquire the non-controlling interests in Huajing Securities thus became substantially exercisable as of June 30, 2018 and is mandatorily measured at fair value through profit or loss as a derivative. For the six months ended June 30, 2018, we recorded a gain of US\$14.1 million under the fair value change of call option on our condensed consolidated statements of profit or loss and other comprehensive income.

- *Investment Banking Segment.* The aggregate transaction value of our investment banking segment increased by 88.6% from US\$4.6 billion for the six months ended June 30, 2017 to US\$8.7 billion for the six months ended June 30, 2018. The transaction value of our advisory services increased significantly from US\$3.0 billion for the six months ended June 30, 2017 to US\$6.2 billion for the six months ended June 30, 2018, while the transaction value of our equity underwriting services increased by 52.1% from US\$1.7 billion for the six months ended June 30, 2017 to US\$2.5 billion for the six months ended June 30, 2018. Our segment revenue increased significantly from US\$36.5 million for the six months ended June 30, 2017 to US\$73.2 million for the six months ended June 30, 2018, primarily due to (i) an increase in our private placement advisory fees resulting from higher transaction value attributable to a strong transaction backlog formed in 2017 and an increase in our M&A advisory fees resulting from industry-shaping, high-value M&A transactions, and (ii) an increase in our sales, trading, and brokerage fees, partially offset by a decrease in our equity underwriting fees. Our segment operating expenses increased by 75.6% from US\$30.0 million for the six months ended June 30, 2017 to US\$52.8 million for the six months ended June 30, 2018, primarily due to an increase in our compensation and benefit expenses from US\$20.9 million for the six months ended June 30, 2017 to US\$41.3 million for the six months ended June 30, 2018, resulting from an increase in the number of employees for our equity research, sales and trading, and advisory services. Among our compensation and benefit expenses, the share-based compensation for this segment increased by 88.6% from US\$3.2 million for the six months ended June 30, 2017 to US\$5.9 million for the six months ended June 30, 2018. As a result of the foregoing, our segment operating profit increased significantly from US\$6.5 million for the six months ended June 30, 2017 to US\$20.4 million for the six months ended June 30, 2018, and our segment operating margin improved from 17.8% for the six months ended June 30, 2017 to 27.9% for the six months ended June 30, 2018.
- *Investment Management Segment.* The committed capital and AUM of our private equity funds increased by 59.5% and 77.3% from US\$1.9 billion and US\$2.3 billion as of June 30, 2017 to US\$3.0 billion and US\$4.0 billion as of June 30, 2018, respectively. Our management fees increased by 96.9% from US\$12.3 million for the six months ended June 30, 2017 to US\$24.2 million for the six months ended June 30, 2018, due to an increase in total commitment by limited partners under our investment management business from US\$1.9 billion as of June 30, 2017 to US\$3.0 billion as of June 30, 2018. Our employee salary, bonus, and benefit expenses increased by 39.9% from US\$5.8 million for the six months ended June 30, 2017 to US\$8.1 million for the six months ended June 30, 2018, primarily due to an increase in the total number of employees. Our management fees net of

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employee salary, bonus, and benefit expenses and other operating expenses increased significantly from US\$1.8 million for the six months ended June 30, 2017 to US\$9.3 million for the six months ended June 30, 2018. Our unrealized net carried interest, calculated as unrealized income from carried interest minus carried interest to management team and other parties, increased by 94.8% from US\$10.1 million for the six months ended June 30, 2017 to US\$19.6 million for the six months ended June 30, 2018. As a result of the foregoing, our segment operating profit, as adjusted, increased significantly from US\$11.9 million for the six months ended June 30, 2017 to US\$28.9 million for the six months ended June 30, 2018, and our segment operating margin, as adjusted, improved from 26.3% for the six months ended June 30, 2017 to 34.9% for the six months ended June 30, 2018.

- *Huajing Segment.* For the six months ended June 30, 2018, the aggregate transaction value of our Huajing segment was US\$185.1 million. Our segment revenue increased significantly from US\$5.4 million for the six months ended June 30, 2017 to US\$11.0 million for the six months ended June 30, 2018, primarily due to an increase in advisory services for new economy companies and an increase in interest income, partially offset by a decrease in fees in connection with ABS underwriting resulting from unfavorable market conditions. Our segment operating expenses increased by 20.9% from US\$16.8 million for the six months ended June 30, 2017 to US\$20.3 million for the six months ended June 30, 2018, primarily due to an increase in compensation and benefit expenses from US\$12.3 million for the six months ended June 30, 2017 to US\$14.5 million for the six months ended June 30, 2018, resulting from an increase in the number of employees of Huajing Securities. Among our compensation and benefit expenses, share-based compensation for this segment decreased but did not constitute a significant portion of the compensation and benefit expenses for this segment. As a result of the foregoing, our segment operating loss decreased from US\$11.4 million for the six months ended June 30, 2017 to US\$9.2 million for the six months ended June 30, 2018.

LISTING EXPENSES

We expect to incur listing expenses of approximately HK\$192.7 million (assuming an Offer Price of HK\$33.30, being the mid-point of the indicative Offer Price range between HK\$31.80 and HK\$34.80, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, of which HK\$72.1 million is expected to be charged to our consolidated statement of comprehensive income for the year ended December 31, 2018 and HK\$120.6 million is directly attributable to the issue of the Shares to the public and to be capitalized. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. The listing expenses above will adversely affect our results of operations for the year ended December 31, 2018.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets is prepared in accordance with Rule 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA for illustration purpose only, and is set out below to illustrate the effect of the Global

FINANCIAL INFORMATION

Offering on our consolidated net tangible assets as of March 31, 2018 as if the Global Offering had taken place on that date.

Our unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets as of March 31, 2018 or at any future dates following the Global Offering. It is prepared based on our audited consolidated net tangible assets as of March 31, 2018 as set out in the Accountant's Report in Appendix I, and adjusted as described below. No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to March 31, 2018.

	Consolidated net tangible liabilities of the Group attributable to owners of the Company as of March 31, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share	
	US\$'000	US\$'000	US\$'000	US\$	HK\$
	(note 1)	(note 2)		(note 3)	(note 4)
Based on the Offer Price of HK\$31.80 per Share					
.....	<u>(41,968)</u>	<u>321,521</u>	<u>279,553</u>	<u>0.86</u>	<u>6.75</u>
Based on the Offer Price of HK\$34.80 per Share					
.....	<u>(41,968)</u>	<u>352,709</u>	<u>310,741</u>	<u>0.96</u>	<u>7.50</u>

Notes:

- (1) The amount is calculated based on the consolidated net liabilities of the Group attributable to owners of the Company as of March 31, 2018 amounting to approximately US\$39,188,000 extracted from the Accountants' Report of the Group set out in Appendix I to this Prospectus, and adjusted for intangible assets of the Group attributable to owners of the Company as of March 31, 2018 of approximately US\$2,780,000.
- (2) The estimated net proceeds from the Global Offering are based on 85,008,000 Shares at the Offer Price of HK\$31.80 and HK\$34.80 per Share, being the low-end and high-end of the indicative range of the Offer Price, respectively, after deduction of the underwriting fees and other related expenses expected incurred and to be incurred by the Company (excluding listing expenses that has been charged to profit or loss up to March 31, 2018 by the Company). The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Over-allotment Option for the Global Offering and the options granted under the ESOP or any Shares that may be issued pursuant to the RSU plans and issued or repurchased by the Company under general mandates granted to the directors of the Company. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into U.S. dollars at an exchange rate of HK\$7.8494 to US\$1.00, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on September 7, 2018. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted to U.S. dollars, or vice versa, at that rate or at any other rates or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is calculated after the adjustments referred to in note 2 above and based on 325,008,000 Shares, being the number of Shares expected to be in issue assuming that the Global Offering and the 2018 Share Subdivision had been completed on March 31, 2018 and without taking into account of any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option for the Global Offering and the options granted under the ESOP or any Shares that may be issued pursuant to the RSU plan and issued or repurchased by the Company under the general mandates granted to the directors of the Company.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted from U.S. dollars into Hong Kong dollars at the rate of US\$1 to HK\$7.8494, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on September 7, 2018. No representation is made that the U.S. dollars amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2018 to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2018. In particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as shown on the table above have not been adjusted to illustrate the effect of the issuance of the 2018 Convertible Notes in an aggregate principal amount of US\$86 million in May 2018 and the conversion of convertible redeemable preferred shares and convertible notes into our Shares upon the Listing as detailed below.

As of March 31, 2018, the carrying amount of our convertible redeemable preferred shares was US\$336,421,000 and recognized as financial liabilities. The convertible redeemable preferred shares will be automatically converted without the payment of any additional

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consideration into ordinary shares upon the earlier of the Listing, or election in writing by the holders of the majority of the then outstanding Series A Preferred Shares and the holders of the majority of the then outstanding Series B Preferred Shares, based on initial conversion ratio of 1:1 and subject to adjustment of the conversion price. In addition, we issued 2018 Convertible Notes in an aggregate principal amount of US\$86 million in May 2018. The 2018 Convertible Notes will be automatically converted without any additional consideration into our Shares at an initial conversion price of US\$14.4637 per Share prior to the Listing, and will be subject to adjustment of the applicable conversion price. Had the issuance and conversion of our convertible notes been assumed to take place as of March 31, 2018, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would have increased from approximately US\$279,553,000 to approximately US\$701,974,000 based on an Offer Price of HK\$31.80 per Share, or from approximately US\$310,741,000 to approximately US\$733,162,000 based on an Offer Price of HK\$34.80 per Share. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share would have increased to HK\$11.17 (US\$1.42) and HK\$11.67 (US\$1.49) based on (i) the Offer Price of HK\$31.80 per Share and HK\$34.80 per Share, respectively, and (ii) 493,162,000 Shares, being the number of Shares expected to be in issue assuming that the Global Offering, the 2018 Share Subdivision and the conversion of our convertible notes had been completed on March 31, 2018.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since March 31, 2018 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since March 31, 2018 that would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

We apply for the listing as part of our efforts to foster our growth to the next stage and strengthen our competitive position in China's financial services market. Specifically, we believe that the listing will (i) promote our public profile and visibility in both domestic and international markets so that we may expand our customer base and promote our brand recognition, (ii) further broaden our access to international capital markets so that we may raise capital more efficiently both upon and after the listing to support our growth, and (iii) attract talent and incentivize our employees. In addition, we choose listing in Hong Kong because Hong Kong is a strategic gateway to access both the high-growth PRC market where we primarily conduct our businesses and the international capital markets that will broaden our access to capital.

See "Business—Our Growth Strategies" for further details of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$2,638.1 million (after deducting underwriting commissions and other estimated expenses paid and payable by us in the Global Offering and assuming the full payment of the discretionary incentive fee), assuming an Offer Price of HK\$33.30 per Share, being the mid-point of the Offer Price range of HK\$31.80 to HK\$34.80 per Share, and that the Over-Allotment Option is not exercised. We intend to use the net proceeds we will receive from this offering for the following purposes:

- Approximately 40%, or HK\$1,055.3 million will be used to further expand our investment banking business. Specifically, we intend to (i) strengthen our early-stage services, for which we will continue to expand our scope of early-stage service offerings to include more data analytics products and other business services that facilitate the growth of promising startups and improve the efficiency of the investment activities by both institutional and individual investors, (ii) solidify the leading position of our advisory services, for which we will hire more talent to drive the coverage of the ever-expanding list of new economy sectors such as healthcare and artificial intelligence, and further strengthen our M&A advisory services in cross-border business flow and public market transactions, (iii) scale up our securities distribution and research capabilities, for which we will invest in talent and business infrastructure, strategically commit capital to grow these capabilities in China and Hong Kong, expand the coverage of institutional investors with superior sector trend analyses and insights and corporate access in China's new economy, and invest in capabilities to better serve and facilitate the transaction needs of our increasing number of wealth management clients, (iv) selectively develop balance sheet-based business, such as equity pledged lending, for which we plan to leverage our enlarged capital base to facilitate the financing and other transaction needs of key entrepreneurs and their businesses among our clients to diversify their sources of funding and minimize overall financing costs, as well as to develop our principal investment capabilities, and (v) expand into selected international markets, for which we plan to expand our overall capabilities in Hong Kong and United States, two important markets for new economy, to develop presence in selected developed and emerging markets in line with our business growth, and to invest in talent and infrastructure to facilitate the increasing needs by the Chinese investors to invest in overseas markets and the international investors to invest in China.

FUTURE PLANS AND USE OF PROCEEDS

- Approximately 20% or HK\$527.6 million will be used to further expand our investment management business. Specifically, we intend to (i) leverage our private equity platform to offer more types of funds, such as buyout funds, real estate funds, credit funds, and fund of funds, by hiring talent or acquiring reputable investment teams, improving product design and marketing activities, and when necessary, committing our own capital to grasp market opportunities, (ii) incubate and partner with more fund managers, for which we plan to keep investing in deal sourcing, industry research, and product structuring capabilities to facilitate the roll-out of new investment strategies and products, to continuously identify and team up with new fund managers to accelerate the growth of our investment offerings, and to selectively commit capital as a general partner and as a limited partner to incubate promising start-up investment funds, and (iii) expand from private market funds to public market funds, by replicating our success in developing private market funds and committing capital to build infrastructure and hire talent.
- Approximately 20% or HK\$527.6 million will be used to develop wealth management business, by investing in talent and necessary business infrastructure, in China through Huajing Securities and outside China through our existing and expanding platform, targeting new economy entrepreneurs that we serve and other high-net-worth individuals.
- Approximately 10% or HK\$263.8 million will be used to invest in technology across all our business lines. Specifically, we plan to continue to invest in talent, IT infrastructure, and self-developed and emerging third-party technologies, focusing on data aggregation and analytics and other technologies that have the potential of significantly transform how the financial industry operates, such as artificial intelligence.
- Approximately 10% or HK\$263.8 million will be used for general corporate purposes, including working capital, operating expenses, and capital expenditure.

In the event that the Offer Price is set at the high point or the low point of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK\$244.8 million, respectively. Under such circumstances, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the additional net proceeds that the Company will receive will be approximately HK\$407.6 million, assuming an Offer Price of HK\$33.30 per Share, being the mid-point of the proposed Offer Price range. The Company may be required to issue up to an aggregate of 12,751,200 additional Shares pursuant to the Over-allotment Option.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of the Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries such that the net proceeds of this offering can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities are required to process such approvals or registrations or deny our application within a prescribed period, which are usually less

FUTURE PLANS AND USE OF PROCEEDS

than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our net proceeds as described above, in each case on a timely basis, or at all. This is because PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business. See “Risk Factors—Risks Relating to Doing Business in China—PRC regulations on loans and direct investments by offshore holding companies to PRC entities may delay or prevent us from making loans or additional capital contributions to our PRC entities.”

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HONG KONG UNDERWRITERS

China Renaissance Securities (Hong Kong) Limited
Goldman Sachs (Asia) L.L.C.
ICBC International Securities Limited
ABCI Securities Company Limited
CCB International Capital Limited
China Securities (International) Corporate Finance Company Limited
Haitong International Securities Company Limited
Futu Securities International (Hong Kong) Limited
Huanying International (Asia) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 8,500,800 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting listing of, and permission to deal in, our Shares in issue and to be offered as mentioned herein and certain other conditions set out in the Hong Kong Underwriting Agreement (including, among others, the Joint Representatives (on behalf of the Joint Bookrunners and the Hong Kong Underwriters) and the Company, agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on and subject to the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on the day that trading in the Shares commences on the Stock Exchange:

- (a) there develops, occurs, exists or comes into force:
 - (i) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the Cayman Islands, the United States, the United Kingdom or the European Union (or any member thereof) or Japan (each a “**Relevant Jurisdiction**”); or
 - (ii) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international

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- financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a change of the Hong Kong dollars or of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or
- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, labor disputes, strikes, lock-outs, fire, explosion, earthquake, flooding, tsunami, civil commotion, riots, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption in transportation, destruction of power plant, outbreak of diseases or epidemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9, Ebola virus, Middle East respiratory syndrome (MERS) and such related/mutated forms, economic sanction, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in whatever form) in or directly or indirectly affecting any Relevant Jurisdiction; or
 - (iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities of generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
 - (v) any general moratorium on commercial banking activities in any Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdiction; or
 - (vi) any (A) change or development involving a prospective change in exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a change of the Hong Kong dollars or RMB against any foreign currencies, a change in the system under which the value of the Hong Kong dollars is linked to that of the United States dollars or RMB is linked to any foreign currency or currencies), or (B) any change or development involving a prospective change in Taxation in any Relevant Jurisdiction adversely affecting an investment in the Shares; or
 - (vii) the issue or requirement to issue by the Company of a supplemental or amendment to the Prospectus, Application Forms, Preliminary Offering Circular or Offering Circular or other documents in connection with the offer and sale of the Shares pursuant to the Companies Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange or the SFC; or
 - (viii) any litigation or claim being threatened or instigated against any member of the Group (“**Group Company**”) or any Director; or
 - (ix) any contravention by any Group Company, any Director of the Companies Ordinance, the PRC Company Law or the Listing Rules; or

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- (x) a Governmental Authority or a regulatory body or organization in any Relevant Jurisdiction commencing any investigation or other action or proceedings, or announcing an intention to investigate or take other action or proceedings, against any Group Company or any Director; or
- (xi) any of the chairman, Director or chief financial officer of the Company vacating his office, or any litigation or claim being threatened or instigated against, or a Governmental Authority or a regulatory body or organization in any Relevant Jurisdiction commencing any investigation or action or other proceedings, or announcing an intention to investigate or take other action or proceedings against any Group Company or any of the chairman or the Director of the Company, or any of them being charged with an indictable offense or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company or the commencement by any governmental, political, regulatory body of any action against any Director or any announcement by any governmental, political, regulatory body that it intends to take any such action; or
- (xii) any material adverse change or prospective material adverse change in the earnings, results of operations, business, business prospects, financial or trading position, conditions (financial or otherwise) or prospects of any Group Company (including any litigation or claim of any third party being threatened or instigated against any Group Company); or
- (xiii) any demand by creditors for repayment of indebtedness or a petition being presented for the winding-up or liquidation of any Group Company, or any Group Company making any composition or arrangement with its creditors or entering into a scheme of arrangement or any resolution being passed for the winding-up of any Group Company or a provisional liquidator, receiver or manager being appointed over all or part of the assets or undertaking of any Group Company or anything analogous thereto occurs in respect of any Group Company; or
- (xiv) any order or petition for the involuntary winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (xv) a prohibition on the Company for whatever reason from allotting, issuing or selling the Shares (including the Over-allotment Option Shares) pursuant to the terms of the Global Offering; or
- (xvi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdiction on the Company or any Group Company,

which, in any such case individually or in the aggregate, in the sole and absolute opinion of the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Hong Kong Underwriters): (A) is or will be or is reasonably expected to be materially adverse to, or materially and prejudicially affects, the assets, liabilities, business, general affairs, management, shareholder's equity, profit, losses, results of operations, position or

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condition (financial or otherwise), or prospects of the Company or the Group as a whole or to any present or prospective shareholder of the Company in its capacity as such; or (B) has or will have or is reasonably expected to have a material adverse effect on the success of the Global Offering or the level of Offer Shares being applied for or accepted or subscribed for or purchased or the distribution of Offer Shares and/or has made or is likely to make or may make it impracticable or inadvisable or incapable for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it impracticable or inadvisable or incapable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Prospectus, the Application Forms, the Formal Notice, the Preliminary Offering Circular or the Offering Circular; or (D) would have the effect of making a part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Hong Kong Underwriters):
 - (i) that any statement contained in the Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incomplete, incorrect or misleading or any forecasts, estimate, expressions of opinion, intention or expectation expressed in the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications so issued are not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions, when taken as a whole; or
 - (ii) any contravention by any Group member or any Director of any law which has a Material Adverse Effect (as defined in the Hong Kong Underwriting Agreement) or materially and adversely affect the Global Offering; or
 - (iii) non-compliance of the Prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Law; or
 - (iv) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the Prospectus, not having been disclosed in the Offering Documents, constitutes a material omission therefrom; or
 - (v) either (i) there has been a breach of any of the representations, warranties, undertakings or provisions of either the Hong Kong Underwriting Agreement by the Company and the Controlling Shareholders or (ii) any of the representations, warranties and undertakings given by the Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement, as applicable, is (or would when repeated be) untrue, incorrect, incomplete or misleading; or

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- (vi) any event, act or omission which gives or is likely to give rise to any liability of the Company and the Controlling Shareholders pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement; or
- (vii) any litigation or dispute or potential litigation or dispute, which would materially affect the operation, financial condition or reputation of the Group as a whole or composition of the board of the Company; or
- (viii) any material breach of any of the obligations of the Company and the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (ix) any withdrawal, termination or cancellation of the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors which materially and adversely affect the Global Offering; or
- (x) any expert, whose consent is required for the issue of the Prospectus with the inclusion of its reports, letters or opinions and references to its name included in the form and context in which it respectively appears, has withdrawn its respective consent (other than the Joint Sponsor) prior to the issue of this Prospectus; or
- (xi) occurrence of any event that leads to any Material Adverse Effect; or
- (xii) admission (as defined in the Hong Kong Underwriting Agreement) is refused or not granted, other than subject to any applicable conditions, on or before the Listing Date, or if granted, the admission is subsequently withdrawn, canceled, qualified (other than by any applicable conditions), revoked or withheld; or
- (xiii) the Company has withdrawn the Offering Documents (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering,

then the Joint Representatives may, for themselves and on behalf of the Joint Bookrunners and the Hong Kong Underwriters, in their sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by the Company

In accordance with Rule 10.08 of the Listing Rule, we have undertaken to the Stock Exchange that, no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of Shares or securities will be completed within six months from the Listing Date) except for:

- (a) the issue of Shares, the listing of which has been approved by the Stock Exchange, pursuant to a share option scheme under Chapter 17 of the Listing Rules;
- (b) the exercise of conversion rights attaching to warrants issued as part of the initial public offering;
- (c) any capitalization issue, capital reduction or consolidation or sub-division of Shares;

UNDERWRITING

- (d) the issue of Shares or securities pursuant to an agreement entered into before the commencement of dealing, the material terms of which have been disclosed in the listing document issued in connection with the initial public offering; or
- (e) the issue of Shares or securities pursuant to the ESOP, the RSU Plan and the Global Offering (including the Over-allotment Option).

Undertakings by the Controlling Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that, except pursuant to the Global Offering, it/he shall not and shall procure that the registered holder(s) controlled by it/he shall not:

- (i) in the period commencing on the date by reference to which disclosure of its/his shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (“**Six-Month Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares directly or indirectly beneficially owned by it/him; and
- (ii) in the period of six months commencing from the expiry of the period referred to in paragraph (i) above, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests, or encumbrances in respect of, any of the Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it/he would cease to be a Controlling Shareholder of our Company.

Nothing in the above shall prevent the Controlling Shareholders from pledging or charging any Shares as security for a bona fide commercial loan in accordance with Note 2 to Rule 10.07(2) or the share lending arrangement to be entered into by the Controlling Shareholders pursuant to Rule 10.07(3) of the Listing Rules.

In accordance with Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has further undertaken to the Stock Exchange and to our Company that during the period referred to in paragraphs (i) and (ii) above:

- (i) if it/he pledges or charges the Shares beneficially owned by it/him in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), it/he will immediately inform our Company of such pledge or charge together with the number of Shares so pledged or charged; and
- (ii) if it/he receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, it/he will immediately inform our Company of such indications.

Undertakings by certain of our Shareholders

Each of CR Partners, Honor Equity Limited, Sky Allies Development Limited, Renaissance Greenhouse HK Limited, Greenhouse CR Holdings Co., Ltd., Greenhouse CR Holdings II Co., Ltd., JenCap CR, Smart Group Global Limited, Bamboo Green Ltd., Gopher Harvest Fund LP, Hydrogen Element Limited, New Hope Global Holding Co., Limited, CHEN, Zhansheng, J.P. Morgan Trust Company of Delaware, Apoletto Asia Ltd, LIANG, Jian Zhang, ENLIGHT Shanghai Holdings

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Limited, ZHANG, Xiaochun, New-Wave Investment Holding Company Limited, Wealth Strategy Holding Limited, Red Start Limited, LJA Holdings Ltd. and Happy Cheer Investments Limited (the “**Undersigned Shareholders**”) has entered into a lock-up undertaking letter (the “**Lock-up Undertaking Letters**”) in favor of the Joint Sponsors and the Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) with respect to the Shares held by each of the Undersigned Shareholders (the “**Relevant Shares**”). Pursuant to the Lock-up Undertaking Letters (which are in largely similar form, except certain special circumstances), each of the Undersigned Shareholders agrees that, without the prior written consent of the Joint Sponsors and the Joint Representatives, it will not, during the Six-Month Period, dispose of any Relevant Shares. The restrictions set out in the Lock-up Undertaking Letters shall not apply to:

- (a) any Relevant Shares which may be sold by the Undersigned Shareholders as part of the Global Offering pursuant to the International Underwriting Agreement; or
- (b) any lending of Relevant Shares by Undersigned Shareholders pursuant to the stock borrowing agreement (if applicable) to be entered into; or
- (c) any charge, mortgage or pledge by Undersigned Shareholders of the Relevant Shares during the Six-Month Period in favor of a financial institution to secure a loan or financing facility made to the Undersigned Shareholders (“**Loan**”) if the person making the Loan undertakes to be bound by the restrictions on disposal herein during the Six-Month Period and which restrictions shall include any disposal of the Relevant Shares on exercise of any enforcement action or foreclosure following a default under the Loan; or
- (d) any transfer with the prior written consent of the Company and the Joint Representatives, having due regard to the requirements of the Hong Kong Stock Exchange on lock-up of pre-IPO investors; or
- (e) any shares acquired in open market transactions after the completion of the Global Offering; or
- (f) any transfers to any of the Undersigned Shareholders’ wholly-owned subsidiaries, provided that, prior to such transfer, such wholly-owned subsidiary gives a written undertaking (addressed to and in favor of the Company, the Joint Representatives and the Joint Sponsors in terms satisfactory to them and substantially the same as the Lock-up Undertaking Letters) agreeing to, and the Undersigned Shareholders undertake to procure that such wholly-owned subsidiary will, be bound by the undertaking.

For the purpose of the Lock-up Undertaking Letters, “dispose of” or “disposal” means:

- (A) offer, pledge, charge, sell, mortgage, lend, create, transfer, assign or otherwise dispose, grant any option, warrant or right to purchase, sell, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or create any third party right of whatever nature over any Relevant Shares or any other securities convertible into or exercisable or exchangeable for such Relevant Shares, or that represent the right to receive, such Relevant Shares, or any interest in them;
- (B) enter into any option, swap or other arrangement that transfers to another, in whole or in part, any beneficial ownership of the Relevant Shares or any of the economic consequences or incidents of ownership of Relevant Shares or any other securities of the Company or any interest therein or which transfers or derives any significant part of its value from such Relevant Shares;

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- (C) enter into any transaction, directly or indirectly, with the same economic effect as any transaction specified in paragraph (A) or (B) above; or
- (D) agree or contract to effect any transaction specified in paragraph (A), (B) or (C) above, in each case, whether any of the transactions specified in paragraph (A), (B) or (C) above is to be settled by delivery of Relevant Shares or such other securities convertible into or exercisable or exchangeable for the Relevant Shares of the Company or in cash or otherwise (whether or not the issue of Relevant Shares or such other securities will be completed within the Six-Month Period).

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

We have also undertaken to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time during the Six-Month Period, it will not (and each of the Controlling Shareholders shall procure that the Company will not) without the prior written consent of the Joint Sponsors and the Joint Representatives (for themselves and on behalf of the Joint Bookrunners in relation to the Hong Kong Public Offering and the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an Encumbrance (as defined in the Hong Kong Underwriting Agreement) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the share capital or any other equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represents the right to receive, or any warrants or other rights to purchase any share capital or other equity securities of the Company, as applicable), or deposit any share capital or other equity securities of the Company, as applicable, with a depository in connection with the issue of depository receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the Shares or any other equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any equity securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so, in each case, whether any of the foregoing transactions is to be settled by delivery of share capital

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or such other equity securities, in cash or otherwise (whether or not the issue of such share capital or other equity securities will be completed within the Six Month Period). The Company further agrees that, in the event the Company intends to enter into any of the transactions described in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction during the period of six months commencing on the date on which the Six Month Period expires (the “**Second Six Month Period**”), it will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any Shares or other securities of the Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders agrees and undertakes to each of the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, it will not, and will procure that none of its associates will, without the prior written consent of the Joint Representatives (for themselves and on behalf of the Joint Bookrunners in relation to the Hong Kong Public Offering and the Hong Kong Underwriters) and unless otherwise in compliance with the Listing Rules:

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally or repurchase, any legal or beneficial interest in the share capital or any other equity securities of the Company (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive, any such share capital or securities or any interest therein); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of the Shares or any other equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (iii) enter into any transaction with the same economic effect as any transaction specified in paragraphs (i) or (ii) above; or
- (iv) offer to or agree to do any of the foregoing or announce any intention to do so,

in each case, whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise.

Indemnity

The Company has agreed to indemnify, among others, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and

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the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement, as the case may be.

The International Offering

In connection with the International Offering, it is expected that our Company and our Controlling Shareholders will enter into the International Underwriting Agreement with, among others, the Joint Representatives (for themselves and on behalf of the International Underwriters). Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Representatives on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 12,751,200 additional Offer Shares representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocations (if any) in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Total Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Hong Kong Underwriters) will receive an underwriting commission of 3% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters. Our Company may, at our sole and absolute discretion, pay to the Underwriters for their respective accounts an incentive fee up to 1% of the Offer Price for each Offer Share.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$33.30 per Share (being the mid-point of the indicative offer price range of HK\$31.80 to HK\$34.80 per Share), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering are estimated to be approximately HK\$192.7 million in total.

Activities by Syndicate Members

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering (together, referred to as “**Syndicate Members**”) and their affiliates may

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each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or the stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Company and/or persons and entities with relationships with the Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with the Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described in "Structure and Conditions of the Global Offering—The International Offering—Over-allotment Option" and "Structure and Conditions of the Global Offering—The International Offering—Stabilization." These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

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- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Hong Kong Underwriters' Interests in our Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Underwriting Agreements.

Other Services to our Company

Certain of the Joint Representatives, Joint Global Coordinators, the Underwriters or their respective affiliates have, from time to time, provided and expect to provide in the future investment banking and other services to our Company and our respective affiliates, for which such Joint Representatives, Joint Global Coordinators, Underwriters or their respective affiliates have received or will receive customary fees and commissions.

Other Services Provided by the Underwriters

The Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters may in their ordinary course of business provide financing to investors subscribing for the Offer Shares offered by this Prospectus. Such Joint Representatives, Joint Global Coordinators, Joint Bookrunners and Underwriters may enter into hedges and/or dispose of such Offer Shares in relation to the financing which may have a negative impact on the trading price of our Shares.

Over-Allotment and Stabilization

Details of the arrangements relating to the stabilization and Over-allotment Option are set forth in “Structure and Conditions of the Global Offering—The International Offering—Stabilization,” and “Structure and Conditions of the Global Offering—The International Offering—Over-allotment Option.”

Sponsor's Independence

Goldman Sachs satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

As of the Latest Practicable Date, certain funds managed by a joint venture of ICBC International Holdings Limited, the parent company of ICBCI Capital, invested in certain funds managed by the Company as limited partners during the ordinary course of business. In addition, in March 2017, ICBC International Holdings Limited entered into a Strategic Cooperation Framework Agreement with the Company to facilitate their corporation in various areas, including but not limited to investment banking, financial markets as well as wealth management & private banking business. In view of the ICBCI Facilities, and taken into consideration of the above as a whole, ICBCI Capital is expected to be not independent from the Company.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

The Global Offering

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of 8,500,800 Offer Shares in Hong Kong as described below in “—The Hong Kong Public Offering” below; and
- (ii) the International Offering of an aggregate of initially 76,507,200 Offer Shares, consisting of the offering of our Shares (i) in the United States to QIBs in reliance on Rule 144A or another available exemption; and (ii) outside the United States in reliance on Regulation S under the U.S. Securities Act. At any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, the Joint Representatives, as representative of the International Underwriters, have an option to require us to issue and allot up to 12,751,200 additional Offer Shares, representing 15% of the initial number of Offer Shares to be offered in the Global Offering, at the Offer Price to, among other things, cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.3% of the Company’s enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a press announcement will be made.

Investors may either

- (1) apply for Offer Shares under the Hong Kong Public Offering; or
- (2) apply for or indicate an interest for Offer Shares under the International Offering,

but may not do both.

The Offer Shares will represent approximately 15.5% of the enlarged issued share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 17.4% of the enlarged issued share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in “—The International Offering—Over-allotment Option” below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in “—The Hong Kong Public Offering—Reallocation and clawback” below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 8,500,800 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

1.6% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option and outstanding options under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “—The International Offering—Conditions of the Hong Kong Public Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 4,250,400 Offer Shares for pool A and 4,250,400 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 4,250,400 Offer Shares are liable to be rejected.

Reallocation

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. In the event that the International Offer Shares are fully subscribed or oversubscribed, if the number of Shares validly applied for in the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering will be increased to 25,502,400, 34,003,200 and 42,504,000 Shares, respectively, representing 30.0% (in the case of (i)), 40.0% (in the case of (ii)) and 50.0% (in the case of (iii)), respectively, of the total number of Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option), reallocation being referred to in this Prospectus as

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

“Mandatory Reallocation.” In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Joint Representatives and the Joint Sponsors deem appropriate, and such additional Offer Shares will be reallocated to Pool A and Pool B. If the Hong Kong Offer Shares are not fully subscribed, the Joint Representatives and the Joint Sponsors have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Representatives and the Joint Sponsors deem appropriate. In addition to any Mandatory Reallocation which may be required, the Joint Representatives and the Joint Sponsors may, at their discretion, reallocate Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications in Pool A and Pool B under the Hong Kong Public Offering, regardless of whether the Mandatory Reallocation is triggered. In the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, up to 8,500,800 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Shares available under the Hong Kong Public Offer will be increased to 17,001,600 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option and the outstanding options under the ESOP and any issue of new Share under the RSU Plan).

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant’s application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Joint Sponsors. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$34.80 per Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in “—The International Offering—Pricing of the Global Offering” below, is less than the maximum price of HK\$34.80 per Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in “How to Apply for Hong Kong Offer Shares.”

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 76,507,200 Offer Shares to be initially offered by us.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “—The International Offering—Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Representatives (on behalf of the Joint Bookrunners and the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Representatives so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Representatives on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Representatives have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 12,751,200 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover, among other things, over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.3% of the Company’s enlarged share capital immediately following the completion of the Global Offering (assuming the outstanding options under the ESOP are not exercised and no new Shares are issued under the RSU Plan) and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

Stabilization

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilization is effected is not permitted to exceed the offer price.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

In connection with the Global Offering, the Stabilizing Manager or any person acting for them, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilizing Manager will consider, among others, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of the Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Shares that may be over-allocated will not exceed the number of the Shares that may be issued under the Over-allotment Option, namely, 12,751,200 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Ordinance include:

- a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;
- b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any deduction in the market price;
- c) subscribing, or agreeing to subscribe, for the Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- d) purchasing, or agreeing to purchase, the Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- e) selling the Shares to liquidate a long position held as a result of those purchases; and
- f) offering or attempting to do anything described in (b), (c), (d) and (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of the long position, and the period for which the Stabilizing Manager, or any person acting for it, will

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maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the thirtieth day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on Friday, October 19, 2018. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Ordinance will be made within seven days of the expiration of the stabilizing period.

Pricing of the Global Offering

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building,” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, September 20, 2018 and in any event on or before Monday, September 24, 2018, by agreement between the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$34.80 per Share and is expected to be not less than HK\$31.80 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our

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Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.huaxing.com) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised offer price range will be final and conclusive and the offer price, if agreed upon by the Joint Representatives, on behalf of the Joint Bookrunners and the Underwriters, and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Underwriters) may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Representatives (for themselves and on behalf of the Joint Bookrunners and the Underwriters).

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions and other expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK\$2,515.7 million, assuming an Offer Price per Share of HK\$31.80, or approximately HK\$2,760.5 million, assuming an Offer Price per Share of HK\$34.80 (or if the Over-allotment Option is exercised in full, approximately HK\$2,904.9 million, assuming an Offer Price per Share of HK\$31.80, or approximately HK\$3,186.5 million, assuming an Offer Price per Share of HK\$34.80).

The Offer Price for Shares under the Global Offering is expected to be announced on Wednesday, September 26, 2018. The indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, September 26, 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.huaxing.com).

Hong Kong Underwriting Agreement

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in “Underwriting.”

Shares will be eligible for CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) (subject only to allotment);
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Representatives (on behalf of Joint Bookrunners and the Underwriters), the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

eventuality, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares.” In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, September 26, 2018 but will only become valid certificates of title at 8:00 a.m. on Thursday, September 27, 2018 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in “Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination” has not been exercised.

Dealings in the Shares

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, September 27, 2018, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, September 27, 2018.

The Shares will be traded in board lots of 100 Shares each and the stock code of the Shares will be 1911.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest in International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Representatives, the **White Form eIPO Service Provider** and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act);
- are not a PRC legal or natural person;
- are not an existing Shareholder and/or his/her/its close associate;
- are not a core connected person of the Company and will not become a core connected person of the Company immediately upon completion of the Global Offering; and
- have not been allocated and have not applied for or indicated interest in any Offer Share under the International Offering.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Representatives may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a Director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above;
- are a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Friday, September 14, 2018 until 12:00 noon on Wednesday, September 19, 2018 from:

(i) any of the following offices of the Joint Bookrunners:

China Renaissance Securities (Hong Kong) Limited

Units 8107-08, Level 81, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong

Goldman Sachs (Asia) L.L.C.

59/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong

ICBC International Capital Limited

37/F ICBC Tower, 3 Garden Road, Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong

CCB International Capital Limited

12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

China Securities (International) Corporate Finance Company Limited

18/F Two Exchange Square, 8 Connaught Place, Central, Hong Kong

Haitong International Securities Company Limited

22/F, Li Po Chun Chambers, 189 Des Voeux Road Central, Hong Kong

Futu Securities International (Hong Kong) Limited

11/F, Bangkok Bank Building, 18 Bonham Strand West, Sheung Wan, Hong Kong

Huanying International (Asia) Limited

21/F, Hip Shing Hong Centre, 55 Des Voeux Road Central, Hong Kong

(ii) any of the branches of the following receiving banks:

Industrial and Commercial Bank of China (Asia) Limited

	Branch Name	Address
Hong Kong Island	Queen's Road Central Branch	Basement, Ground Floor and First Floor of 122 QRC, Nos. 122-126 Queen's Road Central Hong Kong
	Wanchai Branch	117-123 Hennessy Road, Wanchai, Hong Kong
	Quarry Bay Branch	Shop SLG1, Sub-Lower Ground Floor, Westlands Gardens, Nos. 2-12, Westlands Road, Quarry Bay, Hong Kong
	Causeway Bay Branch	Shop A on G/F, 1/F, Hennessy Apartments, 488 & 490 Hennessy Road, Hong Kong
Kowloon	Tsim Sha Tsui Branch	Shop 1&2, G/F, No. 35-37 Hankow Road, Tsimshatsui, Kowloon
	Jordan Branch	1/F, JD Mall, No. 233 Nathan Road, Jordan, Kowloon
	Mongkok Branch	G/F, Belgian Bank Building, 721-725 Nathan Road, Mongkok, Kowloon
	Kwun Tong Branch	Shop 5&6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon
New Territories	Sha Tsui Road Branch	Shop 4, G/F Chung On Building, 297-313 Sha Tsui Road, Tsuen Wan, New Territories
	Tai Po Branch	Shop F, G/F, Mee Fat Building, No 34-38 Tai Wing Lane, Tai Po, New Territories

HOW TO APPLY FOR HONG KONG OFFER SHARES

Standard Chartered Bank (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island	Central Branch	G/F, 1/F, 2/F and 27/F, Two Chinachem Central, 26 Des Voeux Road Central
	188 Des Voeux Road Central Branch	Shop No. 7 on G/F, whole of 1/F-3/F Golden Centre, 188 Des Voeux Road Central, Hong Kong
	Wanchai Southorn Branch	Shop C2, G/F & 1/F, Lee Wing Building, 156-162 Hennessy Road, Wanchai, Hong Kong
	Hennessy Road Branch	399 Hennessy Road, Wanchai
Kowloon	68 Nathan Road Branch	Basement, Shop B1, G/F Golden Crown Court, 66-70 Nathan Road, Tsim Sha Tsui
	Mei Foo Manhattan Branch	Shop Nos.07 & 09, Ground Floor, Mei Foo Plaza, Mei Foo Sun Chuen
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
	Tsim Sha Tsui Branch	Shop G30 & B117-23, G/F, Mira Place One, 132 Nathan Road, Tsim Sha Tsui
New Territories	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi
	Tseung Kwan O Branch	Shop No. E037-E040, G/F, East Wing of TKO Gateway, Hau Tak Estate, Tseung Kwan O
	Fotan Branch	Bank No. 3, 1/F, Shatin Galleria, 18-24 Shan Mei Street, Fo Tan, Shatin
	Metroplaza Branch	Shop 473B, Level 4, Metroplaza, 223 Hing Fong Road, Kwai Chung

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. from Friday, September 14, 2018 until 12:00 noon on Wednesday, September 19, 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Friday, September 14, 2018—9:00 a.m. to 5:00 p.m.
- Saturday, September 15, 2018—9:00 a.m. to 1:00 p.m.
- Monday, September 17, 2018—9:00 a.m. to 5:00 p.m.
- Tuesday, September 18, 2018—9:00 a.m. to 5:00 p.m.
- Wednesday, September 19, 2018—9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, September 19, 2018, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Representatives (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Cayman Companies Law and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Forms;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or

HOW TO APPLY FOR HONG KONG OFFER SHARES

by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and

- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Terms and Conditions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “Who can apply” in this section may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO Service Provider** to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO service

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, September 14, 2018 until 11:30 a.m. on Wednesday, September 19, 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, September 19, 2018 or such later time under the “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “CHINA RENAISSANCE HOLDINGS LIMITED” **White Form eIPO** application submitted via the website www.eipo.com.hk to support the funding of “Dongjiang River Source Tree Planting” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Representatives and our Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
 - declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Representatives will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of the Company, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to the Company, our Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global

HOW TO APPLY FOR HONG KONG OFFER SHARES

Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, and/or its respective advisors and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have

HOW TO APPLY FOR HONG KONG OFFER SHARES

done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 100 Hong Kong Offer Shares. Instructions for more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Friday, September 14, 2018—9:00 a.m. to 8:30 p.m.
- Saturday, September 15, 2018—8:00 a.m. to 1:00 p.m.
- Monday, September 17, 2018—8:00 a.m. to 8:30 p.m.
- Tuesday, September 18, 2018—8:00 a.m. to 8:30 p.m.
- Wednesday, September 19, 2018—8:00 a.m. to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, September 14, 2018 until 12:00 noon on Wednesday, September 19, 2018 (24 hours daily, except on September 19, 2018, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, September 19, 2018, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will

HOW TO APPLY FOR HONG KONG OFFER SHARES

be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO Service Provider** to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Sponsors, the Joint Representatives, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Center to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, September 19, 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

HOW TO APPLY FOR HONG KONG OFFER SHARES

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 100 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 100 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see “Structure and Conditions of the Global Offering—The Hong Kong Public Offering—Allocation.”

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, September 19, 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, September 19, 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, September 26, 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at www.huaxing.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below.

- in the announcement to be posted on the Company’s website at www.huaxing.com and the Stock Exchange’s website at www.hkexnews.hk by no later than Wednesday, September 26, 2018;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: **English** <https://www.eipo.com.hk/en/Allotment>; **Chinese** <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, September 26, 2018 to 12:00 midnight on Tuesday, October 2, 2018;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, September 26, 2018 to Saturday, September 29, 2018;
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, September 26, 2018 to Friday, September 28, 2018 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in “Structure and Conditions of the Global Offering.”

HOW TO APPLY FOR HONG KONG OFFER SHARES

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **White Form eIPO Service Provider**, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Representatives, the **White Form eIPO Service Provider** and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

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(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Representatives believe that by accepting your application, it/ they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$34.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure and Conditions of the Global Offering—Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, September 26, 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

HOW TO APPLY FOR HONG KONG OFFER SHARES

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Wednesday, September 26, 2018. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, September 27, 2018 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, September 26, 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, September 26, 2018, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, September 26, 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, September 26, 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, September 26, 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the White Form eIPO Service*

If you apply for 1,000,000 or more Hong Kong Offer Shares and your application is wholly or partially successful, you may collect your Share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, September 26, 2018, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, September 26, 2018, by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, September 26, 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Wednesday, September 26, 2018. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, September 26, 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, September 26, 2018. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, September 26, 2018.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisors for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-122, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA RENAISSANCE HOLDINGS LIMITED AND GOLDMAN SACHS (ASIA) L.L.C. AND ICBC INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of China Renaissance Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-122, which comprises the consolidated statements of financial position of the Group as at December 31, 2015, 2016 and 2017 and March 31, 2018, the statements of financial position of the Company as at December 31, 2015, 2016 and 2017 and March 31, 2018 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the three years ended December 31, 2017 and the three months ended March 31, 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-122 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated September 14, 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial

Information that gives a true and fair view in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at December 31, 2015, 2016 and 2017 and March 31, 2018, of the Company's financial position as at December 31, 2015, 2016 and 2017 and March 31, 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended March 31, 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 14 to the Historical Financial Information which contains information about the dividends declared and paid by the Company in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
September 14, 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in US Dollar ("US\$") and all values are rounded to the nearest thousand (US\$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Revenue	6					
Transaction and advisory fees		112,318	106,239	106,770	16,774	22,682
Management fees		7,853	26,119	28,349	5,760	11,875
Interest income		—	1,005	4,295	872	4,276
Total revenue		120,171	133,363	139,414	23,406	38,833
Compensation and benefit expenses		(43,569)	(64,730)	(101,366)	(15,546)	(24,240)
Other operating expenses	7	(18,008)	(29,109)	(44,206)	(7,850)	(11,223)
Total operating expenses		(61,577)	(93,839)	(145,572)	(23,396)	(35,463)
Operating profit (loss)		58,594	39,524	(6,158)	10	3,370
Other income, gains or losses	8	670	6,582	808	(329)	915
Interest expense		—	(19)	(1,399)	—	(2,856)
Impairment losses on assets	9	(359)	(1,358)	(967)	—	(313)
Investment income		10,621	8,837	17,907	1,490	7,906
Share of results of associates	18	—	(254)	125	(199)	5
Change in fair value of convertible notes	27	—	(2,600)	(504)	(395)	—
Change in fair value of convertible redeemable preferred shares	29	(34,039)	(13,978)	(25,730)	(3,173)	(73,770)
Listing expenses		—	—	—	—	(1,025)
Profit (loss) before tax		35,487	36,734	(15,918)	(2,596)	(65,768)
Income tax expense	10	(5,896)	(8,175)	2,412	138	(59)
Profit (loss) for the year/period	11	29,591	28,559	(13,506)	(2,458)	(65,827)
Other comprehensive (expense) income						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations		(979)	(9,697)	12,875	1,292	18,916
Fair value loss on:						
—available-for-sale financial assets		—	—	(164)	—	—
Fair value gain, net of expected credit losses on:						
—financial assets at fair value through other comprehensive income		—	—	—	—	698
Other comprehensive (expense) income for the year/period		(979)	(9,697)	12,711	1,292	19,614
Total comprehensive income (expense) for the year/period		28,612	18,862	(795)	(1,166)	(46,213)
Profit (loss) for the year/period attributable to:						
—Owners of the Company		28,844	31,833	32	(1,135)	(65,262)
—Non-controlling interests		747	(3,274)	(13,538)	(1,323)	(565)
		29,591	28,559	(13,506)	(2,458)	(65,827)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME—continued

	Notes	Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Total comprehensive income (expense) for the year/ period attributable to:						
—Owners of the Company		27,865	25,582	8,650	(248)	(54,645)
—Non-controlling interests		747	(6,720)	(9,445)	(918)	8,432
		<u>28,612</u>	<u>18,862</u>	<u>(795)</u>	<u>(1,166)</u>	<u>(46,213)</u>
Earnings (loss) per share for profit (loss) attributable to the owners of the Company during the year/ period						
Basic	13	US\$0.12	US\$0.13	US\$0.00	US\$(0.00)	US\$(0.27)
Diluted	13	<u>US\$0.11</u>	<u>US\$0.12</u>	<u>US\$0.00</u>	<u>US\$(0.00)</u>	<u>US\$(0.27)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At December 31,			At March 31,
	Notes	2015	2016	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000
NON-CURRENT ASSETS					
Furniture and equipment	15	1,725	8,709	10,104	9,806
Intangible assets	16	1,413	2,023	4,403	4,223
Deferred tax assets	17	1,675	5,418	14,336	17,365
Investments in associates	18	21,219	31,360	43,532	47,262
Loans to third parties	23	—	—	5,050	9,046
Available-for-sale financial assets	19	5,935	4,950	36,596	—
Financial assets at fair value through profit or loss	20	31,271	36,274	53,024	67,896
Financial assets at fair value through other comprehensive income	21	—	—	—	218,122
Pledged bank deposits	25	892	—	—	—
		<u>64,130</u>	<u>88,734</u>	<u>167,045</u>	<u>373,720</u>
CURRENT ASSETS					
Accounts and other receivables	22	48,893	25,123	52,225	73,544
Loans to third parties	23	500	721	—	—
Loans to related parties	35	—	—	2,219	3,449
Amounts due from related parties	35	2,611	4,232	4,979	5,669
Financial assets at fair value through profit or loss	20	13,737	47,365	65,111	154,276
Term deposits	24	29,037	15,373	7,363	14,537
Pledged bank deposits	25	—	835	—	—
Cash and cash equivalents	25	128,419	186,620	442,969	195,644
		<u>223,197</u>	<u>280,269</u>	<u>574,866</u>	<u>447,119</u>
TOTAL ASSETS		<u>287,327</u>	<u>369,003</u>	<u>741,911</u>	<u>820,839</u>
CURRENT LIABILITIES					
Accounts and other payables	26	46,057	54,978	81,397	101,808
Amounts due to related parties	35	33	872	2,652	31,947
Convertible notes	27	—	22,600	—	—
Income tax payables		1,855	9,182	5,159	2,505
		<u>47,945</u>	<u>87,632</u>	<u>89,208</u>	<u>136,260</u>
NET CURRENT ASSETS		<u>175,252</u>	<u>192,637</u>	<u>485,658</u>	<u>310,859</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>239,382</u>	<u>281,371</u>	<u>652,703</u>	<u>684,579</u>
NON-CURRENT LIABILITIES					
Bank borrowing	28	—	—	150,000	154,253
Accounts and other payables	26	—	—	367	—
Deferred tax liabilities	17	136	498	650	886
Convertible redeemable preferred shares	29	189,839	203,817	262,651	336,421
		<u>189,975</u>	<u>204,315</u>	<u>413,668</u>	<u>491,560</u>
NET ASSETS		<u>49,407</u>	<u>77,056</u>	<u>239,035</u>	<u>193,019</u>
CAPITAL AND RESERVES					
Share capital	31	6	6	6	6
Reserves		<u>48,492</u>	<u>2,846</u>	<u>15,273</u>	<u>(39,194)</u>
Equity (deficiency in assets) attributable to owners of the Company		48,498	2,852	15,279	(39,188)
Non-controlling interests	32	909	74,204	223,756	232,207
		<u>49,407</u>	<u>77,056</u>	<u>239,035</u>	<u>193,019</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	At December 31,			At March 31,
		2015	2016	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000
NON-CURRENT ASSETS					
Investments in subsidiaries		71,088	187,897	361,310	378,999
Investments in associates	18	7,961	7,349	9,604	9,900
Available-for-sale financial assets	19	522	482	482	—
Financial assets at fair value through profit or loss	20	18,096	15,327	23,979	26,793
		<u>97,667</u>	<u>211,055</u>	<u>395,375</u>	<u>415,692</u>
CURRENT ASSETS					
Accounts and other receivables	22	15,733	415	130	100
Loans to third parties	23	500	—	—	—
Amounts due from related parties	35	493	—	7	9
Term deposits	24	15,000	7,000	—	—
Cash and cash equivalents	25	111,329	18,140	32,414	26,872
		<u>143,055</u>	<u>25,555</u>	<u>32,551</u>	<u>26,981</u>
TOTAL ASSETS		<u>240,722</u>	<u>236,610</u>	<u>427,926</u>	<u>442,673</u>
CURRENT LIABILITIES					
Accounts and other payables	26	1,610	315	1,221	4,847
Convertible notes	27	—	22,600	—	—
		<u>1,610</u>	<u>22,915</u>	<u>1,221</u>	<u>4,847</u>
NET CURRENT ASSETS		<u>141,445</u>	<u>2,640</u>	<u>31,330</u>	<u>22,134</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>239,112</u>	<u>213,695</u>	<u>426,705</u>	<u>437,826</u>
NON-CURRENT LIABILITIES					
Bank borrowing	28	—	—	150,000	154,253
Accounts and other payables	26	—	—	367	—
Convertible redeemable preferred shares	29	189,839	203,817	262,651	336,421
		<u>189,839</u>	<u>203,817</u>	<u>413,018</u>	<u>490,674</u>
NET ASSETS		<u>49,273</u>	<u>9,878</u>	<u>13,687</u>	<u>(52,848)</u>
CAPITAL AND RESERVES					
Share capital	31	6	6	6	6
Reserves		<u>49,267</u>	<u>9,872</u>	<u>13,681</u>	<u>(52,854)</u>
		<u>49,273</u>	<u>9,878</u>	<u>13,687</u>	<u>(52,848)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Other reserve	Surplus reserve	Retained earnings/(Accumulated losses)	Reserves sub-total		
		US\$'000	US\$'000	US\$'000 (note b)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at January 1, 2015		6	5,609	1,354	77	13,819	20,859	162	21,027
Profit for the year		—	—	—	—	28,844	28,844	747	29,591
Other comprehensive expense for the year		—	—	(979)	—	—	(979)	—	(979)
Appropriation to statutory surplus reserve		—	—	—	1,001	(1,001)	—	—	—
Recognition of equity-settled share-based payment expense		—	—	—	—	—	—	—	—
Dividends to a shareholder	14	—	—	3,768	—	—	3,768	—	3,768
Balance at December 31, 2015		6	5,609	4,143	1,078	37,662	48,492	909	49,407
Profit (loss) for the year		—	—	—	—	31,833	31,833	(3,274)	28,559
Other comprehensive expense for the year		—	—	(6,251)	—	—	(6,251)	(3,446)	(9,697)
Appropriation to statutory surplus reserve		—	—	—	423	(423)	—	—	—
Capital contribution from non-controlling shareholders		—	2,627	—	—	—	2,627	80,195	82,822
Recognition of equity-settled share-based payment expense		—	—	3,645	—	—	3,645	—	3,645
Dividends to shareholders	14	—	—	—	—	(77,500)	(77,500)	(180)	(77,680)
Balance at December 31, 2016		6	8,236	1,537	1,501	(8,428)	2,846	74,204	77,056
Profit (loss) for the year		—	—	—	—	32	32	(13,538)	(13,506)
Other comprehensive income for the year		—	—	8,618	—	—	8,618	4,093	12,711
Capital contribution from non-controlling shareholders		—	—	—	—	—	—	160,243	160,243
Acquisition of additional equity interest from non-controlling shareholders		—	(276)	—	—	—	(276)	(82)	(358)
Recognition of equity-settled share-based payment expense		—	—	8,203	—	—	8,203	—	8,203
Dividends to shareholders	14	—	—	—	—	(4,150)	(4,150)	(1,164)	(5,314)
Balance at December 31, 2017		6	7,960	18,358	1,501	(12,546)	15,273	223,756	239,035

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Note	Attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Share premium	Other reserve	Surplus reserve	Retained earnings/(Accumulated losses)	Reserves sub-total		
		US\$'000	US\$'000	US\$'000 (note b)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at January 1, 2018		6	7,960	18,358	1,501	(12,546)	15,273	223,756	239,035
Adoption of IFRS 9 (note a)		—	—	12	—	1,439	1,451	—	1,451
Adjusted balance at January 1, 2018		6	7,960	18,370	1,501	(11,107)	16,724	223,756	240,486
Loss for the period		—	—	—	—	(65,262)	(65,262)	(565)	(65,827)
Other comprehensive income for the period		—	—	10,617	—	—	10,617	8,997	19,614
Capital contribution from non-controlling shareholders		—	—	—	—	—	—	19	19
Recognition of equity-settled share-based payment expense		—	—	2,326	—	—	2,326	—	2,326
Dividends to a shareholder	14	—	—	—	—	(3,599)	(3,599)	—	(3,599)
Balance at March 31, 2018		6	7,960	31,313	1,501	(79,968)	(39,194)	232,207	193,019
(Unaudited)									
Balance at January 1, 2017		6	8,236	1,537	1,501	(8,428)	2,846	74,204	77,056
Loss for the period		—	—	—	—	(1,135)	(1,135)	(1,323)	(2,458)
Other comprehensive income for the period		—	—	887	—	—	887	405	1,292
Recognition of equity-settled share-based payment expense		—	—	611	—	—	611	—	611
Dividends to a shareholder	14	—	—	—	—	(4,150)	(4,150)	—	(4,150)
Balance at March 31, 2017		6	8,236	3,035	1,501	(13,713)	(941)	73,286	72,351

Note:

- a. Upon the adoption of IFRS 9 “Financial Instruments” on January 1, 2018, the accumulated impact of US\$1,439,000 was recorded as an adjustment to the accumulated loss as at January 1, 2018, including US\$498,000 impairment loss allowance and US\$1,937,000 gain from remeasurement of financial assets at fair value through profit or loss (previously classified as available-for-sale financial assets).
- b. Other reserve includes (1) translation reserve; (2) investment revaluation reserve; and (3) equity-settled share-based payment expense.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Year ended December 31,			Three months ended March 31,	
	Note	2015	2016	2017	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Cash flows from operating activities						
Profit (loss) before tax		35,487	36,734	(15,918)	(2,596)	(65,768)
Adjustments for:						
Depreciation of furniture and equipment		588	1,125	3,026	689	885
Amortization of intangible assets		84	130	753	65	331
Losses on disposal of furniture and equipment		—	—	54	55	—
Interest income		(367)	(1,268)	(5,022)	(939)	(4,533)
Interest expense		—	19	1,399	—	2,856
Change in fair value of convertible notes		—	2,600	504	395	—
Change in fair value of convertible redeemable preferred shares		34,039	13,978	25,730	3,173	73,770
Investment income		(10,621)	(8,837)	(17,907)	(1,490)	(7,906)
Impairment loss on assets		359	1,358	967	—	313
Share of results of associates		—	254	(125)	199	(5)
Share-based payment expense		3,768	3,645	8,203	611	2,326
Operating cash flows before movements in working capital		63,337	49,738	1,664	162	2,269
(Increase) decrease in accounts and other receivables		(44,008)	23,538	(24,985)	(291)	(23,568)
Increase in amounts due from related parties		(1,934)	(1,621)	(747)	(765)	(818)
(Decrease) increase in amounts due to related parties		(30)	839	1,780	13,278	29,295
Increase (decrease) in accounts and other payables		29,093	9,198	24,304	(12,614)	17,624
Cash generated from/(used in) operations		46,458	81,692	2,016	(230)	24,802
Interest received		—	618	2,246	872	2,227
Income taxes paid		(5,624)	(4,328)	(10,073)	(2,450)	(4,978)
Net cash generated from (used in) operating activities		40,834	77,982	(5,811)	(1,808)	22,051
Cash flows from investing activities						
Withdrawal of pledged bank deposits		—	—	835	—	—
Bank and loans interest received		352	343	640	93	200
Purchases of furniture and equipment		(1,921)	(8,960)	(4,558)	(1,640)	(271)
Proceeds from disposal of furniture and equipment		—	2	2	—	—
Purchases of intangible assets		(1,212)	(275)	(2,442)	(50)	—
Purchases of financial assets at fair value through profit or loss		(103,788)	(272,353)	(537,476)	(130,410)	(354,282)
Proceeds from disposal of financial assets at fair value through profit or loss		75,948	238,157	521,495	119,081	266,518
Purchases of financial assets at fair value through other comprehensive income		—	—	—	—	(187,405)
Proceeds from disposal of financial assets at fair value through other comprehensive income		—	—	—	—	7,491
Investments in associates		(8,825)	(10,661)	(5,811)	(469)	(908)
Proceeds from partial disposal of associates		—	587	324	—	—
Purchases of available-for-sale financial assets		(5,773)	(815)	(32,487)	—	—
Proceeds from disposal of available-for-sale financial assets		616	1,164	—	—	—
Purchases of term deposits		(130,816)	(4,632)	(65,410)	(919)	(12,314)
Maturity of term deposits		134,754	18,296	73,420	12,433	5,140
Origination of loan receivables		(500)	(721)	(7,269)	—	(7,502)
Repayment of loan receivables		—	500	721	—	2,219
Net cash used in investing activities		(41,165)	(39,368)	(58,016)	(1,881)	(281,114)

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Note	Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Cash flows from financing activities						
Proceeds from issuance of convertible redeemable preferred shares	30	100,000	—	10,000	—	—
Proceeds from issuance of convertible notes	30	—	20,000	—	—	—
Proceeds from bank borrowings	30	—	10,000	151,928	—	—
Repayment of bank borrowings	30	—	(10,000)	(1,928)	—	—
Capital contribution from non-controlling shareholders		—	82,822	160,243	—	19
Acquisition of additional equity interest from non-controlling shareholders		—	—	(358)	—	—
Distribution to non-controlling shareholders	30	—	(180)	(1,164)	—	—
Dividends paid to a shareholder	30	(4,000)	(77,500)	(4,150)	—	—
Interest paid	30	—	(19)	(2)	—	—
Net cash generated from financing activities		<u>96,000</u>	<u>25,123</u>	<u>314,569</u>	<u>—</u>	<u>19</u>
Net increase/(decrease) in cash and cash equivalents		95,669	63,737	250,742	(3,689)	(259,044)
Cash and cash equivalents at beginning of the year/ period		32,893	128,419	186,620	186,620	442,969
Effect of foreign exchange rate changes		<u>(143)</u>	<u>(5,536)</u>	<u>5,607</u>	<u>865</u>	<u>11,719</u>
Cash and cash equivalents at end of the year/ period		<u>128,419</u>	<u>186,620</u>	<u>442,969</u>	<u>183,796</u>	<u>195,644</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION**

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on July 13, 2011. The addresses of the registered office of the Company and principal place of business of the Company and its subsidiaries are disclosed in Corporate Information in the Prospectus.

The Company and its subsidiaries (together, the “Group”) principally provide investment banking business and investment management services.

No audited statutory financial statements throughout the Track Record Period were prepared for the Company as they are not required to issue audited financial statements under local statutory requirements.

The Historical Financial Information has been prepared in accordance with the accounting policies set out in note 3 which conform with International Financial Reporting Standards.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied International Accounting Standards (“IASs”), IFRSs, amendments and the related Interpretations (“IFRICs”) (herein collectively referred to as the “IFRSs”), which are effective for the accounting period beginning on January 1, 2018 throughout the Track Record Period except that the Group adopted IFRS 9 “*Financial Instruments*” on January 1, 2018. The directors of the Company have further assessed the effects of the adoption of IFRS 9 as compared to IAS 39 on the financial statements and considered that the adoption of IFRS 9 did not have significant impact on the financial position and performance since January 1, 2018, based on the current impacts as disclosed below at the date of initial application, and the financial information for the three month ended March 31, 2018. The accounting policies for financial instruments under IFRS 9 are set out in note 3 below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

		Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 US\$'000	Fair value remeasurement under IFRS 9 US\$'000	Additional loss allowance recognized under IFRS 9 US\$'000	New carrying amount under IFRS 9 US\$'000
1.	Investments in unlisted companies (note 19)	Available-for-sale financial assets	Financial assets at fair value through profit or loss ("FVTPL")	4,279	1,937	—	6,216
2.	Financial bonds (note 19)	Available-for-sale financial assets	Financial assets at fair value through other comprehensive income ("FVTOCI")	32,317	—	(12)	32,317 (Note)
3.	Wealth management products (note 20)	Financial assets designated at FVTPL	Financial assets at FVTPL	65,111	—	—	65,111
4.	Unlisted investment funds at fair value (note 20)	Financial assets designated at FVTPL	Financial assets at FVTPL	36,962	—	—	36,962
5.	Debt security investments (note 20)	Financial assets designated at FVTPL	Financial assets at FVTPL	14,708	—	—	14,708
6.	Interest rate cap (note 20)	Derivative	Financial assets at FVTPL	1,354	—	—	1,354
7.	Accounts and other receivables (note 22)	Loans and receivables	Financial assets at amortized cost	43,820	—	(249)	43,571
8.	Interest receivables (note 22)	Loans and receivables	Financial assets at FVTOCI	1,886	—	—	1,886
9.	Loans to third parties (note 23)	Loans and receivables	Financial assets at amortized cost	5,050	—	(101)	4,949
10.	Loans to related parties (note 35)	Loans and receivables	Financial assets at amortized cost	2,219	—	(44)	2,175
11.	Amounts due from related parties (note 35)	Loans and receivables	Financial assets at amortized cost	4,979	—	(92)	4,887
12.	Term deposits (note 24)	Loans and receivables	Financial assets at amortized cost	7,363	—	—	7,363
13.	Cash and cash equivalents and pledged bank deposits (note 25)	Loans and receivables	Financial assets at amortized cost	442,969	—	—	442,969
14.	Accounts and other payables (note 26)	Financial liabilities at amortized cost	Financial liabilities at amortized cost	20,798	—	—	20,798
15.	Amounts due to related parties (note 35)	Financial liabilities at amortized cost	Financial liabilities at amortized cost	2,652	—	—	2,652
16.	Bank borrowing (note 28)	Financial liabilities at amortized cost	Financial liabilities at amortized cost	150,000	—	—	150,000
17.	Convertible redeemable preferred shares (note 29)	Financial liabilities at FVTPL	Financial liabilities at FVTPL	262,651	—	—	262,651
Total					1,937	(498)	

Note: The additional loss allowance recognised for available-for-sale financial assets that were measured at FVTOCI is recognized against the investment revaluation reserve rather than against the carrying amount as they are already measured at fair value.

The additional impairment loss allowance upon the initial application of IFRS 9 as disclosed above resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset.

There were no financial liabilities which the Group had previously designated as at FVTPL or measured at amortized cost under IAS 39 that were subject to reclassification, or which the Group has elected to reclassify upon the application of IFRS 9.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued

Available-for-sale financial assets which the Group had previously measured at fair value with changes accounted for in other comprehensive income under IAS 39 has been classified as FVTOCI at the date of initial application of IFRS 9. The loss allowance is included in the other reserves.

The tables below show information relating to financial assets that are measured differently (other than due to change in impairment calculation) as a result of transition to IFRS 9:

	(i) IAS 39 carrying amount 31/12/2017 US\$'000	(ii) Reclassifications US\$'000	(iii) Remeasurements US\$'000	(iv) = (i) + (ii) + (iii) IFRS 9 carrying amount 01/01/2018 US\$'000	(v) = (iii) Retained earnings effect on 01/01/2018 US\$'000
Financial assets					
FVTPL					
Additions:					
From available-for-sale financial assets					
(IAS 39)	4,279	—	1,937	6,216	1,937
	(i) IAS 39 carrying amount 31/12/2017 US\$'000	(ii) Reclassifications US\$'000	(iii) Remeasurements US\$'000	(iv) = (i) + (ii) + (iii) IFRS 9 carrying amount 01/01/2018 US\$'000	(v) = (iii) Retained earnings effect on 01/01/2018 US\$'000
Financial assets					
FVTOCI					
Additions:					
From amortized cost (IAS 39)	1,886	—	—	1,886	—

New and amendments to IFRSs in issue but not yet effective

The Group has not adopted the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Lease ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over income tax treatments ¹
Amendments to IFRS 9	Prepayment Feature with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture ²
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual improvements to IFRS standards 2015-2017 Cycles ¹

1 Effective for annual periods beginning on or after January 1, 2019

2 Effective for annual periods beginning on or after a date to be determined

3 Effective for annual periods beginning on or after January 1, 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued**New and amendments to IFRSs in issue but not yet effective—continued

Except as described below, the directors of the Group anticipate that the application of other new and amendments to IFRSs will have no material impact on the Group's financial performance and consolidated financial positions and/or on the disclosures in future consolidated financial statements.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified assets is controlled by a customer. Distinctions of operating leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees, except for short-term leases of low value assets. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contract to the lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Furthermore, extensive disclosures are required by IFRS 16.

As at March 31, 2018, the Group has non-cancellable operating lease commitments of US\$23,021,000 as disclosed in note 37. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16. Upon application of IFRS 16, the Group will recognize a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. The new requirement to recognize a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognized in the Group's consolidated financial statements. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

In addition, the Group currently considers refundable rental deposits paid of US\$2,224,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS—continued**

New and amendments to IFRSs in issue but not yet effective—continued

IFRS 16 Leases—continued

such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortized cost and such adjustments are considered as additional lease payments. Adjustment to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The directors of the Company considered that under the leasing arrangement as at March 31, 2018, the initial adoption of IFRS 16 on January 1, 2019 would not result in a significant impact to the consolidated financial performance in the Group's future financial statements.

Except as described above, the directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact on the Group's financial position and financial performance in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are within the scope of IAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**3. SIGNIFICANT ACCOUNTING POLICIES—continued**

and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporated the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Group:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**3. SIGNIFICANT ACCOUNTING POLICIES—continued**Basis of consolidation—continued

Profit or loss and each item of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributable to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities and a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's statements of financial position at cost less accumulated impairment losses, if any.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**3. SIGNIFICANT ACCOUNTING POLICIES—continued**Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The Group has invested in certain investment funds that it manages. As the fund manager, the Group may contribute capital in the funds that it manages. Where the Group has an interest in the funds that give the Group significant influence, but not control, the Group records such investments as investments in associates. The Group has applied the measurement exemption within IAS 28 “Investments in Associates and Joint Ventures,” when an investment in an associate is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity elects to measure investments in those associates at fair value since the Company decides such funds have the below characteristics of a venture capital organization:

- The investments are held for the short- to medium-term rather than for the long-term;
- the most appropriate point for exit is actively monitored; and
- investments form part of a portfolio, which is monitored and managed without distinguishing between investments that qualify as associates or joint ventures and those that do not.

The results and assets and liabilities of associates are incorporated in the Historical Financial Information using the equity method of accounting. Appropriate adjustments have been made to conform the associate’s accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate. When the Group’s share of losses of an associate exceeds the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group’s share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

When there is objective evidence that the investment in an associate is impaired, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 “Impairment of Assets” (“IAS 36”) as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**3. SIGNIFICANT ACCOUNTING POLICIES—continued**Investments in associates—continued

loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IAS 39 or IFRS 9, where applicable. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the Group's Historical Financial Information only to the extent of interests in the associate that are not related to the Group.

Revenue recognition

Revenue is recognized to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the services underlying the particular performance obligation is transferred to the customers.

Control of the services may be transferred over time or at a point in time. Control of the services is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**3. SIGNIFICANT ACCOUNTING POLICIES—continued**Revenue recognition—continued

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the services transfers over time, revenue is recognized over the period of the contract by reference to the progress toward complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the services.

(a) Transaction and advisory fees

Transaction and advisory revenue represents underwriting fees and financial advisory fees associated with private placement transactions, public capital raising transactions and mergers and acquisitions. Such transaction revenues are recognized at a point in time when the services for the transactions are completed under the terms of each engagement and the revenue can be measured reliably, since only by that time the Group has a present right to payment from the customers for the service performed.

(b) Management fee

Management fee represents fees associated with the management services for the funds at a fixed percentage of capital commitment under management. Management fee is recognized over time (i.e. the fund life) based on contractual terms specified in the underlying investment management agreements, since the customer (i.e. the managed fund) simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs and the fee rate and the capital contribution of the fund which are used to determine the management fee is reliably measured.

(c) Income from Carried Interest

Income from carried interest earned based on the performance of the managed funds ("Carried Interest") are a form of variable consideration in their contracts with customers to provide investment management services. Carried Interest are earned based on fund performance during the period, subject to the achievement of minimum return levels, or high water marks, in accordance with the respective terms set out in each fund's governing agreements. Income from Carried Interest will not be recognized as revenue until (a) it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur, or (b) the uncertainty associated with the variable consideration is subsequently resolved. Income from Carried Interest are typically recognized as revenue at the later stage of the fund life.

(d) Interest income

Interest income from a financial asset is accrued on a timely basis using the effective interest method, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**3. SIGNIFICANT ACCOUNTING POLICIES—continued**Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purpose of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. US\$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the reporting period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of other reserve.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from "profit before tax" as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**3. SIGNIFICANT ACCOUNTING POLICIES—continued**Taxation—continued

differences. Deferred tax assets are generally recognized for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investment are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized to profit or loss, except when it relates to items that are recognized in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Pledged bank deposits

Pledged bank deposits represent amounts held by banks, which are not available for the Group's use, as security for business cooperation with a customer and issuance of letter of guarantee. Upon maturity of the letter of guarantee, the deposits are released by the bank and become available for general use by the Group. Pledged bank deposits are reported within cash flows from investing activities in the consolidated statements of cash flows with reference to the purpose of making the pledge.

Furniture and equipment

Furniture and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided to write off the cost over their estimated useful lives, and after taking into account their estimated residual values, using the straight-line method. The estimated useful lives,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**3. SIGNIFICANT ACCOUNTING POLICIES—continued**Furniture and equipment—continued

residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of furniture and equipment other than construction in progress are as follows:

<u>Category</u>	<u>Useful lives</u>	<u>Residual value rates</u>	<u>Annual depreciation rates</u>
Furniture and fixtures	3-5 years	0%	20.00%-33.33%
Electronic equipment	3 years	0%	33.33%
Leasehold improvements	shorter of lease term or expected useful life	0%	20.00%-33.33%

An item of furniture and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the period in which the item is derecognized.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period with the effective of any changes in estimate being accounted for on a prospective basis.

The intangible assets with finite useful lives are amortized on a straight-line basis at the following rates per annum:

Office software	20%
Domain name	10%

The domain names registered by the Group will expire from 2025 to 2026, which are estimated to have a useful life of 10 years. The management also estimated that the office software have a useful life of 5 years after considering the operating benefits provided by utilizing such office software and the upgrading and developing period in the market.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

Impairment losses of furniture and equipment and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**3. SIGNIFICANT ACCOUNTING POLICIES—continued**Impairment losses of furniture and equipment and intangible assets—continued

such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Retirement benefits costs

Payments to defined contribution retirement benefits plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 33.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**3. SIGNIFICANT ACCOUNTING POLICIES—continued**Equity-settled share-based payment transactions—continued

reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimated, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the other reserve.

At the time when the share options are exercised, forfeited or are still not exercised at the expiry date, the amount previously recognized in the share options reserve will continue to be held in the share options reserve.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rental payments under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

Financial instruments (before the adoption of IFRS 9 as at January 1, 2018)

Financial assets and financial liabilities are recognized in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are classified as loans and receivables, financial assets at FVTPL, and available-for-sale financial assets based on the nature, purpose of the financial assets and are determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (before the adoption of IFRS 9 as at January 1, 2018)—continued

Financial assets—continued*Effective interest method—continued*

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivable (including accounts and other receivables, term deposits with original maturity over three months, cash and cash equivalents, and pledged bank deposits) are carried at amortized cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as FVTPL.

A financial asset is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instrument that the Group manages together and has a recent pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognized inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or liabilities or both, which is management and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS39 permits the entire combined contract to be designated as at FVTPL.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (before the adoption of IFRS 9 as at January 1, 2018)—continued

Financial assets—continued*Financial assets at FVTPL—continued*

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the “investment income” line item. Fair value is determined in the manner described in note 38.6.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Debt securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale debt instruments relating to interest income calculated using the effective interest method are recognized in profit or loss. Other changes in the carrying amount of available-for-sale debt securities are recognized in other comprehensive income and accumulated under the heading of other reserves. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the other reserves is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale financial assets, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**3. SIGNIFICANT ACCOUNTING POLICIES—continued**

Financial instruments (before the adoption of IFRS 9 as at January 1, 2018)—continued

Financial assets—continued*Impairment of financial assets—continued*

For certain categories of financial assets, such as accounts receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payment.

For financial assets at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss. When an account or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of available-for-sale debt investment, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (before the adoption of IFRS 9 as at January 1, 2018)—continued

Financial liabilities and equity instruments—continued*Financial liabilities at FVTPL*

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: *Recognition and Measurement permits the entire combined contract (asset or liability)* to be designated as at FVTPL.

Because the Group's convertible redeemable preferred shares contained multiple embedded derivatives, the convertible redeemable preferred shares are designated as at FVTPL. Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liabilities and is included in the "change in fair value of convertible redeemable preferred shares" line item.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost including accounts payables, other payables, amounts due to related parties and bank borrowing are subsequently measured at amortized cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction cost and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognized on an effective interest basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**3. SIGNIFICANT ACCOUNTING POLICIES—continued**

Financial instruments (before the adoption of IFRS 9 as at January 1, 2018)—continued

Financial liabilities and equity instruments—continued*Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Derecognition

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

The Group derecognizes a financial liability, when, and only when, the Group's obligations are discharged, canceled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Financial instruments (under IFRS 9)

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Recognized financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at financial assets FVTPL. Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under IFRS 9)—continued**Financial assets—continued**

Specifically

- (a) debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”), are subsequently measured at amortized cost;
- (b) debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI; and
- (c) all other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Group may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income (“OCI”); and
- the Group may irrevocably designate a debt instrument that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortized cost or at FVTOCI

The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group’s business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are SPPI.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under IFRS 9)—continued**Financial assets—continued***Debt instruments at amortized cost or at FVTOCI—continued*

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group's business models for managing its financial instruments reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. However this assessment is not performed on the basis of scenarios that the Group does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Group takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment.

Financial assets at FVTPL

Financial assets at FVTPL are:

- (a) assets with contractual cash flows that are not SPPI; or/and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under IFRS 9)—continued**Financial assets—continued***Financial assets at FVTPL—continued*

- (b) assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- (c) assets designated at FVTPL using the fair value option.

The investments in wealth management products, the interest rate cap, the investments in funds as limited partnership and equity investments are classified as at FVTPL. Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria are classified as FVTPL. Financial assets at FVTPL are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in note 38.6.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in the “other income, gains or losses” line item.

Impairment of financial assets

The Group recognizes loss allowances for expected credit losses (“ECLs”) on the following financial instruments that are not measured at FVTPL:

- (a) accounts and other receivables;
- (b) amounts due from related parties;
- (c) loans to the third parties and related parties; and
- (d) financial assets at FVTOCI.

ECLs are required to be measured through a loss allowance at an amount equal to:

- (a) 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- (b) full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL. The Group expects to apply the simplified approach to recognize lifetime expected credit losses for its accounts receivables.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under IFRS 9)—continued**Financial assets—continued***Impairment of financial assets—continued*

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's effective interest rate.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of financial instruments that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets

A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- (a) significant financial difficulty of the borrower or issuer;
- (b) a breach of contract such as a default or past due event;
- (c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- (d) the disappearance of an active market for a security because of financial difficulties; or
- (e) the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A debt instruments is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikelihood to pay indicators and a backstop if amounts are overdue for 90 days or more.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under IFRS 9)—continued**Financial assets—continued***Definition of default*

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (“PD”) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:

- (a) the borrower is past due more than 90 days on any material credit obligation to the Group;
or
- (b) the borrower is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Significant increase in credit risk

The Group monitors all financial assets that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group’s debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group’s core operations, namely the investment banking market, the financial service industry and China’s new economy’s developments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under IFRS 9)—continued**Financial assets—continued***Significant increase in credit risk—continued*

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under IFRS 9)—continued**Financial assets—continued***Presentation of allowance for ECL in the statement of financial position*

Loss allowances for ECL are presented in the statement of financial position as follows:

- (a) for financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- (b) for debt instruments measured at FVTOCI: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the investments revaluation reserve.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss.

Financial liabilities and equity

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**3. SIGNIFICANT ACCOUNTING POLICIES—continued**Financial instruments (under IFRS 9)—continued**Financial liabilities and equity—continued***Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading, or (ii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship.

However, for non-derivative financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. The remaining amount of

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

3. SIGNIFICANT ACCOUNTING POLICIES—continued

Financial instruments (under IFRS 9)—continued**Financial liabilities and equity—continued***Financial liabilities at FVTPL—continued*

change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

In making the determination of whether recognizing changes in the liability's credit risk in OCI will create or enlarge an accounting mismatch in profit or loss, the Group assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at FVTPL. This determination is made at initial recognition.

Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Group exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in profit or loss in the "other income, gains or losses" line item.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in note 3, management is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgments in applying accounting policies

The following are the key assumptions concerning the future, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

Judgments in determining the performance obligations and timing of satisfaction of performance obligations

Note 3 describes the revenue recognition basis to each of the Group's revenue stream. The recognition of each of the Group's revenue stream requires judgement by the directors of the Company in determining the timing of satisfaction of performance obligations.

In making their judgement, the directors of the Company consider the detailed criteria for recognition of revenue set out in IFRS 15 and in particular, whether the Group has satisfied all the performance obligations over time or at a point in time with reference to the detailed terms of transaction as stipulated in the contracts entered into with its customers and counterparties.

For the transaction and advisory services, the directors of the Company have assessed that the Group has a present right to payment from customers for the services performed upon the time when the customers have received and endorsed the project completion report. Therefore, the directors of the Company have satisfied that there was only a single performance obligation, and the respective transaction and advisory services income is satisfied at a point in time.

For the management fee associated with the management services fees for the funds, the directors of the Company have assessed that the customers (i.e. the funds) simultaneously receive and consume benefit provided by the Group's performances as the Group performs. The Group is required to provide necessary services to the customers over the subscription period (i.e. the funds' life). Therefore, the directors of the Company are satisfied that the performance obligation in respect of the management fee income is satisfied over time and have recognized such income on a straight-line basis over the subscription period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY—continued

Critical judgments in applying accounting policies—continued

Judgments in determining the performance obligations and timing of satisfaction of performance obligations—continued

For the income from carried interest in a typical arrangement in which the Group serves as fund manager, the Group is entitled to a performance-based fee on the extent by which the fund's investment performance exceeds the minimum return levels ("Carried Interest"). Such performance-based fees are typically calculated and distributed when the cumulative return of the fund can be determined (i.e. investment gains are realized), and is not subject to clawback provisions. The income from Carried Interest will not be recognized as revenue until (a) it is highly probable that a significant reversal in the amount of cumulative revenue will not occur, or (b) the uncertainty associated with the Carried Interest is subsequently resolved.

Carried Interest to management team and other parties represents Carried Interest (which may be distributed in cash or in-kind) allocations to employees, senior managing directors and other parties participating in certain profit sharing initiatives. The related expenses could be recognized when these parties have rendered services to the Group and the amounts that will be eventually paid out can be reliably measured. This could result in recognition of the related expenses in advance of recognition of the Carried Interest revenue under the Group's fund management contracts.

Judgments in determining the consolidation of China Renaissance Securities (China) Co. Ltd ("Huaqing Securities")

Throughout the Track Record Period, the Group has effective control over the board of directors of Huaqing Securities, which is the decision maker of Huaqing Securities' daily operation. In addition, the Group can effectively control the shareholders meeting's resolutions related to daily operations, the directors of the Group believe that the Group has a control over Huaqing Securities throughout the Track Record Period.

Consolidation of structured entities

Management needs to make significant judgment on whether a structured entity is under the Group's control and shall be consolidated. Such judgment may affect accounting methods as well as the financial position and operating results of the Group.

When assessing control, the Group considers: (a) power over the investee, (b) exposure, or rights, to variable returns from involvement with the investee; and (c) the ability to use power over the investee to affect the amount of the investor's returns.

When judging the level of the control over the structured entities, the Group considers the following four elements:

- (a) The decisions the Group applied when setting up the structured entities and the involvement in those entities;
- (b) The related agreement arrangements;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY—continued****Critical judgments in applying accounting policies—continued***Consolidation of structured entities—continued*

- (c) The Group will only take specific actions under certain conditions or incidents; and
- (d) The commitments made by the Group to the structured entities.

When assessing whether there is control over the structured entities, the Group also considers whether the decisions it makes are as a principal or as an agent. Aspects of considerations normally include the decision making scope over the structured entities, substantive rights of third parties, rewards of the Group, and the risks of undertaking variable returns from owning other benefits of the structured entities.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amount of assets within the next financial year.

Fair value measurements and valuation process

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of the directors authorized the financial department headed up by the Chief Financial Officer of the Group to determine the appropriate valuation techniques and inputs for fair value.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where the Level 1 inputs are not available, the group engages third-party qualified valuation experts to perform the valuation. The valuation team works closely with the qualified external valuation experts to establish the appropriate valuation techniques and inputs to the model. The valuation team reports the findings to the board of the directors of the Group every year to explain the cause of the fluctuations in the fair value of the assets and liabilities.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in note 38.6.

Allowances for impairment of accounts receivables

Before the adoption of IFRS 9, the Group makes allowances for impairment of accounts receivables based on an assessment of the recoverability of accounts receivables. Allowances are applied to accounts receivables where events or changes in circumstances indicated that the balances may not be collectible. The identification of impairment of accounts receivables requires the use of judgment and estimates. Where the expectation is different from the original estimate, such difference will impact carrying amounts of accounts receivables and doubtful debts expenses in the year in which such estimate is changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY—continued

Key sources of estimation uncertainty—continued

Allowances for impairment of accounts receivables—continued

As at December 31, 2015, 2016 and 2017, the carrying amount of accounts receivables amounted to US\$ 46,346,000, US\$14,138,000, and US\$ 36,287,000, respectively.

Since the adoption of IFRS 9 on January 1, 2018, management estimates the amount of loss allowance for ECL on debt instruments (including accounts and other receivables, amounts due from related parties and loans to the third parties and related parties) that are measured at amortized cost based on the credit risk of the respective financial instruments. The loss allowance amount is measured as the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

Estimated loss allowance of financial assets measured at amortized cost or at FVTOCI

As at January 1, 2018 and March 31, 2018, the carrying amount of financial assets measured at amortized cost amounted to US\$505,914,000 (net of loss allowance of US\$486,000), and US\$298,135,000 (net of loss allowance of US\$746,000), respectively. As at January 1, 2018 and March 31, 2018, the loss allowance amounted to US\$12,000 and US\$65,000 for the financial assets measured at FVTOCI amounted US\$33,476,000 and US\$218,122,000 is included as part of the revaluation amount in the other comprehensive income, respectively.

Recognition of deferred tax

The recognition of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less than expected, a material reversal of deferred assets may arise, which will be recognized in profit or loss in the periods in which such a reversal takes place. In cases where the actual future profits generated are higher or lower than expected, the deferred tax assets will be adjusted accordingly and recognized the corresponding amounts will be recognized in the consolidated statements of profit or loss and other comprehensive income in the periods in which such a situation takes place.

As at December 31, 2015, 2016 and 2017, and March 31, 2018, the carrying amount of deferred tax assets amounted to US\$1,675,000, US\$5,418,000, US\$14,336,000 and US\$17,365,000, respectively.

No deferred tax liability in connection with dividend was recognized during the Track Record Period since no PRC operation distribution is expected by the management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

5. SEGMENT INFORMATION

For the purposes of resources allocation and assessment of segment performance, the executive directors of the Company, being the chief operating decision maker (“CODM”), regularly review types of services delivered or provided by focusing on different business models. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable segments under IFRS 8 are as follows:

- (i) The investment banking is a segment of the Group’s operations whereby the Group provides early-stage and mid-late stage financial advisory, M&A advisory inside and outside China, equity underwriting, sales, trading, and brokerage, and research in Hong Kong and the U.S.;
- (ii) The investment management is a segment of the Group’s operations whereby the Group provides fund and asset management for individual and institutional clients;
- (iii) Huajing comprises the Group’s recently established investment banking and asset management businesses in the People’s Republic China (“PRC”), which overlap with the other two segments in nature but are otherwise separately operated and focuses on regulated securities market in the PRC and has an independent risk control framework.

Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable segment:

	Year ended December 31, 2015			
	Investment banking	Investment management	Consolidation adjustments and reconciling items	Total consolidated
	US\$'000	US\$'000	US\$'000	US\$'000
Transaction and advisory fees	112,318	—	—	112,318
Management fees	—	7,853 ^(a)	—	7,853
Unrealized income from Carried Interest	—	22,870	(22,870) ^{(b)(c)}	—
Total Revenue	112,318	30,723	(22,870)	120,171
Compensation and benefit expenses	(40,721)	(2,848)	—	(43,569)
Carried Interest to management team and other parties	—	(16,168)	16,168 ^(b)	—
Other operating expenses	(15,436)	(2,572)	—	(18,008)
Operating profit (loss)	56,161	9,135	(6,702)	58,594
Other income, gains or losses				670
Impairment losses on assets				(359)
Investment income				10,621
Change in fair value of convertible redeemable preferred shares				(34,039)
Profit before tax				35,487
Income tax expense				(5,896)
Profit for the year				29,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

5. SEGMENT INFORMATION—continued

Segment revenue and results—continued

	Year ended December 31, 2016				
	Investment banking	Investment management	Huajing	Consolidation adjustment and reconciling items	Total consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Transaction and advisory fees	105,179	—	1,060	—	106,239
Management fees	—	26,119 ^(a)	—	—	26,119
Interest income	—	—	1,005	—	1,005
Unrealized income from Carried Interest	—	10,560	—	(10,560) ^{(b)(c)}	—
Total Revenue	105,179	36,679	2,065	(10,560)	133,363
Compensation and benefit expenses . . .	(45,841)	(6,743)	(12,146)	—	(64,730)
Carried Interest to management team and other parties	—	(7,437)	—	7,437 ^(b)	—
Other operating expenses	(13,108)	(9,953)	(6,048)	—	(29,109)
Operating profit (loss)	46,230	12,546	(16,129)	(3,123)	39,524
Other income, gains or losses					6,582
Interest expense					(19)
Impairment losses on assets					(1,358)
Investment income					8,837
Share of results of associates					(254)
Change in fair value of convertible notes					(2,600)
Change in fair value of convertible redeemable preferred shares					(13,978)
Profit before tax					36,734
Income tax expense					(8,175)
Profit for the year					28,559

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

5. SEGMENT INFORMATION—continued

Segment revenue and results—continued

	Year ended December 31, 2017				
	Investment banking	Investment management	Huajing	Consolidation adjustment and reconciling items	Total consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Transaction and advisory fees	98,864	—	7,906	—	106,770
Management fees	—	28,349 ^(a)	—	—	28,349
Interest income	—	—	4,295	—	4,295
Unrealized income from Carried Interest	—	73,036	—	(73,036) ^{(b)(c)}	—
Total Revenue	98,864	101,385	12,201	(73,036)	139,414
Compensation and benefit expenses . . .	(61,989)	(9,785)	(29,592)	—	(101,366)
Carried Interest to management team and other parties	—	(49,402)	—	49,402 ^(b)	—
Other operating expenses	(23,588)	(9,056)	(11,562)	—	(44,206)
Operating profit (loss)	13,287	33,142	(28,953)	(23,634)	(6,158)
Other income, gains or losses					808
Interest expense					(1,399)
Impairment losses on assets					(967)
Investment income					17,907
Share of results of associates					125
Change in fair value of convertible notes					(504)
Change in fair value of convertible redeemable preferred shares					(25,730)
Loss before tax					(15,918)
Income tax credit					2,412
Loss for the year					(13,506)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

5. SEGMENT INFORMATION—continued

Segment revenue and results—continued

	Three months ended March 31, 2017 (unaudited)				
	Investment banking	Investment management	Huajing	Consolidation adjustment and reconciling items	Total consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Transaction and advisory fees	14,883	—	1,891	—	16,774
Management fees	—	5,760 ^(a)	—	—	5,760
Interest income	—	—	872	—	872
Unrealized income from Carried Interest	—	10,367	—	(10,367) ^{(b)(c)}	—
Total Revenue	14,883	16,127	2,763	(10,367)	23,406
Compensation and benefit expenses . . .	(9,039)	(2,745)	(3,762)	—	(15,546)
Carried Interest to management team and other parties	—	(6,591)	—	6,591 ^(b)	—
Other operating expenses	(4,227)	(1,542)	(2,081)	—	(7,850)
Operating profit (loss)	1,617	5,249	(3,080)	(3,776)	10
Other income, gains or losses					(329)
Investment income					1,490
Share of results of associates					(199)
Change in fair value of convertible notes					(395)
Change in fair value of convertible redeemable preferred shares					(3,173)
Loss before tax					(2,596)
Income tax credit					138
Loss for the period					(2,458)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

5. SEGMENT INFORMATION—continued

Segment revenue and results—continued

	Three months ended March 31, 2018				
	Investment banking	Investment management	Huajing	Consolidation adjustment and reconciling items	Total consolidated
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Transaction and advisory fees	21,398	—	1,284	—	22,682
Management fee	—	11,875 ^(a)	—	—	11,875
Interest income	—	—	4,276	—	4,276
Unrealized income from Carried Interest	—	54,088	—	(54,088) ^{(b)(c)}	—
Total Revenue	21,398	65,963	5,560	(54,088)	38,833
Compensation and benefit expenses . .	(14,467)	(4,114)	(5,659)	—	(24,240)
Carried interest to management team and other parties	—	(29,255)	—	29,255 ^(b)	—
Other operating expenses	(4,630)	(3,916)	(2,677)	—	(11,223)
Operating profit (loss)	2,301	28,678	(2,776)	(24,833)	3,370
Other income, gains or losses					915
Interest expense					(2,856)
Impairment losses on assets					(313)
Investment income					7,906
Share of results of associates					5
Change in fair value of convertible redeemable preferred shares					(73,770)
Listing expenses					(1,025)
Loss before tax					(65,768)
Income tax expense					(59)
Loss for the period					(65,827)

Notes:

- (a) The Group receives management fees associated with the management services for the funds, at a fixed percentage of the commitment under management. The transaction price allocated to the performance obligations in relation to the management fee that were unsatisfied amounted to US\$414,000, US\$6,587,000, US\$7,189,000 and US\$37,396,000 as at December 31, 2015, 2016 and 2017 and March 31, 2018, respectively, represent the contract liabilities included as “prepaid management fees” in “accounts and other payables” in note 26 and “advance from related parties” in note 35 (c).

Respective transaction price allocated to the unsatisfied contracts, representing the contract liabilities, as at December 31, 2015 in the corresponding amount of US\$414,000 had been recognized as revenue on a straight-line basis over the subscription period for the year ended December 31, 2016. The management expects such allocation to the unsatisfied contracts as at December 31, 2016 and 2017, and March 31, 2018 of US\$6,587,000, US\$7,189,000 and US\$37,396,000 have been/will be all recognized as revenue on a straight-line basis over the subscription period from the year ended December 31, 2017 to the year ending December 31, 2019, from the year ending December 31, 2018 to the year ending December 31, 2020, and from the year ending December 31, 2018 to the year ending December 31, 2021, respectively.

- (b) The segment results of investment management also include the unrealized income from Carried Interest calculated below on an as-if liquidation basis in the segment information as it is a key measure of value creation, a benchmark of the Group's performance and a major factor in the Group's decision making of resource deployment. The revenue adjustments represent the unrealized income from Carried Interest, which are based on the underlying fair value change of the respective funds managed by the Group during the Track Record Period. The associated expense adjustments represent the proportion of Carried Interest that would be payable to fund management teams and other third parties. The unrealized income from Carried Interest is allocated to the general partners based on the cumulative fund performance to date, subject to the achievement of minimum return levels to limited partners on an as-if liquidation basis. At the end of each reporting period, the general partners calculate the income from Carried Interest that would be due to the general partners for each fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized. As the fair value of underlying investments varies among reporting periods, it is necessary to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

5. SEGMENT INFORMATION—continued

Segment revenue and results—continued

make adjustments to amounts presented as income from Carried Interest to reflect either (a) positive performance in the period resulting in an increase in the Carried Interest allocated to the general partners or (b) negative performance in the period that would cause the amounts due to the general partners to be less than the amounts previously presented as revenue, resulting in a negative adjustment to the Carried Interest allocated to the general partners. The proportion of Carried Interest recognized that is allocated to fund management teams and other parties (and only payable as a proportion of any Carried Interest received) is included, on a basis consistent with such income from Carried Interest, as an expense in the investment management segment. However, in the Historical Financial Information of the Group, the income from Carried interest will not be recognized as revenue until (a) it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur, or (b) the uncertainty associated with the variable consideration is subsequently resolved. All allocations of Carried Interest as an expense are recognized only when the amounts that will be eventually be paid out can be reliably measured, which is generally at the later stage of the applicable commitment period when the amounts are contractually payable, or “crystallized.”

- (c) The timing and receipt of carried interest from the investment funds are unpredictable and will contribute to the volatility of cash flows. Carried interest payments from investments depend on the funds' performance and opportunities for realizing gains, which may be limited. It takes a substantial period of time to identify attractive investment opportunities, to raise all the funds needed to make an investment and then to realize the cash value (or other proceeds) of an investment through a sale, public offering or other exit. To the extent an investment is not profitable, no carried interest will be received from the funds with respect to that investment. Even if an investment proves to be profitable, it may be several years before any profits can be realized in cash. The Group cannot predict when, or if, any realization of investments will occur. The timing and amount of carried interest may also vary with the life cycle of the private equity funds.

Segment profit or loss represents the results of each segment without allocation of corporate items including other income, gains or losses, interest expense, investment income, share of results of associates, impairment losses on assets, change in fair value of convertible notes, change in fair value of convertible redeemable preferred shares, listing expenses and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Segment assets and liabilities

Information of segment assets and liabilities that are available for reportable and operating segments are not provided to the CODM for their review. Therefore, no analysis of the Group's assets and liabilities by reportable and operating segments are presented.

Geographical information

The Company is domiciled in Cayman Islands while the Group mainly operates its businesses in the PRC and Hong Kong. The geographical information of the total revenues and non-current assets is as follows:

	Revenue from external customers					Non-current assets (note)			
	Year ended December 31,			Three months ended March 31,		At December 31,		At March 31,	
	2015	2016	2017	2017	2018	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
PRC	88,461	102,791	114,043	14,585	35,373	23,279	40,981	56,843	60,079
Hong Kong	25,203	28,775	22,547	8,267	2,823	982	1,007	697	742
United States of America	6,507	1,797	2,824	554	637	96	104	499	470
	<u>120,171</u>	<u>133,363</u>	<u>139,414</u>	<u>23,406</u>	<u>38,833</u>	<u>24,357</u>	<u>42,092</u>	<u>58,039</u>	<u>61,291</u>

Note: Non-current assets excluded the deferred tax assets and the financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

5. SEGMENT INFORMATION—continued

Other segment information

	Year ended December 31, 2015			
	Investment banking	Investment management	Unallocated	Total consolidated
	US\$'000	US\$'000	US\$'000	US\$'000
Amounts included in the measure of segment profit or loss:				
Depreciation and amortization	652	20	—	672
Impairment losses on assets	—	—	359	359
	Year ended December 31, 2016			
	Investment banking	Investment management	Huajing	Total consolidated
	US\$'000	US\$'000	US\$'000	US\$'000
Amounts included in the measure of segment profit or loss:				
Depreciation and amortization	969	76	210	1,255
Impairment losses on assets	539	—	—	1,358
	Year ended December 31, 2017			
	Investment banking	Investment management	Huajing	Total consolidated
	US\$'000	US\$'000	US\$'000	US\$'000
Amounts included in the measure of segment profit or loss:				
Depreciation and amortization	1,433	195	2,151	3,779
Losses on disposal of furniture and equipment	54	—	—	54
Impairment losses on assets	18	—	—	967
	Three months ended March 31, 2017 (unaudited)			
	Investment banking	Investment management	Huajing	Total consolidated
	US\$'000	US\$'000	US\$'000	US\$'000
Amounts included in the measure of segment profit or loss:				
Depreciation and amortization	338	43	373	754
Losses on disposal of furniture and equipment	55	—	—	55
	Three months ended March 31, 2018			
	Investment banking	Investment management	Huajing	Total consolidated
	US\$'000	US\$'000	US\$'000	US\$'000
Amounts included in the measure of segment profit or loss:				
Depreciation and amortization	385	55	776	1,216
Impairment losses on assets	93	—	89	313

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

5. SEGMENT INFORMATION—continued

Information about major customers

Revenue from customers during the Track Record Period contributing over 10% of the total revenue of the Group are as follows:

		Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Customer A	Investment management	*	16,040	15,193	3,651	4,031
Customer B	Investment banking	*	*	*	6,551	*
Customer C	Investment banking	*	*	*	*	4,131

Note:

* Revenue from those major customers was less than 10% in the relevant year/period presented.

6. REVENUE

The Group derives its revenue from transaction and advisory fees arising from its investment banking business at a point in time; management fees arising from its private equity management business over time and interest income arising from its financing and investment business, which is mainly carried out by Huajing during the Track Record Period.

7. OTHER OPERATING EXPENSES

		Year Ended December 31,			Three Months Ended March 31,	
		2015	2016	2017	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Professional service fees		5,784	10,970	12,372	1,616	3,266
Project related and business development expenses		4,166	5,911	9,972	1,805	2,458
Operating lease charges		2,713	4,258	7,166	1,404	1,896
Office expenses		1,148	1,896	3,630	686	973
Technology expenses		959	2,144	4,087	1,025	771
Depreciation and amortization		672	1,255	3,779	754	1,216
Auditor's remuneration		298	146	302	70	79
Others		2,268	2,529	2,898	490	564
		<u>18,008</u>	<u>29,109</u>	<u>44,206</u>	<u>7,850</u>	<u>11,223</u>

8. OTHER INCOME, GAINS OR LOSSES

		Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Government grants ^(a)		201	4,042	1,556	85	233
Bank and loans interest income ^(b)		367	263	727	67	257
Exchange gain (loss)		44	2,246	(1,504)	(406)	424
Others		58	31	29	(75)	1
		<u>670</u>	<u>6,582</u>	<u>808</u>	<u>(329)</u>	<u>915</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

8. OTHER INCOME, GAINS OR LOSSES—continued

Notes:

- (a) The government grants were mainly the incentives provided by local government authorities, which primarily include (i) settlement allowances that aim to encourage financial institutions to be incorporated in Shanghai, the PRC, in the year ended December 31, 2016, and (ii) tax incentive awards granted by local government authorities in Shanghai and Tibet Autonomous Region, the PRC, based on the Group's contribution to the development of the local financial sector in the years ended 2016 and 2017.
- (b) Bank and loans interest income arise from cash and cash equivalents, term deposits and pledged bank deposits of the Group other than financing and investing business, and loans to related parties and third parties.

9. IMPAIRMENT LOSSES ON ASSETS

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Available-for-sale financial assets	359	819	949	—	—
Accounts and other receivables	—	539	18	—	114
Loans to third parties	—	—	—	—	84
Loans to related parties	—	—	—	—	26
Amounts due from related parties	—	—	—	—	36
Financial assets at FVTOCI	—	—	—	—	53
	<u>359</u>	<u>1,358</u>	<u>967</u>	<u>—</u>	<u>313</u>

10. INCOME TAX EXPENSE

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Current tax:					
PRC	4,512	8,698	4,893	1,357	2,324
Hong Kong	1,242	2,144	485	121	—
United States of America ("USA")	680	813	672	—	—
In respect of current year	<u>6,434</u>	<u>11,655</u>	<u>6,050</u>	<u>1,478</u>	<u>2,324</u>
Deferred tax (note 17):					
In respect of current year	<u>(538)</u>	<u>(3,480)</u>	<u>(8,462)</u>	<u>(1,616)</u>	<u>(2,265)</u>
Total income tax expense	<u>5,896</u>	<u>8,175</u>	<u>(2,412)</u>	<u>(138)</u>	<u>59</u>

PRC

The applicable tax rate of PRC group entities was 25% during the Track Record Period. Certain group entities incorporated in Tibet Autonomous Region are subject to the tax rate at 15% according to the local preferential tax policies from 2011 to 2020. In addition, such entities also enjoyed a special local preferential tax policy which reduced the tax rate to 9% during the Track Record Period.

Hong Kong

Group entities incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% on the assessable profits for the periods presented, based on the existing legislation, interpretations and practices in respect thereof.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

10. INCOME TAX EXPENSE—continued

USA

The group entity incorporated in USA is subject to the federal tax rate at 34% for the years ended December 31, 2015, 2016 and 2017, and state income tax rate at 7.1% for the year ended December 31, 2015, and 6.5% starting from the year ended December 31, 2016. On December 22, 2017, the 2017 Tax Cuts and Jobs Act was enacted, which reduces the federal corporate tax rate to 21% from the existing rate of 34% and is effective on January 1, 2018. The state income tax rate and federal corporate tax rate remains at 6.5% and 21% as at March 31, 2018, respectively.

Cayman Islands and British Virgin Islands (“BVI”)

The Company and other group entities incorporated in Cayman Islands are not subject to income or capital gains tax under the law of Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

The group entities established in BVI are not subject to income tax or capital gains tax under the law of BVI.

The income tax expense for the year/period can be reconciled to the profit (loss) before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Profit (loss) before taxation	35,487	36,734	(15,918)	(2,596)	(65,768)
Income tax expense calculated at 25%	8,872	9,184	(3,980)	(649)	(16,442)
Effect of expenses that are not deductible	9,263	5,276	7,592	919	18,731
Effect of share of results of associates	—	(64)	31	(50)	1
Effect of income that are not taxable	(1,643)	(2,273)	(1,684)	(328)	(1,678)
Effect of tax losses not recognized	52	1,556	2,500	1,189	948
Effect of different tax rates of subsidiaries	(10,648)	(5,504)	(6,871)	(1,219)	(1,501)
Income tax expense	<u>5,896</u>	<u>8,175</u>	<u>(2,412)</u>	<u>(138)</u>	<u>59</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

11. PROFIT (LOSS) FOR THE YEAR/PERIOD

Profit (Loss) for the year/period has been arrived at after charging:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Depreciation of furniture and equipment	588	1,125	3,026	689	885
Amortization of intangible assets	84	130	753	65	331
Losses on disposal of furniture and equipment	—	—	54	55	—
Directors' remuneration:					
—Fees	95	281	281	70	70
—Salaries, bonus and other allowances	765	1,131	1,076	212	220
—Retirement benefit scheme contributions	5	15	18	5	6
—Equity-settled share-based payments expenses	—	—	4,116	—	1,372
Other staff costs:					
—Salaries, bonus and other allowances	37,889	57,629	88,282	13,982	20,552
—Retirement benefit scheme contributions	1,047	2,029	3,506	666	1,066
—Equity-settled share-based payments expenses	3,768	3,645	4,087	611	954
	<u>44,241</u>	<u>65,985</u>	<u>105,199</u>	<u>16,355</u>	<u>25,456</u>

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of emoluments paid to the directors and the Chief Executive Officer of the Company during the Track Record Period are as follows:

For the year ended December 31, 2015:

	Fees	Salaries, bonus and other allowances	Retirement benefit scheme contributions	Equity-settled share-based payments expenses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>Executive directors</u>					
Fan Bao (Note 1)	—	225	5	—	230
Yi Jing Xie	95	14	—	—	109
Yongbo Du	—	280	—	—	280
Xinwei Wang (Note 2)	—	246	—	—	246
<u>Non-executive directors</u>					
David Lin Ning	—	—	—	—	—
Eric Li	—	—	—	—	—
Nanpeng Shen (Note 3)	—	—	—	—	—
	<u>95</u>	<u>765</u>	<u>5</u>	<u>—</u>	<u>865</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS—continued

For the year ended December 31, 2016:

	<u>Fees</u>	<u>Salaries, bonus and other allowances</u>	<u>Retirement benefit scheme contributions</u>	<u>Equity-settled share-based payments expenses</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>Executive directors</u>					
Fan Bao	101	371	8	—	480
Yi Jing Xie	180	15	—	—	195
Yongbo Du	—	429	4	—	433
Xinwei Wang	—	316	3	—	319
<u>Non-executive directors</u>					
David Lin Ning	—	—	—	—	—
Eric Li	—	—	—	—	—
Lianqing Zhang (Note 4)	—	—	—	—	—
Nanpeng Shen	—	—	—	—	—
	<u>281</u>	<u>1,131</u>	<u>15</u>	<u>—</u>	<u>1,427</u>

For the year ended December 31, 2017:

	<u>Fees</u>	<u>Salaries, bonus and other allowances</u>	<u>Retirement benefit scheme contributions</u>	<u>Equity-settled share-based payments expenses</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>Executive directors</u>					
Fan Bao	101	311	8	3,889	4,309
Yi Jing Xie	180	15	—	—	195
Yongbo Du	—	423	5	—	428
Xinwei Wang	—	327	5	227	559
<u>Non-executive directors</u>					
David Lin Ning	—	—	—	—	—
Eric Li	—	—	—	—	—
Lianqing Zhang	—	—	—	—	—
	<u>281</u>	<u>1,076</u>	<u>18</u>	<u>4,116</u>	<u>5,491</u>

For the three months ended March 31, 2017 (unaudited):

	<u>Fees</u>	<u>Salaries, bonus and other allowances</u>	<u>Retirement benefit scheme contributions</u>	<u>Equity-settled share-based payments expenses</u>	<u>Total</u>
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>Executive directors</u>					
Fan Bao	25	77	2	—	104
Yi Jing Xie	45	4	—	—	49
Yongbo Du	—	73	2	—	75
Xinwei Wang	—	58	1	—	59
<u>Non-executive directors</u>					
David Lin Ning	—	—	—	—	—
Eric Li	—	—	—	—	—
Lianqing Zhang	—	—	—	—	—
	<u>70</u>	<u>212</u>	<u>5</u>	<u>—</u>	<u>287</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS—continued

For the three months ended March 31, 2018:

	Fees	Salaries, bonus and other allowances	Retirement benefit scheme contributions	Equity-settled share-based payments expenses	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
<u>Executive directors</u>					
Fan Bao	25	80	4	1,296	1,405
Yi Jing Xie	45	4	—	—	49
Yongbo Du	—	70	1	—	71
Xinwei Wang	—	66	1	76	143
<u>Non-executive directors</u>					
David Lin Ning	—	—	—	—	—
Eric Li	—	—	—	—	—
Lianqing Zhang	—	—	—	—	—
	<u>70</u>	<u>220</u>	<u>6</u>	<u>1,372</u>	<u>1,668</u>

Note 1: Appointed as chairman of the board of directors on July 13, 2011, Mr. Fan Bao was also the Chief Executive Officer of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive Officer.

Note 2: Appointed as executive director on August 28, 2015, Mr. Xinwei Wang was also the managing director and Chief Financial Officer of the Company and his emoluments disclosed above include those for services rendered by him as the managing director and Chief Financial Officer.

Note 3: Appointed as non-executive director on August 28, 2015 and resigned as non-executive director on May 18, 2016.

Note 4: Appointed as non-executive director on May 18, 2016.

The executive directors' emoluments shown above were for their services in connection with the management affairs of the Company and the Group.

The five highest paid individuals of the Group included nil, nil, 1, nil and 1 director whose emoluments are included in the disclosures above for each of the three years ended December 31, 2015, 2016 and 2017 and three months ended March 31, 2017 (unaudited) and 2018, respectively. The emoluments of the remaining 5, 5, 4, 5, and 4 individuals during the Track Record Period are as follows:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Salaries and other benefits	5,265	5,572	4,261	1,282	1,088
Share-based payments	2,498	1,296	470	150	95
Retirement benefit scheme contributions	54	71	55	18	18
	<u>7,817</u>	<u>6,939</u>	<u>4,786</u>	<u>1,450</u>	<u>1,201</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

12. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS—continued

The emoluments of the five highest paid individuals were within the following bands:

	Number of employees			Three months ended March 31,	
	2015	2016	2017	2017 (unaudited)	2018
HK\$1,500,001 to HK\$2,000,000	—	—	—	3	—
HK\$2,000,001 to HK\$2,500,000	—	—	—	1	3
HK\$2,500,001 to HK\$3,000,000	—	—	—	1	1
HK\$6,000,001 to HK\$6,500,000	1	—	—	—	—
HK\$7,500,001 to HK\$8,000,000	1	—	2	—	—
HK\$8,000,001 to HK\$8,500,000	—	3	—	—	—
HK\$9,500,001 to HK\$10,000,000	1	—	1	—	—
HK\$10,000,001 to HK\$10,500,000	—	1	—	—	—
HK\$11,000,001 to HK\$11,500,000	—	—	—	—	1
HK\$11,500,001 to HK\$12,000,000	—	—	1	—	—
HK\$13,500,001 to HK\$14,000,000	1	—	—	—	—
HK\$18,500,001 to HK\$19,000,000	—	1	—	—	—
HK\$23,500,001 to HK\$24,000,000	1	—	—	—	—
HK\$33,500,001 to HK\$34,000,000	—	—	1	—	—
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

During the Track Record Period, no remuneration was paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any remuneration during the Track Record Period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

13. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share attributable to the owners of the Company during the Track Record Period is based on the following data:

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Earnings:					
Earnings (loss) for the purpose of calculating basic earnings per share	28,844	31,833	32	(1,135)	(65,262)
Change in fair value of convertible redeemable preferred shares	—	13,978	—	—	—
Earnings(loss) for the purpose of calculating diluted earnings per share	28,844	45,811	32	(1,135)	(65,262)
Number of shares:					
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	240,000,000	240,000,000	240,000,000	240,000,000	240,000,000
Effect of dilutive potential ordinary shares:					
Share options of the Group	16,973,886	24,859,291	30,234,414	—	—
Convertible redeemable preferred shares	—	125,217,392	—	—	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	256,973,886	390,076,683	270,234,414	240,000,000	240,000,000
Basic earnings (loss) per share (US\$)	<u>0.12</u>	<u>0.13</u>	<u>0.00</u>	<u>(0.00)</u>	<u>(0.27)</u>
Diluted earnings (loss) per share (US\$)	<u>0.11</u>	<u>0.12</u>	<u>0.00</u>	<u>(0.00)</u>	<u>(0.27)</u>

The calculation of basic earnings (loss) per share for the Track Record Period was based on the profit (loss) for the year/period attributable to the owners of the Company.

The weighted average number of shares for the purpose of basic and diluted earnings (loss) per share for the years ended December 31, 2015, 2016 and 2017 and three months ended March 31, 2017 and 2018 is calculated based on the assumption that the share subdivision as disclosed in note 43 have been adjusted retrospectively.

The computation of diluted earnings per share for the year ended December 31, 2015 has not considered the effect of the convertible redeemable preferred shares given that the effect is anti-dilutive.

The computation of diluted earnings per share for the year ended December 31, 2016 does not assume the conversion of the convertible notes since their assumed exercise would result in an increase in earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

13. EARNINGS (LOSS) PER SHARE—continued

The computation of diluted earnings per share for the year ended December 31, 2017 has not considered the effect of the convertible redeemable preferred shares and convertible notes given that the effect is anti-dilutive.

The computation of diluted loss per share for the three months ended March 31, 2017 (unaudited) and 2018 has not considered the effect of the convertible redeemable preferred shares, share options and convertible notes given that the effect is anti-dilutive.

14. DIVIDENDS

	Year ended December 31,			Three months ended March 31,	
	2015	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Dividends to the ordinary shareholder of the					
Company	<u>4,000</u>	<u>77,500</u>	<u>4,150</u>	<u>4,150</u>	<u>3,599</u>

A cash dividend of US\$4,000,000 for the year of 2014 was approved at the annual general meeting held on April 27, 2015. The above dividends had been recognized as distribution by the Company during the year ended December 31, 2015.

A cash dividend of US\$7,500,000 for the year of 2015 was approved at the annual general meeting held on February 19, 2016. A cash interim dividend of US\$70,000,000 for the year of 2016 was approved at the extraordinary general meeting held on May 1, 2016. The above dividends had been recognized as distribution by the Company during the year ended December 31, 2016.

A cash dividend of US\$4,150,000 for the year of 2016 was approved at the annual general meeting held on March 3, 2017. The above dividend had been recognized as distribution by the Company during the year ended December 31, 2017 and the three months ended March 31, 2017 (unaudited).

A cash dividend of US\$3,599,000 for the year of 2017 was approved at the annual general meeting held on March 17, 2018. The above dividend had been recognized as distribution by the Company during the three months ended March 31, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

15. FURNITURE AND EQUIPMENT

	Furniture and fixtures	Electronic equipment	Leasehold improvements	Construction in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
COST					
At January 1, 2015	138	478	412	—	1,028
Additions	135	512	1,274	—	1,921
Disposal	—	(2)	(234)	—	(236)
Exchange adjustments	—	(26)	(22)	—	(48)
At December 31, 2015	273	962	1,430	—	2,665
Additions	40	3,223	4,530	1,167	8,960
Disposal	—	(26)	(2)	—	(28)
Transfers to intangible assets	—	—	—	(506)	(506)
Exchange adjustments	(4)	(150)	(216)	(26)	(396)
At December 31, 2016	309	4,009	5,742	635	10,695
Additions	255	1,096	2,511	696	4,558
Disposal	(38)	(5)	(64)	—	(107)
Transfers to intangible assets	—	—	—	(569)	(569)
Exchange adjustments	4	221	358	44	627
At December 31, 2017	530	5,321	8,547	806	15,204
Additions	2	50	142	77	271
Transfers to intangible assets	—	—	—	(27)	(27)
Exchange adjustments	3	166	284	32	485
At March 31, 2018	535	5,537	8,973	888	15,933

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

15. FURNITURE AND EQUIPMENT—continued

	Furniture and fixtures	Electronic equipment	Leasehold improvements	Construction in progress	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
ACCUMULATED DEPRECIATION					
At January 1, 2015	(82)	(274)	(250)	—	(606)
Provided for the year	(62)	(185)	(341)	—	(588)
Eliminated on disposals	—	2	234	—	236
Exchange adjustments	—	10	8	—	18
At December 31, 2015	(144)	(447)	(349)	—	(940)
Provided for the year	(46)	(396)	(683)	—	(1,125)
Eliminated on disposals	—	25	1	—	26
Exchange adjustments	1	22	30	—	53
At December 31, 2016	(189)	(796)	(1,001)	—	(1,986)
Provided for the year	(78)	(1,290)	(1,658)	—	(3,026)
Eliminated on disposals	22	3	26	—	51
Exchange adjustments	(3)	(56)	(80)	—	(139)
At December 31, 2017	(248)	(2,139)	(2,713)	—	(5,100)
Provided for the period	(24)	(399)	(462)	—	(885)
Exchange adjustments	—	(59)	(83)	—	(142)
At March 31, 2018	(272)	(2,597)	(3,258)	—	(6,127)
NET BOOK VALUES					
At January 1, 2015	56	204	162	—	422
At December 31, 2015	129	515	1,081	—	1,725
At December 31, 2016	120	3,213	4,741	635	8,709
At December 31, 2017	282	3,182	5,834	806	10,104
At March 31, 2018	263	2,940	5,715	888	9,806

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

16. INTANGIBLE ASSETS

	Domain name US\$'000	Office software US\$'000	Licenses US\$'000	Total US\$'000
COST				
At January 1, 2015	71	331	—	402
Additions	—	79	1,133	1,212
Exchange adjustments	(4)	(22)	—	(26)
At December 31, 2015	67	388	1,133	1,588
Additions	—	35	240	275
Transfer from construction in progress	—	506	—	506
Exchange adjustments	(4)	(46)	(7)	(57)
At December 31, 2016	63	883	1,366	2,312
Additions	—	2,442	—	2,442
Transfer from construction in progress	—	569	—	569
Exchange adjustments	4	150	9	163
At December 31, 2017	67	4,044	1,375	5,486
Additions	—	—	—	—
Transfer from construction in progress	—	27	—	27
Exchange adjustments	3	158	6	167
At March 31, 2018	70	4,229	1,381	5,680
ACCUMULATED AMORTIZATION				
At January 1, 2015	(26)	(74)	—	(100)
Provided for the year	(7)	(77)	—	(84)
Exchange adjustments	2	7	—	9
At December 31, 2015	(31)	(144)	—	(175)
Provided for the year	(7)	(123)	—	(130)
Exchange adjustments	2	14	—	16
At December 31, 2016	(36)	(253)	—	(289)
Provided for the year	(6)	(747)	—	(753)
Exchange adjustments	(2)	(39)	—	(41)
At December 31, 2017	(44)	(1,039)	—	(1,083)
Provided for the period	(2)	(329)	—	(331)
Exchange adjustments	(1)	(42)	—	(43)
At March 31, 2018	(47)	(1,410)	—	(1,457)
NET CARRYING VALUES				
At January 1, 2015	45	257	—	302
At December 31, 2015	36	244	1,133	1,413
At December 31, 2016	27	630	1,366	2,023
At December 31, 2017	23	3,005	1,375	4,403
At March 31, 2018	23	2,819	1,381	4,223

Licenses are the trading rights of the group entities. The Group assessed it with indefinite useful life as there is no foreseeable limit to the period over which the asset is expected to generate net cash flows to the Group. As a result, the licenses are considered by the management of the Group as having

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**16. INTANGIBLE ASSETS—continued**

an indefinite useful life because it is expected to contribute to net cash inflows indefinitely. The license will not be amortized until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

For the purpose of impairment tests of such intangible assets with indefinite useful life, the carrying amount of the licenses is allocated to a cash generating unit (the “CGU”) related to the security trading services. Management determined the recoverable amount of the CGU based on the value-in-use calculation by using the discounted cash flow method. Management forecasted the average annual revenue growth rate in six-year period is ranging from 80% to 10%, and the cash flows beyond the six-year period were extrapolated using the estimated annual growth rates of 3%. A longer period cash flow projection than five years has been applied since such CGU currently operates on a startup stage with unstable revenue growth rate, a longer period cash flow projection used could lead to a more reliable result. Discount rate ranging from 24% to 23% was used to reflect market assessment of time value and the specific risks relating to the CGUs. The financial projection was determined by management based on its expectation on the market developments of the Group by utilizing the license.

Based on the result of the impairment testing, the estimated recoverable amount was approximately US\$1.3 million, US\$2.0 million, and US\$2.4 million, which was US\$0.2 million, US\$0.6 million, and US\$1.0 million in excess of the licenses’ carrying value as of December 31, 2015, 2016, and 2017, respectively. As the recoverable amount was above the carrying value, no impairment was identified as of December 31, 2015, 2016 and 2017, respectively. No impairment indicator was noted as of March 31, 2018. The Group has performed a sensitivity analysis on key assumptions used in management’s annual impairment test of intangible assets with indefinite useful life. Had the estimated discount rates during the forecast period been 1% higher/lower, the recoverable amount would be decreased/increased by US\$0.1 million, US\$0.1 million and US\$0.1 million as at December 31, 2015, 2016, and 2017, respectively. Reasonably possible changes in key assumptions would not lead to impairment as of December 31, 2015, 2016 and 2017, respectively. During the years ended December 31, 2015, 2016 and 2017 and three months ended March 31, 2017 (unaudited) and 2018, there is no impairment of licenses recognized.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

17. DEFERRED TAXATION

The following are the major deferred tax balances recognized and movements thereon during the Track Record Period:

	Impairment losses on assets	Tax loss	Accrued bonus	Subtotal	Changes in fair value of financial assets	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
At January 1, 2015	—	—	1,063	1,063	—	1,063
Credit/(charge) to profit or loss	32	—	642	674	(136)	538
Exchange adjustments	—	—	(62)	(62)	—	(62)
At December 31, 2015	32	—	1,643	1,675	(136)	1,539
Credit/(charge) to profit or loss	209	2,333	1,309	3,851	(371)	3,480
Exchange adjustments	(2)	—	(106)	(108)	9	(99)
At December 31, 2016	239	2,333	2,846	5,418	(498)	4,920
Credit/(charge) to profit or loss	91	8,009	483	8,583	(121)	8,462
Exchange adjustments	6	144	185	335	(31)	304
At December 31, 2017	336	10,486	3,514	14,336	(650)	13,686
Credit/(charge) to profit or loss	81	1,196	1,198	2,475	(210)	2,265
Exchange adjustments	8	408	138	554	(26)	528
At March 31, 2018	425	12,090	4,850	17,365	(886)	16,479

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Deferred tax assets	1,675	5,418	14,336	17,365
Deferred tax liabilities	(136)	(498)	(650)	(886)
	1,539	4,920	13,686	16,479

Deferred tax assets is recognized if it is probable that all of the deferred tax assets will be realized through the recovery of taxes previously paid and/or future taxable income. The management of the Group has reviewed the deferred tax assets at the end of the reporting period and considered that it was probable that the deferred tax assets of the Group will be realized through future taxable income based on management's assessment of the probability that taxable profits will be available over the year which the deferred tax assets can be realized or utilized.

As at December 31, 2015, 2016, 2017 and March 31, 2018, the Group had unused tax losses amounted to US\$208,000, US\$15,764,000, US\$57,801,000 and US\$66,377,000, respectively, available for offset against future profits. Deferred tax assets have been recognized in respect of tax losses of nil, US\$9,332,000, US\$41,368,000 and US\$46,152,000 for the periods respectively. No deferred tax asset has been recognized for the remaining tax losses of US\$208,000, US\$6,432,000, US\$16,433,000 and US\$20,225,000, respectively, due to the unpredictability of future profit streams. These unrecognized tax losses will expire in 2020, 2021, 2022 and 2023, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

18. INVESTMENTS IN ASSOCIATES

The Group

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Investments in unlisted companies(a)	645	3,833	4,972	5,174
Investments in funds(b)	20,574	27,527	38,560	42,088
	<u>21,219</u>	<u>31,360</u>	<u>43,532</u>	<u>47,262</u>

(a) Investments in unlisted companies

Details of the Group's associates during the Track Record Period are as follows:

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group				Proportion of voting rights held by the Group				Principal activity
			At December 31,			At March 31,	At December 31,			At March 31,	
			2015	2016	2017	2018	2015	2016	2017	2018	
Shanghai Finrun Information Technology Services Co., Ltd. (“SHFR”)	PRC	PRC	N/A	30.00%	30.00%	30.00%	N/A	30.00%	30.00%	30.00%	Technology Development
Shanghai Genus Information Technology Limited (“Genus”)	PRC	PRC	N/A	N/A	4.98%	4.98%	N/A	N/A	4.98% (Note 1)	4.98% (Note 1)	Technology Development
Fountainhead Partners Holding Company Limited (“Fountainhead”)	Cayman Islands	Cayman Islands	11.80%	11.80%	11.80%	11.80%	11.80% (Note 2)	11.80% (Note 2)	11.80% (Note 2)	11.80% (Note 2)	Wealth management
Guangzhou Zhan Ze Investment Management Limited (“GZZZ”)	PRC	PRC	N/A	N/A	N/A	20.00%	N/A	N/A	N/A	20.00%	Investment management

Notes:

- (1) The Group is able to exercise significant influence over Genus because it has the power to appoint one out of the five directors of Genus under the Articles of Association of Genus.
- (2) The Group is able to exercise significant influence over Fountainhead because it has the power to appoint one out of the five directors of Fountainhead under the Articles of Association of Fountainhead.

Aggregate information of investments in unlisted companies that are not individually material

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Cost of unlisted investments in associates	645	4,087	5,101	5,298
Share of post-acquisition profit or loss and other comprehensive income	—	(254)	(129)	(124)
	<u>645</u>	<u>3,833</u>	<u>4,972</u>	<u>5,174</u>

The unlisted associates of the Group operate in promising industries, including financing technology development, wealth management and investment management, and have experienced

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

18. INVESTMENTS IN ASSOCIATES—continued

The Group—continued

(a) Investments in unlisted companies—continued

Aggregate information of investments in unlisted companies that are not individually material—continued

management teams in these industries. Although these unlisted associates incurred net losses during the Tracking Record Period, the management of the Group considered they were in the startup stage and no significant changes with an adverse effect on these companies took place during the Track Record Period, or expected to take place in the near future, in the technological, market, economic or legal environment in which these companies operate. Therefore, no impairment losses on investment in associates were recognized during the Track Record Period.

(b) Investments in funds

The Group invested in associates that are investment fund it manages and measured at fair value, the Group elected to measure investment in these associates at fair value. Details of such investment funds are summarized as follow.

		At December 31,			At March 31,
		2015	2016	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000
Cost of investments in funds		12,911	19,542	24,251	24,961
Fair value change on funds		7,663	8,385	13,908	16,006
Exchange adjustments		—	(400)	401	1,121
		<u>20,574</u>	<u>27,527</u>	<u>38,560</u>	<u>42,088</u>

		Ownership interest held			
		As at December 31,			As at March 31,
Material Funds	Place of incorporation	2015	2016	2017	2018
Shanghai Huasheng Lingshi Venture Capital Partnership (Limited Partnership)	PRC	1.94%	1.94%	1.94%	1.94%
Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership)	PRC	1.02%	1.02%	1.02%	1.02%
Huaxing Capital Partners, L.P.	Cayman Islands	9.13%	9.13%	9.13%	9.13%
Huaxing Capital Partners, II L.P.	Cayman Islands	4.43%	3.17%	3.17%	3.17%

The Group is able to exercise significant influence over the above funds' operating and financial policies because it manages the funds' day to day investment and disposition activities on behalf of the fund under the Article of Association of above funds.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

18. INVESTMENTS IN ASSOCIATES—continued

The Group—continued

(b) Investments in funds—continued*Summarized financial information of material fund investments*

	As at December 31,			As at March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Funds				
Shanghai Huasheng Lingshi venture capital partnership (Limited Partnership)				
Net asset value	223,160	238,899	279,832	308,600
Total comprehensive income for the year/period	<u>62,311</u>	<u>31,463</u>	<u>43,040</u>	<u>17,816</u>
Shanghai Huasheng Lingfei equity investment partnership (Limited Partnership)				
Net asset value	250,583	792,063	1,060,210	1,175,972
Total comprehensive (expense) income for the year/ period	<u>(2,199)</u>	<u>34,727</u>	<u>191,627</u>	<u>74,268</u>
Huaxing Capital Partners, L.P.				
Net asset value	127,011	125,220	156,595	159,650
Total comprehensive income for the year/period	<u>57,222</u>	<u>18,961</u>	<u>41,767</u>	<u>3,055</u>
Huaxing Capital Partners, II L.P.				
Net asset value	44,467	83,704	164,221	184,969
Total comprehensive (expense) income for the year/ period	<u>(1,261)</u>	<u>6,309</u>	<u>17,972</u>	<u>20,748</u>

Aggregate information of fund investments that are not individually material

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Fair value change on funds	—	—	79	258
Carrying amount of the Group's investments in funds	<u>15</u>	<u>447</u>	<u>3,647</u>	<u>4,758</u>

The Company

Investments in funds

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Cost of investments in funds	4,564	4,172	4,881	4,881
Fair value change on funds	<u>3,397</u>	<u>3,177</u>	<u>4,723</u>	<u>5,019</u>
	<u>7,961</u>	<u>7,349</u>	<u>9,604</u>	<u>9,900</u>

The Company invested in Huaxing Capital Partners, L.P. and Huaxing Capital Partners, II L.P. as disclosed in above section.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

19. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise:

The Group

	At December 31,		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Measured at fair value:			
Listed—Financial bonds (note i)	—	—	32,317
Measured at cost:			
Unlisted—equity investment (note ii)	5,935	4,950	4,279
	<u>5,935</u>	<u>4,950</u>	<u>36,596</u>

The Company

	At December 31,		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Measured at cost:			
Unlisted—equity investment	522	482	482

Notes:

- i. These financial bonds bear fixed interest rates ranging from 3% to 7% and can be traded in the public bonds market at any time and settled at the prevailing market prices. The total cost of the financial bonds as at December 31, 2017 was US\$32,487,000 and the fair value as at December 31, 2017 was US\$32,317,000 and with changes in fair value recorded in the other comprehensive income in the consolidated statements of profit or loss and other comprehensive income.

On January 1, 2018, the Group adopted IFRS 9 “Financial Instruments,” the financial bonds held by the Group were managed within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments. Thus these financial bonds were subsequently measured at FVTOCI which are included in note 21.

- ii. As at December 31, 2015, 2016 and 2017, the above equity investments were measured at cost less impairment at the end of each year because these investments did not have a quoted market price in an active market and their fair value could not be reliably measured. The interest of equity investments held by the Group ranged from 0.07% to 20.00%, without any right to nominate directors, thus the Group does not have significant influence on the equity investees.

Managements of the Group reviewed the investments and performed impairment test at the end of reporting periods. The impairment losses amounting to US\$359,000, US\$819,000 and US\$949,000 were recognized for the years ended December 31, 2015, 2016 and 2017, respectively.

On January 1, 2018, the Group adopted IFRS 9 “Financial Instruments,” thus the above equity investments held by the Group were subsequently measured at FVTPL which are included in note 20. The fair value of above equity investment on January 1, 2018 amounted to US\$6,216,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Derivative

The Group and the Company

	At December 31,		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Non-current			
Interest rate cap (Note i, vi)	—	—	1,354
	—	—	1,354
	==	==	==

(b) Financial assets designated at FVTPL

The Group

	At December 31,		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Current			
Wealth management products, unlisted (Note ii, vi)	13,737	47,365	65,111
	13,737	47,365	65,111
	==	==	==

	At December 31,		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Non-current			
Unlisted investment funds at fair value (Note iii, vi)	19,381	27,764	36,962
Unlisted debt security investments (Note iv, vi)	11,890	8,510	14,708
	31,271	36,274	51,670
	==	==	==

The Company

	At December 31,		
	2015	2016	2017
	US\$'000	US\$'000	US\$'000
Non-current			
Unlisted investment funds at fair value (Note iii, vi)	6,206	6,817	7,917
Unlisted debt security investments (Note iv, vi)	11,890	8,510	14,708
	18,096	15,327	22,625
	==	==	==

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS—continued

(c) Investments mandatorily measured at fair value through profit or loss

The Group

	At March 31, 2018 US\$'000
Current	
Wealth management products, unlisted (Note ii, vi)	154,276
	<u>154,276</u>
Non-current	
Unlisted investment funds at fair value (Note iii, vi)	41,557
Unlisted debt security investments (Note iv, vi)	15,204
Interest rate cap (Note i, vi)	2,212
Unlisted equity investments (Note v)	8,923
	<u>67,896</u>

The Company

	At March 31, 2018 US\$'000
Non-current	
Unlisted investment funds at fair value (Note iii, vi)	8,679
Unlisted debt security investments (Note iv, vi)	15,204
Interest rate cap (Note i, vi)	2,212
Unlisted equity investment (Note v)	698
	<u>26,793</u>

Note i: As disclosed in note 28, the Group and the Company entered into a borrowing agreement on October 23, 2017, with a variable interest rate based on London Interbank Offered Rate ("LIBOR") plus 6%. In order to hedge its exposure to interest rate risk above the LIBOR, the Group and the Company entered into an interest rate cap agreement. The total consideration of the interest rate cap was US\$1,275,000 and the fair value as at December 31, 2017 and March 31, 2018 was US\$1,354,000 and US\$2,212,000, respectively, with the change in the fair value recorded in the investment income in the consolidated statements of profit or loss and other comprehensive income.

Note ii: The Group purchased wealth management products with expected rates of return ranging from 2.35% to 5.60%, 2.44% to 4.54%, 2.93% to 5.30% and 3.31% to 5.10% per annum for the years ended December 31, 2015, 2016 and 2017, and three months ended March 31, 2018 respectively. The Group managed and evaluated the performance of investments on a fair value basis, in accordance with the Group's risk management and investment strategy, and thus designated at FVTPL as at December 31, 2015, 2016 and 2017. The fair values are based on cash flow discounted using the expected return based on management judgement and are within level 2 of the fair value hierarchy.

Note iii: The fair values of the unlisted investment funds are based on the net asset values of the investment funds reported to the limited partners by the general partners at the end of the reporting period. The Group managed and evaluated the performance of investments on a fair value basis, in accordance with the Group's risk management and investment strategy, and thus designated at FVTPL. The fair value changes are recorded in the investment income in the consolidated statements of profit or loss and other comprehensive income.

Note iv: Debt security investments represent the investments in the preferred shares of unlisted companies. The Group managed and evaluated the performance of such investments on a fair value basis, in accordance with the Group's risk management and investment strategy, and thus designated at FVTPL as at December 31, 2015, 2016 and 2017. The fair value changes are recorded in the investment income in the consolidated statements of profit or loss and other comprehensive income.

Note v: Upon the adoption of IFRS 9 "Financial Instruments" on January 1, 2018, the equity investments recorded as "available-for-sale financial assets" before January 1, 2018 were subsequently mandatorily measured at FVTPL. The accumulated impact as at January 1, 2018 was recorded as an adjustment to the accumulated loss as at January 1, 2018, and subsequent fair value change of the investments are recorded in the investment income in the consolidated statements of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS—continued

(c) Investments mandatorily measured at fair value through profit or loss—continued

The Company—continued

Note vi: Upon the adoption of IFRS 9 “Financial Instruments” on January 1, 2018, these investments are mandatorily measured at FVTPL.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The Group

	<u>At March 31,</u> <u>2018</u> <u>US\$'000</u>
Current	
Listed—Financial Bonds	218,122

The balance represents financial bonds purchased by the Group as disclosed in note 19. The impairment loss allowance of financial bonds amounted to US\$65,000 as at March 31, 2018 was recognized in other comprehensive income.

22. ACCOUNTS AND OTHER RECEIVABLES

The Group

	<u>At December 31,</u>			<u>At March 31,</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Accounts receivables	46,346	14,138	36,287	62,634
—Accounts receivable (Note i)	34,900	13,572	24,252	16,782
—Open trade receivable (Note ii)	11,446	566	12,035	45,852
Advance to suppliers	1,105	4,905	3,844	3,754
Other receivables	1,442	6,080	12,094	7,519
—Rental and other deposits	809	3,834	7,153	5,783
—Interest receivables	141	447	1,886	—
—Value-added tax recoverable	—	1,047	2,675	—
—Others	492	752	380	1,736
Subtotal	48,893	25,123	52,225	73,907
Less: Impairment loss allowance	—	—	—	(363)
Total	<u>48,893</u>	<u>25,123</u>	<u>52,225</u>	<u>73,544</u>

Note i: The Group allows an average credit period of 180 days for its customers. The following is an aging analysis of accounts receivables based on invoice dates at the end of the reporting periods:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

22. ACCOUNTS AND OTHER RECEIVABLES—continued

The Group—continued

Aging of accounts receivable

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
0-30 days	32,955	9,951	15,872	6,940
31-60 days	6	1,572	611	3,594
61-90 days	50	—	1,684	749
91-180 days	1,251	1,802	3,319	3,415
181-360 days	416	—	—	541
>1 year	222	247	2,766	1,543
	<u>34,900</u>	<u>13,572</u>	<u>24,252</u>	<u>16,782</u>

The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimize credit risk. Overdue balances are reviewed regularly by senior management. The management considered the recoverability of accounts receivable that are neither past due nor impaired is beyond doubt. During the years ended December 31, 2015, 2016 and 2017, receivables of US\$nil, US\$539,000 and US\$18,000 were impaired and written-off. During the three months ended March 31, 2018 receivables of US\$248,000 was impaired, including US\$93,000 recorded in the consolidated statement of profit or loss and other comprehensive income for the three months ended March 31, 2018, and US\$155,000 recorded as an adjustment to the accumulated loss as at January 1, 2018.

Aging of accounts receivable which are past due but not impaired

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Days overdue				
0-30 days	—	—	—	514
31-60 days	—	—	—	—
61-90 days	416	—	—	—
91-180 days	—	247	—	—
181-360 days	72	—	2,766	1,388
>1 year	150	—	—	—
	<u>638</u>	<u>247</u>	<u>2,766</u>	<u>1,902</u>

Note ii: Open trade receivable arose from the Group's brokerage business in respect of securities trading. As the Group currently does not have an enforceable right to offset these receivables with corresponding payables to counterparties, the two balances are presented separately.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

22. ACCOUNTS AND OTHER RECEIVABLES—continued

The Company

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Accounts receivables	15,501	356	—	—
Other receivables	232	59	130	100
—Interest receivables	88	4	32	—
—Rental and other deposits	85	—	—	—
—Others	59	55	98	100
Total	<u>15,733</u>	<u>415</u>	<u>130</u>	<u>100</u>

Aging of accounts receivable

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
0-30 days	15,351	356	—	—
>1 year	150	—	—	—
	<u>15,501</u>	<u>356</u>	<u>—</u>	<u>—</u>

Aging of accounts receivable which are past due but not impaired

<u>Days overdue</u>	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
>1 year	150	—	—	—
	<u>150</u>	<u>—</u>	<u>—</u>	<u>—</u>

During the years ended December 31, 2015, 2016 and 2017, and three months ended March 31, 2018, receivables of US\$nil, US\$150,000, US\$nil and US\$nil were impaired and written-off.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

23. LOANS TO THIRD PARTIES

The Group

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Non-current				
Ningbo Free Trade Zone YingWeiLi Management LP (“YWL”) (note a)	—	—	5,050	5,248
Winsor Holdings LLC (“WH”) (note b)	—	—	—	3,983
Less: Impairment loss allowance	—	—	—	(185)
	—	—	5,050	9,046
Current				
Unicorn Partners Advisors Limited (“Unicorn”) (note c)	500	—	—	—
Quantex (Beijing) Technology Limited (“Quantex”) (note d)	—	721	—	—
	500	721	—	—

The Company

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Current				
Unicorn Partners Advisors Limited (“Unicorn”) (note c)	500	—	—	—

Notes:

- In December 2017, the Group entered into a loan agreement with YWL, a third party. A loan amounted to RMB33,000,000 (approximately US\$5,050,000 and US\$5,248,000 as at December 31, 2017 and March 31, 2018, respectively) at an interest rate of 8% per annum was made to YWL. The loan was a guaranteed loan, and the term was three years.
- In January 2018, the Group entered into an agreement with WH, a third party. Pursuant to the agreement, a loan amounted to US\$3,983,000 at the interest rate of 12% per annum was made to WH. The repayment of the loan was guaranteed by an individual and the loan will be repaid on the third anniversary of the loan origination.
- In January 2015, the Group entered into a loan agreement with Unicorn, a third party. A loan amounted to US\$500,000 at an interest rate of 6% per annum was made to Unicorn. The loan was unsecured, and the term was five years. The loan was fully settled in September 2016.
- In June 2016, the Group entered into an agreement with Quantex, a third party. Pursuant to the agreement, a loan amounted to RMB5,000,000 (approximately US\$721,000) at the interest rate of 6% per annum was made to Quantex. The loan was guaranteed by the founding owners of Quantex and it was repayable within six months from the date that the loan was granted by the Group. In January 2017, the Group extended the loan to Quantex for one year at interest rate of 6% per annum. In June and August 2017, the Group received a repayment of principal of RMB1,500,000 and RMB3,500,000, respectively, together with the interests.

24. TERM DEPOSITS

The Group

Term deposits represent short-term bank deposits at effective interest rates ranging from 0.41% to 0.77% as at December 31, 2015, from 0.20% to 1.40% as at December 31, 2016, from 0.30% to 1.50% as at December 31, 2017, and 0.30% to 2.20% as at March 31, 2018.

The Company

Term deposits represent short-term bank deposits at effective interest rates ranging from 0.41% to 0.77% as at December 31, 2015 and 1.40% as at December 31, 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

25. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

Cash and cash equivalents comprise bank balances and cash held by the Group and the Company with maturity within three months and accrued interest at prevailing market interest rates ranging from 0.3% to 1.0% per annum throughout the Track Record Period.

Pledged bank deposits of the Group as at December 31, 2015 and 2016 represent deposits pledged to China Merchants Bank Co., Ltd. for business cooperation with a customer and issuance of letter of guarantee. During the year ended December 31, 2017, the pledge on bank deposits were removed.

26. ACCOUNTS AND OTHER PAYABLES

The Group

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Open trade payable	11,446	566	12,035	45,852
Salaries, bonus and other benefit payables	24,102	32,383	49,477	27,731
Payables to interest holders of consolidated structured entities	3,058	4,006	5,274	6,424
Prepaid management fees	414	6,587	4,552	5,499
Other payables	1,801	3,391	4,469	4,535
Interest payables	—	—	1,397	—
Dividend payables	—	—	—	3,599
Other tax payables	921	2,457	1,663	3,221
Consultancy fee payables	2,377	3,998	1,460	2,189
Accrued expenses	1,938	1,590	1,437	1,733
Accrued listing expenses	—	—	—	1,025
	<u>46,057</u>	<u>54,978</u>	<u>81,764</u>	<u>101,808</u>
Less: non-current portion	—	—	(367)	—
	<u>46,057</u>	<u>54,978</u>	<u>81,397</u>	<u>101,808</u>

The Company

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Other payables	177	91	33	—
Interest payable	—	—	1,397	—
Dividend payables	—	—	—	3,599
Consultancy fee payable	1,140	57	—	15
Accrued expenses	293	167	158	208
Accrued listing expenses	—	—	—	1,025
	<u>1,610</u>	<u>315</u>	<u>1,588</u>	<u>4,847</u>
Less: non-current portion	—	—	(367)	—
	<u>1,610</u>	<u>315</u>	<u>1,221</u>	<u>4,847</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

27. CONVERTIBLE NOTES

The Company issued convertible notes with an aggregate principal amount of US\$20,000,000 at par value of US\$0.0001 each on June 15, 2016. The convertible notes are denominated in United States dollars. The notes entitle the holders to convert them into convertible redeemable preferred shares of the Company upon automatic conversion events occurred or at any time after the earlier of 12 months after the issuance date or any default events occurred. Such convertible notes could be converted into 3,260,868 convertible redeemable preferred shares at a conversion price of US\$6.13333 per convertible note. The holders have the options to require the Company to redeem all or some of the convertible notes at par value plus accrued interest on or after June 26, 2016. If the notes have not been converted, they will be redeemed on June 15, 2017 at par value and interest of 8% will be paid annually up until the settlement date.

The Company, at initial recognition, irrevocably designated the convertible notes as a financial liability measured at fair value through profit or loss.

The convertible notes were fully converted into 3,260,868 Series B convertible redeemable preferred shares (note 29) upon the shareholder resolution dated April 26, 2017 as the automatic conversion event that a subsidiary of the Group obtained the License of Securities Business from the China Securities Regulatory Commission occurred.

The movement of the convertible notes is set out as below:

	US\$'000
At January 1, 2016	—
Issuance of convertible notes	20,000
Changes in fair value	2,600
At December 31, 2016	22,600
Changes in fair value up to April 26, 2017	504
Conversion of convertible notes to Series B convertible redeemable preferred shares	(23,104)
At December 31, 2017	—

As at December 31, 2016, the issued convertible notes shall be redeemed by the Company at par value and interests, within a period of less than one year.

Discounted cash flow method was used to determine the underlying equity value of the Group and equity allocation model was adopted to determine the fair value of the convertible notes. The valuation was performed by D&P China (HK) Limited (the “EFV Specialist”), an independent qualified professional valuer not connected with the Group, which is located on Suite 701 & 708-10, 7/F, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong.

Key assumptions used to determine the fair value of convertible notes are as follows:

	At December 31, 2016	At April 26, 2017
Discount rate	17.00%	17.00%
Risk-free interest rate	2.70%	2.70%
Expected volatility	35.00%	34.00%
Discount for lack of marketability (“DLOM”)	25.00%	25.00%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

27. CONVERTIBLE NOTES—continued

Discount rate was estimated by weighted average cost of capital as of each valuation date. The Group estimated the risk-free interest rate based on the market yield of 5-year US Treasury Curve plus country default risk. The DLOM was estimated based on the option-pricing method. Under the option pricing method, the cost of put option, which can hedge the price change before the private held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on the historical volatility of comparable companies' shares. In addition to the assumptions adopted above, the Group's projections of future performance were also factored into the determination of the fair value of the convertible notes on each valuation date.

28. BANK BORROWING

The Group and the Company

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Secured bank borrowing at floating rates	—	—	150,000	154,253

The amounts due are based on scheduled repayment dates set out in the borrowing agreements. As at the end of each reporting period, no bank borrowings contained any repayment on demand clause.

On February 1, 2016, the Group entered into a borrowing agreement with United Bank of Switzerland ("UBS") for a total cash of US\$10,000,000 at a fixed rate of 2.25%. The term of the borrowing is one month. The Group repaid the principle and the interests on February 29, 2016.

On May 8, 2017, the Group entered into a borrowing agreement with Bank of Hangzhou for a total cash of RMB13,000,000 approximately (US\$1,928,000) at a fixed rate of 3.99%. The Group repaid the principle and the interests within one month.

On October 23, 2017, the Group entered into a borrowing agreement with ICBCI Investment Management for total facilities of US\$200,000,000 (the "ICBCI Loan"). The Group utilized loan of US\$150,000,000 on November 17, 2017 ("First Utilization Date"). The term of the borrowing is three years with a floating interest rate based on LIBOR plus 6%. The Group has the option to extend the final repayment date by 12 months after the third and fourth anniversary of the First Utilization Date, respectively. The actual interest rate of such loan is 7.62% during the Track Record Period.

Upon completion of an Initial Public Offering ("IPO") at any time on or before the final repayment date of the ICBCI Loan, the facilities will be canceled and all outstanding borrowings, together with accrued interest thereon and all other amounts outstanding, shall become due and payable within ten business days after the listing date under the IPO.

29,950,000 ordinary shares of the Company held by CR Partners Limited, and 100% equity of three subsidiaries of the Company were pledged for the Group's bank borrowing.

As at December 31, 2017 and March 31, 2018, the bank borrowing shall be repaid by the Company at a price equal to the principal, plus all accrued but unpaid interests, within a period of more than two years but not exceeding three years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

29. CONVERTIBLE REDEEMABLE PREFERRED SHARES

On November 4, 2011, the Company and two third party investors CW Renaissance Limited (“CW”) and TBP Greenhouse Holdings Co., Ltd. (“TBP”) (collectively, the “Series A Investors”) entered into a purchase agreement whereby the Company issued in aggregate 15,000,000 Series A preferred shares (“Series A Preferred Shares”) for gross proceeds of US\$30,000,000.

On August 10, 2015, the Company and four third party investors-Bamboo Prime, L.P. (“Bamboo”), Greenhouse CR Holdings II Co., Ltd. (“Greenhouse”), JenCap CR (“JenCap”) and Smart Group Global Limited (“Smart Group”) (collectively, the “Series B Investors”) entered into a purchase agreement whereby the Company issued in aggregate 16,304,348 Series B preferred shares (“Series B Preferred Shares”) for gross proceeds of US\$100,000,000. The Series B Preferred Share Subscription Agreement, also signed by holders of Series A Preferred Shares, modified the dividend payment and redemption rights policy of Series A Preferred Shares. On Series B Preferred Shares issuance date, the dividend right of Series A Preferred Shares was removed, the interest rate of redemption price of Series A Preferred Shares was modified from 6% to 8% per annum and the redemption date of Series A Preferred Shares was extended to the redemption date of Series B Preferred Shares.

On May 18, 2016, Bamboo distributed 6,521,739 Series B Preferred Shares to Bamboo Green, Ltd. and 4,891,305 Series B Preferred Shares to Gopher China Harvest Fund LP upon Bamboo’s dissolution.

On April 26, 2017, the Company and CW further entered into a purchase agreement whereby the Company issued 1,527,271 Series B Preferred Shares for gross proceeds of US\$10,000,000. In addition, as disclosed in note 27, the convertible notes were fully converted into 3,260,868 Series B Preferred Shares.

Significant terms of the Series A Preferred Shares and Series B Preferred Shares are outlined below.

Dividends

No dividends shall be declared or paid on the ordinary shares or any other class or series of shares of the Company unless and until a dividend in like amount is first or simultaneously declared and paid on each outstanding preferred share (on an as-if-converted basis). The dividend right is considered as an equity component included in the preferred shares of which the fair value is insignificant.

The holder of preferred shares shall not be entitled to participate in the payment of certain remuneration that may be declared or characterized as “dividends” (the “Special Dividends”) to certain management of the Company who beneficially owns ordinary shares, and such Special Dividends may be declared or paid prior to any dividends declared or paid to holders of the Preferred Shares.

Liquidation preference

In the event of any liquidation event (such as liquidation, dissolution, winding up, change in control, etc.), the investors of Series A Preferred Shares and Series B Preferred Shares shall be entitled to receive in preference to the holders of the ordinary shares an amount equal to the initial purchase price plus any declared but unpaid dividends.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

29. CONVERTIBLE REDEEMABLE PREFERRED SHARES—continued

Liquidation preference—continued

After payment to the investors of Series A Preferred Shares and Series B Preferred Shares of the full amount to which they are entitled, the remaining assets shall be distributed ratably to all holders of the ordinary shares on an as-converted basis assuming that all Series A Preferred Shares and Series B Preferred Shares have been converted to the ordinary shares.

If the Company's assets are insufficient to satisfy the liquidation preferences, then these assets shall be distributed ratably in proportion to the liquidation preference of the Series A Preferred Shares and Series B Preferred Shares and then ordinary shares.

Redemption rights

The Series A Preferred Shares shall be redeemable, at the option of the holders of a majority of the then outstanding Series A Preferred Shares (on an as-converted basis), any time after the fifth anniversary of the closing date of Series B Preferred Shares, or before the fifth anniversary of the closing date of the Series B Preferred Shares with respect to the trigger of liquidation event, at the amount equal to the initial issuance price, plus 6% per annum interest accrued from initial issuance date to the series B issuance date on August 10, 2015 and 8% per annum interest accrued from the series B issuance date to the redemption date, plus all accrued but unpaid dividends, minus all dividends paid thereon up to the date of redemption.

The Series B Preferred Shares shall be redeemable, at the option of the holders of a majority of the then outstanding Series B Preferred Shares (on an as-converted basis), any time after the fifth anniversary of the closing date, or before the fifth anniversary of the closing date with respect to the trigger of liquidation event, at the amount equal to the initial issuance price, plus 8% per annum interest accrued from the series B issuance date to the redemption date, plus all accrued but unpaid dividends, minus all dividends paid thereon up to the date of redemption.

If on the redemption date, the Company does not have sufficient funds legally available to redeem all of the convertible redeemable preferred shares requested to be redeemed, then the funds of the Company legally available for redemption shall (i) first, be used to redeem the Series B Preferred Shares from each holder thereof requesting for redemption ratably in proportion to the full redemption price of Series B Preferred Shares, and (ii) second, after payment of the redemption price of Series B Preferred Shares due to the holders of the Series B Preferred Shares in full, be used to redeem the Series A Preferred Shares from each holder thereof requesting for redemption ratably in proportion to the full redemption price of Series A Preferred Shares. The remaining convertible redeemable preferred shares to be redeemed shall be carried forward and redeemed as soon as the Company has legally available funds to do so.

Conversion terms

The investors of Series A Preferred Shares and Series B Preferred Shares have the right to convert all or any portion of their holdings into ordinary shares of the Company at any time after the date of issuance of the convertible redeemable preferred shares. In addition, upon the earlier of occurrence of immediately prior to the closing of a qualified initial public offering on a recognized

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

29. CONVERTIBLE REDEEMABLE PREFERRED SHARES—continued

Conversion terms—continued

stock exchange, or election in writing by the holders of the majority of the then outstanding Series A Preferred Shares and the holders of the majority of the then outstanding Series B Preferred Shares, each voting as a single class on an as-converted basis, all outstanding convertible redeemable preferred shares shall automatically be converted into ordinary shares, at the then effective conversion price.

The initial conversion price is US\$2.00 for Series A Preferred Shares and US\$6.13 for Series B Preferred Shares representing an initial conversion ratio of 1 for 1. The conversion price will be adjusted in the event the Company issues any additional ordinary shares at less than the conversion price. The conversion price of convertible redeemable preferred shares will also be proportionally adjusted in the event of share dividends, subdivisions, combinations or consolidations of ordinary shares.

Voting rights

Each of Series A Preferred Shares and Series B Preferred Shares has voting rights equivalent to the number of ordinary shares then issuable upon its conversion into ordinary shares.

Excluding the equity component, the entire Series A Preferred Shares and Series B Preferred Shares are designated as a financial liability at FVTPL on initial recognition, and measured at fair value with changes in fair value recognized in the consolidated statements of profit or loss and other comprehensive income. The fair value of the liability component was calculated using market interest rate for an equivalent non-convertible loan. As the interest rate of the instrument was above the market interest rate for an equivalent non-convertible loan, no residual amount is included in equity.

The movement of the convertible redeemable preferred shares is set out as below:

	US\$'000
Fair value of Series A Preferred Shares as at January 1, 2015	55,800
Issuance of Series B Preferred Shares	100,000
Changes in fair value	34,039
At December 31, 2015	189,839
Changes in fair value	13,978
At December 31, 2016	203,817
Issuance of Series B Preferred Shares	10,000
Conversion of convertible notes to Series B Preferred Shares	23,104
Changes in fair value	25,730
At December 31, 2017	262,651
Changes in fair value	73,770
At March 31, 2018	336,421

As at December 31, 2015, 2016 and 2017, and March 31, 2018, the issued Series A and Series B Preferred Shares shall be redeemed by the Company at the amount equal to the initial issuance price, plus interests and all accrued but unpaid dividends, with a period of more than two years but not exceeding five years, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

29. CONVERTIBLE REDEEMABLE PREFERRED SHARES—continued

Voting rights—continued

Discounted cash flow method was used to determine the underlying share value of the Group and equity allocation model was adopted to determine the fair value of the convertible redeemable preferred shares. The valuation was performed by D&P China (HK) Limited (the “EFV Specialist”), an independent qualified professional valuer not connected with the Group, which is located on Suite 701 & 708-10, 7/F, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong.

Key assumptions used to determine the fair value of convertible redeemable preferred shares are as follows:

	At December 31, 2015	At December 31, 2016	At December 31, 2017	At March 31, 2018
Discount rate	17.50%	17.00%	17.00%	16.00%
Risk-free interest rate	2.43%	2.70%	2.84%	1.13%
Expected volatility	35.00%	35.00%	33.00%	34.00%
DLOM	25.00%	25.00%	20.00%	10.00%

Discount rate was estimated by weighted average cost of capital as of each valuation date. The Group estimated the risk-free interest rate based on the market yield of 5-year US Treasury Curve plus country default risk and Hong Kong Sovereign Curve. The DLOM was estimated based on the option-pricing method. Under the option pricing method, the cost of put option, which can hedge the price change before the private held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on the historical volatility of guideline companies’ shares. Probability weight under each of the redemption scenario and liquidation scenario was based on the Group’s best estimates. In addition to the assumptions adopted above, the Group’s projections of future performance were also factored into the determination of the fair value of the convertible redeemable preferred shares on each valuation date.

The management considered that fair value changes in the convertible redeemable preferred shares that are attributable to changes of the Company’s credit risk of these liabilities are not significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

30. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank Borrowing	Convertible redeemable preferred shares	Convertible notes	Interest payable	Dividend payable	Total
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Liabilities from financing activities at						
January 1, 2015	—	55,800	—	—	—	55,800
Cash flows	—	100,000	—	—	(4,000)	96,000
Fair value changes of convertible redeemable preferred shares	—	34,039	—	—	—	34,039
Dividends declared to shareholders	—	—	—	—	4,000	4,000
Liabilities from financing activities at December 31, 2015	—	189,839	—	—	—	189,839
Cash flows	—	—	20,000	(19)	(77,680)	(57,699)
Accrued interest expense	—	—	—	19	—	19
Fair value changes of convertible redeemable preferred shares	—	13,978	—	—	—	13,978
Fair value changes of convertible notes	—	—	2,600	—	—	2,600
Dividends declared to shareholders	—	—	—	—	77,680	77,680
Liabilities from financing activities at December 31, 2016	—	203,817	22,600	—	—	226,417
Cash flows	150,000	10,000	—	(2)	(5,314)	154,684
Accrued interest expense	—	—	—	1,399	—	1,399
Fair value changes of convertible redeemable preferred shares	—	25,730	—	—	—	25,730
Fair value changes of convertible notes	—	—	504	—	—	504
Convertible notes conversion to convertible redeemable preferred shares	—	23,104	(23,104)	—	—	—
Dividends declared to shareholders	—	—	—	—	5,314	5,314
Liabilities from financing activities at December 31, 2017	150,000	262,651	—	1,397	—	414,048
Adoption of IFRS 9	1,397	—	—	(1,397)	—	—
Adjusted liabilities from financing activities at January 1, 2018	151,397	262,651	—	—	—	414,048
Cash flows	—	—	—	—	—	—
Accrued interest expense	2,856	—	—	—	—	2,856
Fair value changes of convertible redeemable preferred shares	—	73,770	—	—	—	73,770
Fair value changes of convertible notes	—	—	—	—	—	—
Dividends declared to shareholders	—	—	—	—	3,599	3,599
Liabilities from financing activities at March 31, 2018	154,253	336,421	—	—	3,599	494,273
(Unaudited)						
Liabilities from financing activities at						
January 1, 2017	—	203,817	22,600	—	—	226,417
Cash flows	—	—	—	—	—	—
Accrued interest expense	—	—	—	—	—	—
Fair value changes of convertible redeemable preferred shares	—	3,173	—	—	—	3,173
Fair value changes of convertible notes	—	—	395	—	—	395
Convertible notes conversion to convertible redeemable preferred shares	—	—	—	—	—	—
Dividends declared to shareholders	—	—	—	—	4,150	4,150
Liabilities from financing activities at March 31, 2017	—	206,990	22,995	—	4,150	234,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

31. SHARE CAPITAL AND RESERVES OF THE COMPANY

The authorized share capital of the Company is US\$50,000 made up of 500,000,000 shares, consisting of 455,000,000 ordinary shares, 20,000,000 Series A preferred shares, and 25,000,000 Series B preferred shares.

Details of the movement of share capital of the Company are as follows:

	Number of shares	Nominal value Per share US\$	Share capital US\$
<u>Authorized</u>			
At January 1, 2015	500,000,000	0.0001	50,000
At December 31, 2015, 2016 and 2017 and March 31, 2018	500,000,000	0.0001	50,000
<u>Issued</u>			
At January 1, 2015	60,000,000	0.0001	6,000
At December 31, 2015, 2016 and 2017 and March 31, 2018	60,000,000	0.0001	6,000
	<u>At December 31,</u>		
	<u>2015</u>	<u>2016</u>	<u>2017</u>
	<u>US\$'000</u>	<u>US\$'000</u>	<u>US\$'000</u>
Presented as	6	6	6
	=	=	=
	<u>At March 31,</u>		
	<u>2018</u>		
	<u>US\$'000</u>		
	6		
	=		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

31. SHARE CAPITAL AND RESERVES OF THE COMPANY—continued

The movements in the reserves of the Company are shown as follows:

	Share Premium	Other reserve	Retained earnings/ (Accumulated losses)	Total
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at January 1, 2015	5,609	1,150	13,896	20,655
Profit for the year	—	—	28,844	28,844
Recognition of equity-settled share-based payment expense	—	3,768	—	3,768
Dividends to a shareholder	—	—	(4,000)	(4,000)
Balance at December 31, 2015	5,609	4,918	38,740	49,267
Profit for the year	—	—	31,833	31,833
Capital contributions	2,627	—	—	2,627
Recognition of equity-settled share-based payment expense	—	3,645	—	3,645
Dividends to a shareholder	—	—	(77,500)	(77,500)
Balance at December 31, 2016	8,236	8,563	(6,927)	9,872
Profit for the year	—	—	32	32
Acquisition of additional equity interest from non- controlling shareholders	(276)	—	—	(276)
Recognition of equity-settled share-based payment expense	—	8,203	—	8,203
Dividends to a shareholder	—	—	(4,150)	(4,150)
Balance at December 31, 2017	7,960	16,766	(11,045)	13,681
Loss for the period	—	—	(65,262)	(65,262)
Recognition of equity-settled share-based payment expense	—	2,326	—	2,326
Dividends to a shareholder	—	—	(3,599)	(3,599)
Balance at March 31, 2018	7,960	19,092	(79,906)	(52,854)
(Unaudited)				
Balance at January 1, 2017	8,236	8,563	(6,927)	9,872
Loss for the period	—	—	(1,135)	(1,135)
Recognition of equity-settled share-based payment expense	—	611	—	611
Dividends to a shareholder	—	—	(4,150)	(4,150)
Balance at March 31, 2017	8,236	9,174	(12,212)	5,198

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

32. NON-CONTROLLING INTEREST

	Year ended December 31,			Three months ended March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Balance at beginning of the year/period	162	909	74,204	223,756
Total comprehensive income (expense) for the year/period	747	(6,720)	(9,445)	8,432
Acquisition of additional equity interests from non-controlling shareholders	—	—	(82)	—
Capital contribution from non-controlling shareholders ..	—	80,195	160,243	19
Dividend distribution	—	(180)	(1,164)	—
Balance at end of the year/period	<u>909</u>	<u>74,204</u>	<u>223,756</u>	<u>232,207</u>

33. SHARE-BASED PAYMENTS

(a) Details of the employee share option scheme of the Company

The employee share option scheme of the Company (the “Scheme”) was adopted pursuant to a resolution passed on August 24, 2012 for the primary purpose of providing incentives to eligible employees. The maximum number of shares that may be issued under the Scheme shall be 18,750,000 ordinary shares. Subsequently in 2015, the maximum number was approved to be expanded to 22,826,087 ordinary shares.

Details of specific categories of options are as follows:

Date of grant	Number of shares	Exercise price
01.01.2013	575,000	US\$1.0(note)
29.03.2013	150,000	US\$1.0(note)
13.05.2013	750,000	US\$1.0(note)
01.01.2014	1,375,000	US\$1.0(note)
01.01.2015	7,475,000	US\$1.0
01.10.2015	50,000	US\$1.0
01.01.2016	125,000	US\$1.0
01.01.2016	1,450,000	US\$2.5
01.07.2016	2,550,000	US\$2.5
01.01.2017	800,000	US\$2.5
01.04.2017	7,780,000	US\$2.5
01.10.2017	200,000	US\$2.5

Note: As at January 1, 2015, the Company modified the exercise price of 2,850,000 share options that had been issued up to December 31, 2014 from US\$1.50 per share to US\$1.00 per share. The incremental fair value of US\$448,000 was recognized immediately for the vested share options in the consolidated statements of profit or loss and other comprehensive income, and the incremental fair value of US\$293,000 would be recognized over the remaining vesting period for the unvested share options.

The share options shall be subject to a five year vesting schedule and shall vest twenty percent on each anniversary from the vesting commencement date and on the same day in subsequent year, subject to the participant continuing to be an employee through each vesting date. The contractual life of the share options is 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

33. SHARE-BASED PAYMENTS—continued

(a) Details of the employee share option scheme of the Company—continued

The following tables disclose details of the share options held by existing employees and director of the Group and movements in such holdings during the Track Record Period:

Date of grant	Exercise price per share US\$	Number of share options				Outstanding at 31.12.2015
		Outstanding at 01.01.2015	Granted during 2015	Exercised during 2015	Forfeited during 2015	
Employees:						
01.01.2013	1.0	575,000	—	—	—	575,000
29.03.2013	1.0	150,000	—	—	—	150,000
13.05.2013	1.0	750,000	—	—	(375,000)	375,000
01.01.2014	1.0	1,375,000	—	—	(75,000)	1,300,000
01.01.2015	1.0	—	7,475,000	—	(75,000)	7,400,000
01.10.2015	1.0	—	50,000	—	—	50,000
		<u>2,850,000</u>	<u>7,525,000</u>	<u>—</u>	<u>(525,000)</u>	<u>9,850,000</u>
Exercisable at the end of the year						<u>2,585,000</u>
Weighted average exercise price		<u>US\$1.00</u>	<u>US\$1.00</u>	<u>—</u>	<u>US\$1.00</u>	<u>US\$1.00</u>

Date of grant	Exercise price per share US\$	Number of share options				Outstanding at 31.12.2016
		Outstanding at 01.01.2016	Granted during 2016	Exercised during 2016	Forfeited during 2016	
Employees:						
01.01.2013	1.0	575,000	—	—	—	575,000
29.03.2013	1.0	150,000	—	—	—	150,000
13.05.2013	1.0	375,000	—	—	—	375,000
01.01.2014	1.0	1,300,000	—	—	(75,000)	1,225,000
01.01.2015	1.0	7,400,000	—	—	(3,325,000)	4,075,000
01.10.2015	1.0	50,000	—	—	—	50,000
01.01.2016	1.0	—	125,000	—	—	125,000
01.01.2016	2.5	—	1,450,000	—	—	1,450,000
01.07.2016	2.5	—	2,550,000	—	—	2,550,000
		<u>9,850,000</u>	<u>4,125,000</u>	<u>—</u>	<u>(3,400,000)</u>	<u>10,575,000</u>
Exercisable at the end of the year						<u>3,410,000</u>
Weighted average exercise price		<u>US\$1.00</u>	<u>US\$2.45</u>	<u>—</u>	<u>US\$1.00</u>	<u>US\$1.57</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

33. SHARE-BASED PAYMENTS—continued

(a) Details of the employee share option scheme of the Company—continued

Date of grant	Exercise price per share	Number of share options				
		Outstanding at 01.01.2017	Granted during 2017	Exercised during 2017	Forfeited during 2017	Outstanding at 31.12.2017
	US\$					
Employees:						
01.01.2013	1.0	575,000	—	—	—	575,000
29.03.2013	1.0	150,000	—	—	—	150,000
13.05.2013	1.0	375,000	—	—	—	375,000
01.01.2014	1.0	1,225,000	—	—	—	1,225,000
01.01.2015	1.0	4,075,000	—	—	(300,000)	3,775,000
01.10.2015	1.0	50,000	—	—	—	50,000
01.01.2016	1.0	125,000	—	—	—	125,000
01.01.2016	2.5	1,450,000	—	—	(75,000)	1,375,000
01.07.2016	2.5	2,550,000	—	—	(2,300,000)	250,000
01.01.2017	2.5	—	800,000	—	(450,000)	350,000
Executive directors:						
Fan Bao	2.5	—	5,000,000	—	—	5,000,000
Xinwei Wang	2.5	—	300,000	—	—	300,000
		—	5,300,000	—	—	5,300,000
Employees	2.5	—	2,480,000	—	—	2,480,000
01.04.2017		—	7,780,000	—	—	7,780,000
Employees:						
01.10.2017	2.5	—	200,000	—	—	200,000
		10,575,000	8,780,000	—	(3,125,000)	16,230,000
Exercisable at the end of the year						5,045,000
Weighted average exercise price		US\$1.57	US\$2.50	—	US\$2.36	US\$1.92

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

33. SHARE-BASED PAYMENTS—continued

(a) Details of the employee share option scheme of the Company—continued

Date of grant	Exercise Price per share US\$	Number of share options (unaudited)				Outstanding at 31.03.2017
		Outstanding at 01.01.2017	Granted during 3 months ended 31.03.2017	Exercised during 3 months ended 31.03.2017	Forfeited during 3 months ended 31.03.2017	
Employees:						
01.01.2013	1.0	575,000	—	—	—	575,000
29.03.2013	1.0	150,000	—	—	—	150,000
13.05.2013	1.0	375,000	—	—	—	375,000
01.01.2014	1.0	1,225,000	—	—	—	1,225,000
01.01.2015	1.0	4,075,000	—	—	—	4,075,000
01.10.2015	1.0	50,000	—	—	—	50,000
01.01.2016	1.0	125,000	—	—	—	125,000
01.01.2016	2.5	1,450,000	—	—	—	1,450,000
01.07.2016	2.5	2,550,000	—	—	—	2,550,000
01.01.2017	2.5	—	800,000	—	—	800,000
		10,575,000	800,000	—	—	11,375,000
Exercisable at the end of the period						3,495,000
Weighted average exercise price		US\$1.57	US\$ 2.50	—	—	US\$1.63

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

33. SHARE-BASED PAYMENTS—continued

(a) Details of the employee share option scheme of the Company—continued

Date of grant	Exercise Price per share	Number of share options				
		Outstanding at 01.01.2018	Granted during 3 months ended 31.03.2018	Exercised during 3 months ended 31.03.2018	Forfeited during 3 months ended 31.03.2018	Outstanding at 31.03.2018
	US\$					
Employees:						
01.01.2013	1.0	575,000	—	—	—	575,000
29.03.2013	1.0	150,000	—	—	—	150,000
13.05.2013	1.0	375,000	—	—	—	375,000
01.01.2014	1.0	1,225,000	—	—	—	1,225,000
01.01.2015	1.0	3,775,000	—	—	(100,000)	3,675,000
01.10.2015	1.0	50,000	—	—	—	50,000
01.01.2016	1.0	125,000	—	—	—	125,000
01.01.2016	2.5	1,375,000	—	—	—	1,375,000
01.07.2016	2.5	250,000	—	—	—	250,000
01.01.2017	2.5	350,000	—	—	(300,000)	50,000
Executive directors:						
Fan Bao	2.5	5,000,000	—	—	—	5,000,000
Xinwei Wang	2.5	300,000	—	—	—	300,000
		5,300,000	—	—	—	5,300,000
Employees:	2.5	2,480,000	—	—	—	2,480,000
01.04.2017	2.5	7,780,000	—	—	—	7,780,000
Employees:						
01.10.2017	2.5	200,000	—	—	—	200,000
		16,230,000	—	—	(400,000)	15,830,000
Exercisable at the end of the period						5,040,000
Weighted average exercise price		US\$1.92	—	—	US\$2.13	US\$1.91

Upon the share subdivision on August 10, 2018 as disclosed in note 43, the exercise price and the number of shares to be exercised shall be adjusted accordingly.

(b) Fair value of share options granted in the Track Record Period

The valuation of the share option was performed by D&P China (HK) Limited (the “EFV Specialist”), an independent qualified professional valuer not connected with the Group, which is located on Suite 701 & 708-10, 7/F, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Central, Hong Kong. Options were priced using a binomial option pricing model. The main inputs used in the model include fair value of the Company’s share as of the grant date, exercise price, expected volatility, expected life, risk-free interest rate and the expected dividend yield.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

33. SHARE-BASED PAYMENTS—continued

(b) Fair value of share options granted in the Track Record Period—continued

The inputs used in the model are as follows:

Date of grant	01.10.2017	01.04.2017	01.01.2017	01.07.2016	01.01.2016	01.10.2015	01.01.2015	01.01.2014	29.03.2013 and 13.05.2013	01.01.2013
Grant date										
share price	US\$5.82	US\$5.25	US\$5.17	US\$4.54	US\$4.67	US\$4.67	US\$2.76	US\$2.76	US\$2.76	US\$2.76
Exercise price	US\$2.50	US\$2.50	US\$2.50	US\$2.50	US\$1.00/US\$2.50	US\$1.00	US\$1.00	US\$1.00	US\$1.00	US\$1.00
Expected volatility . . .	37.00%	38.00%	38.00%	40.00%	40.00%	40.00%	40.0%	40.00%	40.00%	40.00%
Expected life	10	10	10	10	10	10	10	10	10	10
Risk-free interest rate	3.04%	3.15%	3.21%	2.12%	2.94%	2.79%	2.49%	2.49%	2.49%	2.49%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The weighted average remaining contractual life of share options outstanding as at December 31, 2015, 2016 and 2017 and March 31, 2018 was 8.69 years, 8.35 years, 8.45 years and 8.41 years, respectively.

A share-based compensation expenses of US\$3,768,000, US\$3,645,000, US\$8,203,000, US\$611,000 and US\$2,326,000 has been recognized in profit or loss for the years ended December 31, 2015, 2016 and 2017 and three months ended March 31, 2017 (unaudited) and 2018, respectively.

34. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme (“MPF Scheme”) for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. The cap of contribution amount was HK\$1,500 per employee per month.

The employees of the Group in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme.

The Group maintains a retirement plan in United States of America, pursuant to Section 401(k) of the Internal Revenue Code, for eligible participants to make voluntary contributions of a portion of their annual compensation, on a deferred basis, subject to limitations provided by the Internal Revenue Code.

The amounts of contributions made by the Group in respect of such retirement benefit schemes during the Track Record Period are disclosed in note 11.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

35. RELATED PARTY TRANSACTIONS AND BALANCES

The Group

(a) Loans to related parties

	Notes	At December 31,			At March 31,
		2015	2016	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000
Genus	i	—	—	689	—
Shenzhen Huasheng Lingzhi Equity Investment Partnership (Limited Partnership)	ii	—	—	1,530	—
Ningbo Meishan Bonded Port Area Huahao Investment Management Partnership (Limited Partnership)	iii	—	—	—	3,519
Less: Impairment loss allowance		—	—	—	(70)
		—	—	2,219	3,449
		<u>—</u>	<u>—</u>	<u>2,219</u>	<u>3,449</u>

(b) Amounts due from related parties

Amounts due from related parties—trade nature

	Notes	At December 31,			At March 31,
		2015	2016	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000
Huaxing Yihui LLC	iv	—	—	—	65
Huaxing Capital Partners, L.P.	iv	983	946	885	1,145
Huaxing Capital Partners II, L.P.	iv	876	3,199	3,666	4,499
Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership)	iv	259	87	—	—
Evergreen Enterprises Holdings Limited.	iv	—	—	383	—
CR HB XI Venture Feeder, LP	iv	—	—	38	23
Shanghai Peixi Investment Management Partnership (Limited Partnership)	iv	—	—	—	23
Green Galaxy LLC	iv	—	—	—	18
Less: Impairment loss allowance		—	—	—	(128)
		<u>2,118</u>	<u>4,232</u>	<u>4,972</u>	<u>5,645</u>

The Group generally grants a credit period of 180 days to its related parties. Aging of amounts due from related parties-trade nature, based on invoice dates, are as follows:

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
0-30 days	344	363	269	459
31-60 days	187	582	395	370
61-90 days	315	351	455	414
91-180 days	805	1,118	1,187	963
181-360 days	467	1,818	2,666	3,567
	<u>2,118</u>	<u>4,232</u>	<u>4,972</u>	<u>5,773</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

35. RELATED PARTY TRANSACTIONS AND BALANCES—continued

The Group—continued

(b) Amounts due from related parties—continued

Amounts due from related parties—trade nature—continued

Aging of amounts due from related parties-trade nature that are past due but not impaired are as follows:

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
0-30 days	86	86	273	363
31-60 days	86	86	396	363
61-90 days	86	376	396	363
91-180 days	209	1,270	1,601	2,350
	<u>467</u>	<u>1,818</u>	<u>2,666</u>	<u>3,439</u>

Amounts due from related parties—non-trade nature

	Notes	At December 31,			At March 31,
		2015	2016	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000
CRP Holdings Limited	v	493	—	—	—
Huaxing Yihui LLC	vi	—	—	5	7
Huaxing Capital Partners II, L.P.	vi	—	—	2	2
Shenzhen Huasheng Lingzhi Equity Investment Partnership (Limited Partnership)	vi	—	—	—	15
		<u>493</u>	<u>—</u>	<u>7</u>	<u>24</u>

The details of non-trade nature amounts due from related parties controlled by the Controlling Shareholders are set out below:

For amount due from CRP Holdings Limited, an entity controlled by Mr. Bao Fan, the maximum amount outstanding during the year/period are as follows:

	Year ended December 31,			Three months ended March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
CRP Holdings Limited	14,438	493	—	—
	<u>14,438</u>	<u>493</u>	<u>—</u>	<u>—</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

35. RELATED PARTY TRANSACTIONS AND BALANCES—continued

The Group—continued

(c) Amounts due to related parties

Amounts due to related parties-trade nature

	Notes	At December 31,			At March 31,
		2015	2016	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000
SHFR	vii	—	721	15	16
Dazi Huasheng Venture Investment Partnership (Limited Partnership)	viii	33	151	—	34
		<u>33</u>	<u>872</u>	<u>15</u>	<u>50</u>

The credit period granted by the related parties is ranging from 30 to 180 days. Aging of amounts due to related parties-trade nature are as follows:

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
0-30 days	33	872	—	34
91-180 days	—	—	15	16
	<u>33</u>	<u>872</u>	<u>15</u>	<u>50</u>

No aging of amounts due to related parties-trade nature are past due as at December 31, 2015, 2016 and 2017, and March 31, 2018.

Advance from related parties

	Notes	At December 31,			At March 31,
		2015	2016	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000
Shanghai Huasheng Lingshi Venture Capital Partnership (Limited Partnership)	ix	—	—	23	2,488
Shenzhen Huasheng Lingfu Equity Investment Partnership (Limited Partnership)	ix	—	—	2,614	2,446
Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership)	ix	—	—	—	12,984
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)	ix	—	—	—	10,525
Ningbo Meishan Bonded Port Area Huaxing Linghong Equity Investment Partnership (Limited Partnership)	ix	—	—	—	1,030
Huajie (Tianjin) Health Investment Partnership (Limited Partnership)	ix	—	—	—	2,424
		<u>—</u>	<u>—</u>	<u>2,637</u>	<u>31,897</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

35. RELATED PARTY TRANSACTIONS AND BALANCES—continued

The Group—continued

(d) The transactions with related parties during the Track Record Period are listed out below:

	Notes	Year ended December 31,			Three months ended March 31,	
		2015 US\$'000	2016 US\$'000	2017 US\$'000	2017 US\$'000 (unaudited)	2018 US\$'000
IT technology service from:						
SHFR	vii	—	63	564	44	110
		—	—	—	—	—
	Notes	Year ended December 31,			Three months ended March 31,	
		2015 US\$'000	2016 US\$'000	2017 US\$'000	2017 US\$'000 (unaudited)	2018 US\$'000
Fund raising commission to :						
Dazi Huasheng Venture Investment Partnership (Limited Partnership)	viii	33	128	127	31	34
		—	—	—	—	—
	Notes	Year ended December 31,			Three months ended March 31,	
		2015 US\$'000	2016 US\$'000	2017 US\$'000	2017 US\$'000 (unaudited)	2018 US\$'000
Due diligent service to :						
Genus	i	—	—	—	—	157
Shenzhen Huasheng Lingfeng Equity Investment Partnership (Limited Partnership)	x	—	—	11	11	—
		—	—	—	—	—
	Notes	Year ended December 31,			Three months ended March 31,	
		2015 US\$'000	2016 US\$'000	2017 US\$'000	2017 US\$'000 (unaudited)	2018 US\$'000
Management fees from:						
Huaxing Capital Partners L.P.	iv	1,032	1,032	1,032	258	258
Huaxing Capital Partners II, L.P.	iv	1,111	3,127	2,640	393	832
Shenzhen Huashi Pengyi Capital Partnership (Limited Partnership)	iv	—	358	—	—	—
Shenzhen Huasheng Lingxiang Equity Investment Partnership (Limited Partnership)	iv	—	660	442	104	115
Shanghai Huasheng Lingshi Venture Capital Partnership (Limited Partnership)	iv	3,643	3,053	2,954	715	772
Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership)	iv	2,063	16,040	15,193	3,651	4,031
Huajie (Tianjin) Health Investment Partnership (Limited Partnership)	iv	—	—	2,013	—	767
Shenzhen Huasheng Lingfu Equity Investment Partnership (Limited Partnership)	iv	—	—	265	—	272
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)	iv	—	—	1,143	—	3,453

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

35. RELATED PARTY TRANSACTIONS AND BALANCES—continued

The Group—continued

(d) The transactions with related parties during the Track Record Period are listed out below—continued:

	Notes	Year ended December 31,			Three months ended March 31,	
		2015	2016	2017	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000 (unaudited)	US\$'000
Ningbo Meishan Bonded Port Area Huaxing Linghong Equity Investment Partnership (Limited Partnership)	iv	—	—	39	—	417
Shenzhen Huasheng Lingyou Equity Investment Partnership (Limited Partnership)	iv	—	1,733	2,218	540	598
Evergreen Enterprises Holdings Limited	iv	—	108	384	95	95
East Classic Development Limited	iv	—	—	—	—	150
Green Galaxy LLC	iv	—	—	—	—	18
Huaxing Yihui LLC	iv	—	—	—	—	65
Shanghai Peixi Investment Management Partnership (Limited Partnership)	iv	—	—	—	—	20
CR HB XI Venture Feeder, LP	iv	4	8	26	4	12
		<u>7,853</u>	<u>26,119</u>	<u>28,349</u>	<u>5,760</u>	<u>11,875</u>

The Company

Amounts due from related parties—non-trade nature

	Notes	At December 31,			At March 31,
		2015	2016	2017	2018
		US\$'000	US\$'000	US\$'000	US\$'000
CRP Holdings Limited	v	493	—	—	—
Huaxing Yihui LLC	iv	—	—	5	7
Huaxing Capital Partners II, L.P.	iv	—	—	2	2
		<u>493</u>	<u>—</u>	<u>7</u>	<u>9</u>

The details of non-trade nature amounts due from related parties controlled by the Controlling Shareholders are set out below:

For amount due from CRP Holdings Limited, an entity controlled by Mr. Bao Fan, the maximum amount outstanding during the year/period are as follows:

	Year ended December 31,			Three month ended March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
CRP Holdings Limited	14,438	493	—	—
	<u>14,438</u>	<u>493</u>	<u>—</u>	<u>—</u>

Notes:

- i. a. In June 2017, the Group entered into an agreement with Genus, the Group's associate as described in note 18. A loan amounted to RMB4,500,000 (approximately US\$689,000) at an interest rate of 8% per annum was originated to Genus. The principal together with relevant interests was received in February 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**35. RELATED PARTY TRANSACTIONS AND BALANCES—continued**

The Company—continued

Amounts due from related parties—non-trade nature—continued

- b. The Group provided due diligent service to Genus during the period ended March 31, 2018.
- ii. In December 2017, the Group entered into an agreement with Shenzhen Huasheng Lingzhi Equity Investment Partnership (Limited Partnership) (“HSLZ”), a fund managed by the Group. Pursuant to the agreement, a loan of RMB10,000,000 (approximately US\$1,530,000) was made to HSLZ in December 2017. The loan was interest-free, unsecured and repayable on demand. In January 2018, the loan was repaid.
- iii. In February 2018, the Group entered into an agreement with Ningbo Meishan Bonded Port Area Huahao Investment Management Partnership (Limited Partnership) (“NBMS”), a fund managed by the Group. Pursuant to the agreement, a loan of RMB22,130,000 (US\$3,519,000) at an interest rate of 8% per annum was made to NBMS. The loan was repayable within six months. In May 2018, the loan was repaid.
- iv. Fund managed by the Group which the Group has significant influence, the trade balance represents the receivable in relation to the fund management service provided by the Group, which is non-interest bearing.
- v. An entity controlled by Mr. Bao Fan, Chief Executive Officer of the Company. Such balance was unsecured, interest-free and repayable on demand.
- vi. Fund managed by the Group which the Group has significant influence and the balances are all unsecured, interest free and repayable on demand.
- vii. SHFR, the Group’s associate as described in note 18, provides design, installation, commissioning and maintenance of computer system integration and related technical consulting services to the Group.
- viii. An entity controlled by Mr. Xinwei Wang, Chief Finance Officer of the Company, and the balance represents amount due to the entity in relation to the fund raising services provided to the Group.
- ix. Fund managed by the Group which the Group has significant influence and the balance represents advance payment of management fee from related parties in relation to the fund management services provided by the Group.
- x. The Group provided due diligent service to Shenzhen Huasheng Lingfeng Equity Investment Partnership (Limited Partnership), a fund managed by the Group, during the year ended December 31, 2017.

Other related party transactions

In addition to the above, CR Partners Limited, an ordinary shareholder of the Company, pledged its 29,950,000 ordinary shares of the Company to secure the Company’s ICBCI Loan in October 2017 (note 28).

36. STRUCTURED ENTITIES**36.1 Consolidated structured entities**

The consolidated structured entities of the Group mainly included general partners of investment funds. As at December 31, 2015, 2016, 2017 and March 31, 2018, the scale of the consolidated structured entities amounted to US\$3,383,000, US\$14,245,000, US\$22,000,000 and US\$25,072,000 respectively.

As being the general partner and have majority interests of these structured entities, the Group considers it has control over such structured entities and those structured entities should be consolidated by the Group.

36.2 Unconsolidated structured entities

- (1) Structured entities managed by third party institutions in which the Group holds an interest

The Group holds an interest in these structured entities managed by third party institutions through investments in the beneficial rights or plans issued relating to these structured entities. The

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

36. STRUCTURED ENTITIES—continued

36.2 Unconsolidated structured entities—continued

- (1) Structured entities managed by third party institutions in which the Group holds an interest—continued

Group does not consolidate these structured entities. Such structured entities include wealth management products and investments in fund managed by third parties.

The following tables set out an analysis of the gross carrying amounts of interests held by the Group as at December 31, 2015, 2016, 2017 and March 31, 2018 in the structured entities managed by third party institutions.

As at December 31, 2015			
	Financial assets at fair value through profit or loss	Maximum risk exposure (Note)	Type of income
Wealth management products	13,737	13,737	Investment income
Investments in funds	19,381	19,381	Investment income
Total	<u>33,118</u>	<u>33,118</u>	
As at December 31, 2016			
	Financial assets at fair value through profit or loss	Maximum risk exposure (Note)	Type of income
Wealth management products	47,365	47,365	Investment income
Investments in funds	27,764	27,764	Investment income
Total	<u>75,129</u>	<u>75,129</u>	
As at December 31, 2017			
	Financial assets at fair value through profit or loss	Maximum risk exposure (Note)	Type of income
Wealth management products	65,111	65,111	Investment income
Investments in funds	36,962	36,962	Investment income
Total	<u>102,073</u>	<u>102,073</u>	
As at March 31, 2018			
	Financial assets at fair value through profit or loss	Maximum risk exposure (Note)	Type of income
Wealth management products	154,276	154,276	Investment income
Investments in funds	44,022	44,022	Investment income
Total	<u>198,298</u>	<u>198,298</u>	

Note: All of these unconsolidated structured entities are recorded in financial assets at fair value through profit or loss. The maximum exposures to loss in the above investments are the carrying amounts of the assets held by the Group at the end of each reporting period.

- (2) Unconsolidated structured entities managed by the Group

The types of unconsolidated structured entities managed by the Group include funds where it act as the general partner. The purpose of managing these structured entities is to generate fees from managing assets on behalf of the fund. Interest held by the Group includes fees charged by providing management services to these structured entities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

36. STRUCTURED ENTITIES—continued

36.2 Unconsolidated structured entities—continued

(2) Unconsolidated structured entities managed by the Group—continued

For the years ended December 31, 2015, 2016 and 2017 and three month ended March 31, 2018, the management fee recognized amounting to US\$7,853,000, US\$26,119,000, US\$28,349,000 and US\$11,875,000 respectively.

As at December 31, 2015, 2016, 2017 and March 31, 2018, the amount of assets held by the funds managed by the Group amounted to US\$726 million, US\$1,738 million, US\$2,660 million, and US\$3,416 million respectively.

37. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

At the end of the year/period, the Group had commitments for future minimum lease payments in respect of lease properties which fall due as follows:

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Within one year	2,734	6,498	6,907	7,113
From the second to fifth year, inclusive	3,632	22,647	16,965	15,908
	<u>6,366</u>	<u>29,145</u>	<u>23,872</u>	<u>23,021</u>

Operating lease commitments represent rental payables by the Group for its office premises.

The Company as lessee

The Company did not have any lease commitments during the Track Record Period.

(b) Capital commitments

At the end of the year/period, the Group had commitments for future minimum investments in the funds managed or invested by the Group as follows:

The Group

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
Committed investments	<u>19,217</u>	<u>17,734</u>	<u>25,048</u>	<u>21,262</u>

The Company

The Company did not have any capital commitments during the Track Record Period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. FINANCIAL RISK MANAGEMENT

38.1 Categories of financial instruments

The Group

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
<u>Financial assets</u>				
Loans and receivables (including cash and cash equivalents)	209,247	226,952	508,286	—
Available-for-sale financial assets	5,935	4,950	36,596	—
Financial assets at amortized cost	—	—	—	298,498
Financial assets at FVTPL	45,008	83,639	118,135	222,172
Financial assets at FVTOCI	—	—	—	218,122
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost	17,595	10,417	173,450	245,133
Financial liabilities at FVTPL	189,839	226,417	262,651	336,421

The Company

	At December 31,			At March 31,
	2015	2016	2017	2018
	US\$'000	US\$'000	US\$'000	US\$'000
<u>Financial assets</u>				
Loans and receivables (including cash and cash equivalents)	143,055	25,555	32,551	—
Available-for-sale financial assets	522	482	482	—
Financial assets at amortized cost	—	—	—	26,981
Financial assets at FVTPL	18,096	15,327	23,979	26,793
<u>Financial liabilities</u>				
Financial liabilities measured at amortized cost	1,610	315	151,588	158,514
Financial liabilities at FVTPL	189,839	226,417	262,651	336,421

38.2 Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale financial assets, financial assets at FVTPL, financial assets at FVTOCI, cash and cash equivalents, accounts and other receivables, pledged bank deposits, term deposits, loans to third parties and related parties, amount due from related parties, accounts and other payables, convertible notes, bank borrowings, and convertible redeemable preferred shares. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**38. FINANCIAL RISK MANAGEMENT—continued****38.3 Credit risk***Overview of the Group's exposure to credit risk before adoption of IFRS 9 as at January 1, 2018*

The Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

The Group's credit risk is primarily attributable to its accounts and other receivables, amounts due from related parties and loans to third parties and related parties. An allowance for doubtful debts for accounts and other receivables, amounts due from related parties and loans to third parties and related parties is made when there is an identified loss event which, based on previous experience and management's assessment of the current economic environment and the financial condition of counterparties, is evidence of a reduction in the recoverability of the cash flows.

With respect to the credit risk of the Group's treasury operations, management has established internal procedures to monitor the Group's cash and cash equivalents, investments to be placed and entered into with financial institutions of good reputation. These internal procedures help minimize the Group's credit risk exposure.

The credit risk on cash and cash equivalents and term deposits is limited because the counterparties are banks with high credit ratings.

The Group has concentration of credit risk as 50.14%, 58.62% and 22.98% of the total accounts receivables are due from the Group's five largest customers as at December 31, 2015, 2016 and 2017. In view of the history of cooperation with debtors and sound collection history of receivables, management believes that the credit risk inherent in the Group's outstanding accounts receivables balance is not significant.

The Group writes off accounts receivables and trade nature of amount due from related parties when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. For the years ended December 31, 2016 and 2017, the Group has written off accounts receivable of US\$539,000 and US\$18,000 respectively, as the Group had identified the debtor has financial difficulty. For the year ended December 31, 2015, none of the accounts receivable and amounts due from related parties of trade nature had been written off.

Overview of the Group's exposure to credit risk after adoption of IFRS 9 as at January 1, 2018

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

In order to minimize credit risk, the Group has tasked its credit management team to develop and maintain the Group's other receivables and other non-current assets credit risk gradings to

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. FINANCIAL RISK MANAGEMENT—continued

38.3 Credit risk—continued

Overview of the Group's exposure to credit risk after adoption of IFRS 9 as at January 1, 2018—continued

categorize exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management team uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework in respect of other receivables, and non-current assets comprises the following categories:

Category	Description	Basis for recognizing ECL
Performing	The counterparty has a low risk of default and does not have any past-due amounts	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL-not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ELC-credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The carrying amount of the Group's financial assets at FVTPL as disclosed in note 20 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

For the loans to the third parties and related parties, the Group has identified multiple economic scenarios to consider the risk or probability that a credit loss occurs by weighting these different scenarios. Different economic scenarios will lead to a different probability of default.

For accounts receivables and amounts due from related parties of trade nature, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on historical credit loss experience based on the past default experience of the debtor, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The following table details the risk profile of accounts receivables and amounts due from related parties of trade nature based on the Group's provision matrix. As the Group's historical credit loss experience show significantly different loss patterns for different customer portfolio (including higher risk, normal risk and lower risk type), the provision for loss allowance based on past due status is further distinguished between the Group's customer portfolio of different risk type. A loss allowance of US\$247,000 was recorded as an adjustment to the accumulated loss as at January 1, 2018, and a loss allowance of US\$129,000 was recognized for the three months ended March 31, 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. FINANCIAL RISK MANAGEMENT—continued

38.3 Credit risk—continued

Overview of the Group's exposure to credit risk after adoption of IFRS 9 as at January 1, 2018—continued

As at January 1, 2018

<u>High risk type customers</u>	<u>Accounts receivables, and amounts due from related parties of trade nature</u>			
	<u>0-180 days</u>	<u>181-360 days</u>	<u>Over 360 days</u>	<u>Total</u>
Estimated total gross carrying amount at default (US\$'000)	644	—	—	644
Lifetime ECL(US\$'000)	(32)	—	—	(32)
	<u>612</u>	<u>—</u>	<u>—</u>	<u>612</u>
<u>Normal risk type customers</u>	<u>Accounts receivables, and amounts due from related parties of trade nature</u>			
	<u>0-180 days</u>	<u>181-360 days</u>	<u>Over 360 days</u>	<u>Total</u>
Estimated total gross carrying amount at default (US\$'000)	14,191	1,011	1,227	16,429
Lifetime ECL(US\$'000)	—	(51)	(123)	(174)
	<u>14,191</u>	<u>960</u>	<u>1,104</u>	<u>16,255</u>
<u>Low risk type customers</u>	<u>Accounts receivables, and amounts due from related parties of trade nature</u>			
	<u>0-180 days</u>	<u>181-360 days</u>	<u>Over 360 days</u>	<u>Total</u>
Estimated total gross carrying amount at default (US\$'000)	22,538	1,655	—	24,193
Lifetime ECL(US\$'000)	—	(41)	—	(41)
	<u>22,538</u>	<u>1,614</u>	<u>—</u>	<u>24,152</u>

As at March 31, 2018

<u>High risk type customers</u>	<u>Accounts receivables, and amounts due from related parties of trade nature</u>			
	<u>0-180 days</u>	<u>181-360 days</u>	<u>Over 360 days</u>	<u>Total</u>
Estimated total gross carrying amount at default (US\$'000)	1,332	—	—	1,332
Lifetime ECL(US\$'000)	(67)	—	—	(67)
	<u>1,265</u>	<u>—</u>	<u>—</u>	<u>1,265</u>
<u>Normal risk type customers</u>	<u>Accounts receivables, and amounts due from related parties of trade nature</u>			
	<u>0-180 days</u>	<u>181-360 days</u>	<u>Over 360 days</u>	<u>Total</u>
Estimated total gross carrying amount at default (US\$'000)	9,932	2,099	1,543	13,574
Lifetime ECL(US\$'000)	—	(105)	(154)	(259)
	<u>9,932</u>	<u>1,994</u>	<u>1,389</u>	<u>13,315</u>
<u>Low risk type customers</u>	<u>Accounts receivables, and amounts due from related parties of trade nature</u>			
	<u>0-180 days</u>	<u>181-360 days</u>	<u>Over 360 days</u>	<u>Total</u>
Estimated total gross carrying amount at default (US\$'000)	51,516	2,009	—	53,525
Lifetime ECL(US\$'000)	—	(50)	—	(50)
	<u>51,516</u>	<u>1,959</u>	<u>—</u>	<u>53,475</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. FINANCIAL RISK MANAGEMENT—continued

38.4 Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate cash and cash equivalents continuously monitoring forecast and actual cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities which are included in the maturity analysis for the purpose of managing liquidity risk. The tables reflect the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay in accordance with agreed repayment terms. The tables include principal cash flows.

The Group

	Weighted average effective interest rate	Within One year	Second to fifth year	Total undiscounted cash flows	Total Carrying amount
	%	US\$'000	US\$'000	US\$'000	US\$'000
At December 31, 2015					
Accounts and other payables	—	17,562	—	17,562	17,562
Amounts due to related parties	—	33	—	33	33
Convertible redeemable preferred shares . . .	8	—	161,912	—	189,839
Total		<u>17,595</u>	<u>161,912</u>	<u>17,595</u>	<u>207,434</u>
	Weighted average effective interest rate	Within One year	Second to fifth year	Total undiscounted cash flows	Total Carrying amount
	%	US\$'000	US\$'000	US\$'000	US\$'000
At December 31, 2016					
Accounts and other payables	—	9,545	—	9,545	9,545
Amounts due to related parties	—	872	—	872	872
Convertible notes	8	22,600	—	22,600	22,600
Convertible redeemable preferred shares . . .	8	—	174,865	—	203,817
Total		<u>33,017</u>	<u>174,865</u>	<u>33,017</u>	<u>236,834</u>
	Weighted average effective interest rate	Within One year	Second to fifth year	Total undiscounted cash flows	Total Carrying amount
	%	US\$'000	US\$'000	US\$'000	US\$'000
At December 31, 2017					
Accounts and other payables	—	20,431	367	20,798	20,798
Amounts due to related parties	—	2,652	—	2,652	2,652
Bank borrowings	7.62	—	186,549	186,549	150,000
Convertible redeemable preferred shares . . .	8	—	188,854	—	262,651
Total		<u>23,083</u>	<u>375,770</u>	<u>209,999</u>	<u>436,101</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. FINANCIAL RISK MANAGEMENT—continued

38.4 Liquidity risk—continued

The Group—continued

	Weighted average effective interest rate	Within One year	Second to fifth year	Total undiscounted cash flows	Total Carrying amount
	%	US\$'000	US\$'000	US\$'000	US\$'000
At March 31, 2018					
Accounts and other payables	—	62,069	1,117	63,186	63,186
Amounts due to related parties	—	31,947	—	31,947	31,947
Bank borrowings	7.62	—	182,994	182,994	150,000
Convertible redeemable preferred shares ...	8	—	192,523	—	336,421
Total		<u>94,016</u>	<u>376,634</u>	<u>278,127</u>	<u>581,554</u>

The Company

	Weighted average effective interest rate	Within One year	Second to fifth year	Total undiscounted cash flows	Total Carrying amount
	%	US\$'000	US\$'000	US\$'000	US\$'000
At December 31, 2015					
Accounts and other payables	—	1,610	—	1,610	1,610
Convertible redeemable preferred shares	8	—	161,912	—	189,839
Total		<u>1,610</u>	<u>161,912</u>	<u>1,610</u>	<u>191,449</u>

	Weighted average effective interest rate	Within One year	Second to fifth year	Total undiscounted cash flows	Total Carrying amount
	%	US\$'000	US\$'000	US\$'000	US\$'000
At December 31, 2016					
Accounts and other payables	—	315	—	315	315
Convertible notes	8	22,600	—	22,600	22,600
Convertible redeemable preferred shares	8	—	174,865	—	203,817
Total		<u>22,915</u>	<u>174,865</u>	<u>22,915</u>	<u>226,732</u>

	Weighted average effective interest rate	Within One year	Second to fifth year	Total undiscounted cash flows	Total Carrying amount
	%	US\$'000	US\$'000	US\$'000	US\$'000
At December 31, 2017					
Accounts and other payables	—	1,221	367	1,588	1,588
Bank borrowings	7.62	—	186,549	186,549	150,000
Convertible redeemable preferred shares	8	—	188,854	—	262,651
Total		<u>1,221</u>	<u>375,770</u>	<u>188,137</u>	<u>414,239</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. FINANCIAL RISK MANAGEMENT—continued

38.4 Liquidity risk—continued

The Company—continued

	Weighted average effective interest rate	Within One year	Second to fifth year	Total undiscounted cash flows	Total Carrying amount
	%	US\$'000	US\$'000	US\$'000	US\$'000
At March 31, 2018					
Accounts and other payables	—	7,397	1,117	8,514	8,514
Bank borrowings	7.62	—	182,944	182,944	154,253
Convertible redeemable preferred shares	8	—	192,523	—	336,421
Total		<u>7,397</u>	<u>376,584</u>	<u>191,458</u>	<u>499,188</u>

Details of the description of convertible redeemable preferred shares are presented in note 29.

38.5 Market risk

Interest rate risk

The Group is exposed to interest rate risk in relation to a floating interest rate bank borrowings in note 28. The risk is managed by the Group using an interest rate cap contract. Such contract enables the Group to monitor its interest rate risk to ensure there is no undue exposure to significant interest rate movements.

The Group is also exposed to cash flow interest rate risk due to the fluctuation of market rate on variable-rate bank balances in note 25.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for cash and cash equivalents at the end of each reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit after income tax for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 would increase/decrease by US\$485,000, US\$703,000, US\$1,661,000 and US\$183,000, respectively. Since the Group and the Company currently have an interest rate hedging policy by purchasing the interest rate cap contract, the management believes the interest rate exposure to the floating interest rate bank borrowing is monitored and consider the interest rate risk is insignificant.

Currency risk

The transactions of the Company are denominated and settled in its functional currency, US\$. The Group's subsidiaries primarily operate in the PRC and Hong Kong and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US\$. Therefore, currency risk primarily arose from assets and liabilities in the Group's subsidiaries in the PRC and Hong Kong when receive foreign currencies from, or paying or to pay foreign currencies to business partners.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**38. FINANCIAL RISK MANAGEMENT—continued****38.5 Market risk—continued**Currency risk—continued*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary and adjusted their transaction at year end for a 5% change in foreign currency rates. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign currency.

If foreign currency rates has been 5% higher/lower and all other variable were held constant, the Group's profit after income tax for the years ended December 31, 2015, 2016 and 2017, and March 31, 2018 would decrease/increase by US\$1,034,000, US\$3,773,000, US\$2,495,000 and US\$476,000, respectively, as a result of net foreign exchange losses on translation of net monetary assets denominated in foreign currencies.

Other Price risk

The Group is exposed to price risk in respect of financial liabilities at fair value through profit or loss held by the Group. The Group is not exposed to commodity price risk. To manage its price risk arising from the investments, the Group diversifies its portfolio. Each investment is managed by senior management on a case by case basis.

Sensitivity analysis

Fair value of convertible notes and convertible redeemable preferred shares are affected by changes in the Group's equity value. If the Group's equity value had increased/decreased by 5% with all other variables held constant, the profit after income tax of the Group for the years ended December 31, 2015, 2016 and 2017 and for the three months ended March 31, 2018 would have been approximately US\$7,118,000 lower/higher, US\$8,491,000 lower/higher, US\$9,850,000 lower/higher, and US\$12,616,000 lower/higher respectively.

38.6 Fair value measurement*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

This note provides information about how the Group determines fair value of the following financial assets that are measured at fair value on a recurring basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. FINANCIAL RISK MANAGEMENT—continued

38.6 Fair value measurement—continued

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis—continued

The Group

	Fair value as at December 31,			Fair value as at	Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)
	2015	2016	2017	March 31, 2018			
	US\$'000	US\$'000	US\$'000	US\$'000			
Financial assets							
Unlisted investment funds at fair value	19,381	27,764	36,962	41,557	Level 3	Net asset value of underlying investments	Net assets value
Debt security investment	11,890	8,510	14,708	15,204	Level 2	Recent transaction price	N/A
Interest rate cap	—	—	1,354	2,212	Level 3	Binomial model	Volatility rate
Financial bonds	—	—	32,317	214,130	Level 1	Open market transaction price	N/A
Wealth management products	13,737	47,365	65,111	154,276	Level 2	Discounted cash flow-future cash flow are estimated based on expected return, and discounted at a rate that reflects the risk of underlying investments	N/A
Unlisted equity investments	N/A	N/A	N/A	8,923	Level 2	Recent transaction price	N/A
Associates measured at fair value	20,574	27,527	38,560	42,088	Level 3	Net asset value of underlying investments	Net assets value
Financial liabilities							
Convertible redeemable preferred shares earnings	189,839	203,817	262,651	336,421	Level 3	Discounted cash flow-future cash flow are estimated based on forecast earnings, and discounted at a rate that reflects the credit risk	Forecast earnings
Convertible notes	N/A	22,600	N/A	N/A	Level 3	Discounted cash flow-future cash flow are estimated based on forecast earnings, and discounted at a rate that reflects the credit risk	Forecast earnings

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. FINANCIAL RISK MANAGEMENT—continued

38.6 Fair value measurement—continued

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis—continued

The Company

	Fair value as at December 31,			Fair value as at	Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)
	2015	2016	2017	March 31, 2018			
	US\$'000	US\$'000	US\$'000	US\$'000			
Financial assets							
Unlisted investment funds at fair value	6,206	6,817	7,917	8,679	Level 3	Net asset value of underlying investments	Net assets value
Debt security investment	11,890	8,510	14,708	15,204	Level 2	Recent transaction price	N/A
Interest rate cap	—	—	1,354	2,212	Level 3	Binomial model	Volatility rate
Unlisted equity investments	N/A	N/A	N/A	698	Level 2	Recent transaction price	N/A
Associates measured at fair value	7,961	7,349	9,604	9,900	Level 3	Net asset value of underlying investments	Net assets value
Financial liabilities							
Convertible redeemable preferred shares earnings	189,839	203,817	262,651	336,421	Level 3	Discounted cash flow-future cash flow are estimated based on forecast earnings, and discounted at a rate that reflects the credit risk	Forecast earnings
Convertible notes	N/A	22,600	N/A	N/A	Level 3	Discounted cash flow-future cash flow are estimated based on forecast earnings, and discounted at a rate that reflects the credit risk	Forecast earnings

The Group's investments in unlisted investment funds which were classified as financial assets at FVTPL under level 3 hierarchy amounted to US\$19,381,000, US\$27,764,000, US\$36,962,000 and US\$41,557,000 as at December 31, 2015, 2016, and 2017 and March 31, 2018 respectively. The significant unobservable input is the net assets value of the underlying investments made by the funds. The higher the net assets value of the underlying investments, the higher the fair value of the financial assets at FVTPL will be. A 5% increase/decrease in the net assets value of the underlying investments, holding all other variables constant, would increase/decrease the carrying amounts of these investments by US\$969,000, US\$1,388,000, US\$1,848,000, and US\$2,077,000 as at as at December 31, 2015, 2016, and 2017 and March 31, 2018 respectively.

The Company's investments in unlisted investment funds which were classified as financial assets at FVTPL under level 3 hierarchy amounted to US\$6,206,000, US\$6,817,000, US\$7,917,000 and US\$8,679,000 as at December 31, 2015, 2016, and 2017 and March 31, 2018 respectively. The significant unobservable input is the net assets value of the underlying investments made by the funds. The higher the net assets value of the underlying investments, the higher the fair value of the financial assets at FVTPL will be. A 5% increase/decrease in the net assets value of the underlying investments, holding all other variables constant, would increase/decrease the carrying amounts of these investments by US\$310,000, US\$340,000, US\$396,000, and US\$434,000 as at as at December 31, 2015, 2016, and 2017 and March 31, 2018 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**38. FINANCIAL RISK MANAGEMENT—continued****38.6 Fair value measurement—continued**

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis—continued

The Group's and the Company's interest rate cap classified as financial assets at FVTPL amounting to US\$1,354,000 and US\$2,212,000 as at December 31 2017 and March 31, 2018 respectively is under level 3 hierarchy. The fair value was determined by binomial model. The significant unobservable input to the binomial model being the volatility of interest rate. The higher the volatility of interest rate, the higher the fair value of the interest rate cap will be. A 5% increase/decrease in the volatility of the of interest rate, holding all other variables constant, would increase/decrease the carrying amount of the interest rate cap of the Group and the Company by US\$180,000, and US\$230,000 as at as at December 31, 2017 and March 31, 2018, respectively.

The Group's associates measured at fair value amounted to US\$20,574,000, US\$27,527,000, US\$38,560,000 and US\$42,088,000 as at December 31, 2015, 2016, and 2017 and March 31, 2018 respectively are under level 3 hierarchy. The significant unobservable input is the net asset value of the underlying investments made by the funds managed by the Group. The higher the net asset value of the underlying investments, the higher the fair value of the investments in associates will be. A 5% increase/decrease in the net asset value of the underlying investments, holding all other variables constant, would increase/decrease the carrying amount of the investments in associates of the Group by US\$1,028,000, US\$1,376,000, US\$1,928,000, and US\$2,104,000 as at December 31, 2015, 2016, and 2017 and March 31, 2018, respectively.

The Company's associates measured at fair value amounted to US\$7,961,000, US\$7,349,000, US\$9,604,000 and US\$9,900,000 as at December 31, 2015, 2016, and 2017 and March 31, 2018 respectively are under level 3 hierarchy. The significant unobservable input is the net asset value of the underlying investments made by the funds managed by the Company. The higher the net asset value of the underlying investments, the higher the fair value of the investments in associates will be. A 5% increase/decrease in the net assets value of the underlying investments, holding all other variables constant, would increase/decrease the carrying amount of the investments in associates of the Company by US\$398,000, US\$367,000 , US\$480,000 , and US\$495,000 as at December 31, 2015, 2016, and 2017 and March 31, 2018, respectively.

The Group's and the Company's convertible redeemable preferred shares amounted to US\$189,839,000, US\$203,817,000, US\$262,651,000, and US\$336,421,000 was accounted for as financial liabilities measured at FVTPL as at December 31, 2015, 2016, and 2017 and March 31, 2018 respectively and under level 3 fair value hierarchy. Discounted cash flow method was used to determine the underlying share value of the Group and equity allocation model was adopted to determine the fair value of the convertible redeemable preferred shares. The inputs include estimated cash flows, an appropriate discount rate, risk-free interest rate, expected volatility and DLOM, which are disclosed in note 29. The fair value of convertible redeemable preferred shares is most significantly affected by estimated cash flows and the discount rate. The higher the estimated cash flows, the higher the fair value of the financial liabilities at FVTPL will be. A 5% increase/decrease in the estimated cash flows, holding all other variables constant, would increase/decrease the carrying amount of the financial liabilities at FVTPL by US\$3,395,000, US\$4,001,000, US\$5,628,000 and US\$9,652,000 as at December 31, 2015, 2016, and 2017 and March 31, 2018, respectively. The higher the discount rate,

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. FINANCIAL RISK MANAGEMENT—continued

38.6 Fair value measurement—continued

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis—continued

the lower the fair value of the financial liabilities at FVTPL will be. A 5% increase/decrease in the discount rate, holding all other variables constant, would increase/decrease the carrying amount of the financial liabilities at FVTPL by US\$5,092,000, US\$6,039,000, US\$7,789,000 and US\$13,079,000 as at December 31, 2015, 2016, and 2017 and March 31, 2018, respectively.

In addition, the Group's and the Company's convertible note amounted to US\$22,600,000 was accounted for as financial liabilities measured at FVTPL as at December 31, 2016 which is under level 3 fair value hierarchy. Discounted cash flow method was used to determine the underlying share value of the Group and equity allocation model was adopted to determine the fair value of the convertible note. The significant unobservable input to the discount cash flow method is the forecast earnings. The higher the forecast earnings, the higher the fair value of the financial liabilities at FVTPL will be. A 5% increase/decrease in forecast earnings, holding all other variables constant, would increase/decrease the carrying amount of the financial liabilities at FVTPL by US\$500,000 as at December 31, 2016.

Reconciliation of level 3 fair value measurements of financial assets is as below:

The Group

	Unlisted investment funds at fair value
	US\$'000
At January 1, 2015	4,401
Capital contribution	16,383
Distribution	(3,732)
Changes in fair value	2,329
Balance at December 31, 2015	19,381
Capital contribution	4,651
Distribution	(969)
Changes in fair value	5,229
Effect of exchange rate change	(528)
Balance at December 31, 2016	27,764
Capital contribution	4,714
Distribution	(246)
Changes in fair value	3,823
Effect of exchange rate change	907
Balance at December 31, 2017	36,962
Capital contribution	1,750
Distribution	(59)
Changes in fair value	2,222
Effect of exchange rate change	682
Balance at March 31, 2018	41,557

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. FINANCIAL RISK MANAGEMENT—continued

38.6 Fair value measurement—continued

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis—continued

The Group—continued

	Associates measured at fair value
	US\$'000
At January 1, 2015	6,364
Capital contribution	8,180
Changes in fair value	6,030
Balance at December 31, 2015	20,574
Capital contribution	7,219
Distribution	(588)
Changes in fair value	721
Effect of exchange rate change	(399)
Balance at December 31, 2016	27,527
Capital contribution	4,797
Distribution	(89)
Changes in fair value	5,523
Effect of exchange rate change	802
Balance at December 31, 2017	38,560
Capital contribution	711
Changes in fair value	2,079
Effect of exchange rate change	738
Balance at March 31, 2018	42,088
	Interest rate cap
	US\$'000
Purchase	1,275
Change in fair value	79
Balance at December 31, 2017	1,354
Change in fair value	858
Balance at March 31, 2018	2,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. FINANCIAL RISK MANAGEMENT—continued

38.6 Fair value measurement—continued

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis—continued

The Company

	Unlisted investment funds at fair value
	US\$'000
At January 1, 2015	4,400
Capital contribution	3,900
Distribution	(3,730)
Changes in fair value	1,636
Balance at December 31, 2015	6,206
Capital contribution	151
Distribution	(970)
Changes in fair value	1,430
Balance at December 31, 2016	6,817
Capital contribution	201
Distribution	(99)
Changes in fair value	998
Balance at December 31, 2017	7,917
Changes in fair value	762
Balance at March 31, 2018	8,679

	Associates measured at fair value
	US\$'000
At January 1, 2015	3,488
Capital contribution	1,891
Changes in fair value	2,582
Balance at December 31, 2015	7,961
Capital contribution	195
Distribution	(588)
Changes in fair value	(219)
Balance at December 31, 2016	7,349
Capital contribution	709
Changes in fair value	1,546
Balance at December 31, 2017	9,604
Changes in fair value	296
Balance at March 31, 2018	9,900

Reconciliation of level 3 fair value measurements of financial liabilities are set in note 27 and note 29 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**38. FINANCIAL RISK MANAGEMENT—continued****38.6 Fair value measurement—continued**Valuation techniques and assumptions applied for the purposes of measuring fair value

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis.

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximated their fair values at the end of each reporting period.

Fair value of convertible notes

The convertible notes issued by the Company are not traded in an active market and the respective fair value is determined by using valuation technique, such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. Key assumptions are disclosed in note 27.

Fair value of convertible redeemable preferred shares

The convertible redeemable preferred shares issued by the Group are not traded in an active market and the respective fair value is determined by using valuation technique, such fair values have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. Key assumptions are disclosed in note 29.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of convertible notes, convertible redeemable preferred shares, bank borrowing, non-trade nature amounts due to related parties, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure of the Group on a timely basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital and take appropriate actions to balance its capital structure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company during the Track Record Period and the date of this report are set out below:

Name of subsidiaries	Place of Incorporation/ registration/operation	Class of shares held	Proportion of ownership interest held by the Company					Principal activities	Auditors	
			At December 31			At March 31	as at date of the report			
			2015	2016	2017	2018				
Directly held										
China Renaissance Capital Limited	Hong Kong	Ordinary shares HK\$1	100%	100%	100%	100%	100%	Investment holding	(n)	
China Renaissance Enterprises Limited	BVI	Ordinary shares US\$1	100%	100%	100%	100%	100%	Provision of financial advisory services	(g)	
China Renaissance Securities (Hong Kong) Limited	Hong Kong	Ordinary shares HK\$1,744,400,000	100%	100%	100%	100%	100%	Provision of investment banking business, research and financial advisory services	(l)	
China Renaissance Securities (US) Inc.	USA	Common stock and paid -in capital US\$16,000,000	100%	100%	100%	100%	100%	Provision of third-party research and act as an introducing broker and underwriter	(g)	
Huaxing Capital Management LLC	Cayman Islands	Ordinary shares US\$10	70%	70%	70%	70%	60%	Management company of a private equity fund	(g)	
Huaxing Associate GP LLC	Cayman Islands	Ordinary shares US\$1	70%	70%	70%	70%	70%	Managing general partner of a subsidiary	(g)	
China Renaissance Investments Corporation	BVI	Ordinary shares US\$1	100%	100%	100%	100%	100%	Investment holding	(n)	
China Renaissance Asset Management Limited	Hong Kong	Ordinary shares HK\$5,000,000	100%	100%	100%	100%	100%	Investment holding	(l)	
Huaxing Associate GP II LLC (h)	Cayman Islands	Ordinary shares US\$0.01	100%	100%	100%	100%	60%	General partner of a subsidiary	(g)	
CR Investments (HK) Limited (h)	Hong Kong	Paid-in capital HK\$1	N/A	N/A	100%	100%	100%	Investment holding	(n)	
Helix Capital Partners (h)	Cayman Islands	Ordinary shares US\$1	N/A	N/A	51%	51%	51%	Provision of financial advisory services and technical services	(g)	
Indirectly held										
Huaxing Associate LP	Cayman Islands	Paid-in capital US\$2,327,346	70%	70%	70%	70%	70%	General Partner of a private equity fund	(g)	
華興泛亞投資顧問(北京)有限公司 (“CRP-Fanya Investment Consultants (Beijing) Limited”)	PRC	Registered capital US\$2,352,941	100%	100%	100%	100%	100%	Provision of financial advisory services	(i)	
上海慧嘉投資顧問有限公司 (“Shanghai Huijia Investment Consulting Limited”)	PRC	Registered capital RMB1,000,000	100%	100%	100%	100%	100%	Provision of financial advisory services	(i)	
達孜鐮石創業投資管理有限公司 (“Dazi Huashi Venture Capital Management Limited”)	PRC	Registered capital RMB1,000,000	100%	100%	100%	100%	100%	Provision of financial advisory services	(i)	
上海全源投資有限公司 (“Shanghai Quanyuan Investment Limited”)	PRC	Registered capital RMB100,000	100%	100%	100%	100%	100%	Investment holding	(g)	
China Renaissance HB XI Venture GP, LLC	Cayman Islands	Ordinary shares US\$1	100%	100%	100%	100%	100%	General partner of a private equity fund	(g)	
Huaxing Associate II LP	Cayman Islands	Paid-in capital US\$1,175,223	60%	60%	60%	60%	60%	General partner of a private equity fund	(g)	
Maxson Securities Limited	Hong Kong	Registered capital HK\$1,763,900,000	100%	100%	100%	100%	100%	Securities brokerage	(m)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES—continued

Name of subsidiaries	Place of Incorporation/ registration/operation	Class of shares held	Proportion of ownership interest held by the Company					Principal activities	Auditors
			At December 31			At March 31	as at date of the report		
			2015	2016	2017	2018			
達孜鐮峰投資顧問有限公司 （“Dazi Huafeng Investment Consultants Limited”）	PRC	Registered capital RMB100,000	100%	100%	100%	100%	100%	Managing general partner of a subsidiary	(g)
達孜鐮峰創業投資合夥企業(有限 合夥)（“Dazi Huafeng Venture Capital Partnership (Limited Partnership)”）	PRC	Paid-in capital RMB100,000,000	100%	100%	100%	100%	100%	General partner of a private equity fund	(g)
上海華晟股權投資管理有限公司 （“Shanghai Huasheng Equity Investment Management Limited”）(a)	PRC	Paid-in capital RMB1,000,000	50%	50%	50%	50%	50%	Management company of a private equity fund	(i)
上海華晟信選創業投資管理中 心(有限合夥)（“Shanghai Huasheng Xinxuan Venture Capital Management Center (Limited Partnership)”）(b)	PRC	Paid-in capital RMB10,608,696	50%	50%	50%	50%	30%	General partner of a private equity fund	(g)
上海華晟優格股權投資管理有限公 司（“Shanghai Huasheng Younge Equity Investment Management”）	PRC	Registered capital RMB100,000,000	100%	100%	100%	100%	100%	Management company of a private equity fund	(i)
China Renaissance High Growth GP LLC	Cayman Islands	Ordinary shares US\$1	100%	100%	100%	100%	100%	General partner of a private equity fund	(g)
上海華晟信航股權投資管理中 心(有限合夥)（“Shanghai Huasheng Xinhang Equity Investment Management Center (Limited Partnership)”） (o)	PRC	Paid-in capital RMB55,182,828	86.90%	86.90%	86.90%	86.90%	25%	General partner of a private equity fund	(g)
北京就是逐鹿科技有限公司 （“Beijing Jiushi Zhulu Technology Limited”）(c)	PRC	Registered capital RMB1,607,140	60%	52.89%	52.89%	55.07%	77.78%	Provision of financial advisory services and technical services	(i)
天津鐮峰資產管理合夥企業(有限 合夥)（“Tianjin Huafeng Asset Management Partnership (Limited Partnership)”）(h)	PRC	Paid-in capital RMB2,000,000	N/A	100%	100%	100%	100%	General partner of a private equity fund	(g)
華菁證券有限公司（“China Renaissance Securities (China) Co. Ltd”）(d)	PRC	Registered capital RMB1,404,800,000	N/A	49%	48.82%	48.82%	48.82%	Securities brokerage, investment consulting, investment banking	(i)
達孜鐮瓚投資顧問有限公司 （“Dazi HuaLing Investment Consultants Limited”）(h)	PRC	Registered capital RMB100,000	100%	100%	100%	100%	100%	Managing general partner of a subsidiary	(g)
上海微宏投資有限公司 （“Shanghai Weihong Investment Limited”）	PRC	Registered capital RMB100,000	100%	100%	100%	100%	100%	Investment holding	(g)
鐮淦(上海)商務諮詢有限公司 （“Huagan (Shanghai) Business Consulting Limited”）(h)	PRC	Registered capital US\$10,000,000	N/A	N/A	100%	100%	100%	Investment holding	(g)
寧波梅山保稅港區榕錦投資管理有 限責任公司（“Ningbo Meishan Bonded Port Area Rongjin Investment Management Limited”）(h)	PRC	Registered capital RMB100,000	N/A	N/A	51%	51%	51%	General partner of a subsidiary	(g)
寧波梅山保稅港區鐮傑股權投資管 理有限公司（“Ningbo Meishan Bonded Port Area Huajie Investment Management Limited”）(h)	PRC	Registered capital RMB2,500,000	N/A	N/A	51%	51%	51%	General partner of a private equity fund	(i)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES—continued

Name of subsidiaries	Place of Incorporation/ registration/operation	Class of shares held	Proportion of ownership interest held by the Company					Principal activities	Auditors
			At December 31			At March 31	as at date of the report		
			2015	2016	2017	2018			
寧波梅山保稅港區韻晟投資管理 有限公司(“Ningbo Meishan Bonded Port Area Lingsheng Investment Management Limited”) (h)	PRC	Registered capital RMB3,000,000	N/A	N/A	100%	100%	100%	Management company of a private equity fund	(g)
寧波梅山保稅港區錦清股權投資管 理有限公司(“Ningbo Meishan Bonded Port Area Huaqing Investment Management Limited”) (h)	PRC	Registered capital RMB2,500,000	N/A	N/A	100%	100%	100%	Management company of a private equity fund	(g)
寧波梅山保稅港區華興信守股權投 資管理中心(有限合夥) (“Ningbo Meishan Bonded Port Area Huaxing Xinshou Equity Investment Management Center (Limited Partnership)”) (h)(p)	PRC	Paid-in capital RMB60,000,000	N/A	N/A	100%	100%	30%	General partner of a private equity fund	(g)
天津華清企業管理諮詢有限公司 (“Tianjin Huaqing Enterprise Management Consulting Limited”) (h)	PRC	Paid-in capital RMB100,000	N/A	51%	51%	51%	51%	General partner of a subsidiary	(g)
天津華傑企業管理諮詢合夥企業 (有限合夥) (“Tianjin Huajie Enterprise Management Consulting Partnership (Limited Partnership)”) (h)(q)	PRC	Paid-in capital RMB12,000,000	N/A	51%	51%	51%	47.25%	General partner of a private equity fund	(g)
China Renaissance Investment Limited(e)	Hong Kong	Paid-in capital HK\$1	100%	N/A	N/A	N/A	N/A	Investment holding	(n)
沛源(上海)商務諮詢有限公司 (“Peiyuan (Shanghai) Business Consulting Limited”) (f)	PRC	Paid-in capital RMB1,000,000	100%	N/A	N/A	N/A	N/A	Investment holding	(g)
Grand Eternity Limited (h)	BVI	Ordinary shares US\$8,252	N/A	N/A	100%	100%	100%	Management company of a private equity fund and provision of financial advisory services	(g)

Notes:

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

- The Group has sufficient dominant voting interest to direct the relevant activities of Shanghai Huasheng Equity Investment Management Limited (“HSEM”) with 30% of equity interest owned by one non-controlling shareholder who has delegated all its voting right in share holders’ meeting to the Group. The directors of the Company concluded that the Group has a control over HSEM throughout the Track Record Period.
- The Group’s 100% owned subsidiary acts as the general partner of Shanghai Huasheng Xinxuan Venture Capital Management Center (Limited Partnership) and can direct all relevant activities of it. The directors of the Company concluded that the Group has a control over this limited partnership throughout the Track Record Period. The Group holds 50% of equity interest as at December 31, 2015, 2016 and 2017 and March 31, 2018. After the capital injection from new investors in July 2018, the Group’s equity interest was diluted to 30% as at date of the report.
- Beijing Jiushi Zhulu Technology Limited (“JSZL”) was established on December 24, 2015 by the Group and other non-controlling shareholders, and the Group holds 62% of equity interest as at December 31, 2015. After the capital injection from new investors in August 2016, the Group’s equity interest was diluted from 62% to 52.89% as at December 31, 2016. In August 2017, the Group purchased certain equity share from one non-controlling shareholder and increased its equity interest from 52.89% to 55.07% as at December 31, 2017 and March 31, 2018. Throughout the Track Record Period, the Group has majority voting right at board meeting to direct all relevant activities of JSZL. The directors of the Company concluded that the Group has a control over JSZL throughout the Track Record Period. After the acquisition of non-controlling interest in June 2018, the Group’s equity interest increased to 77.78% as at date of the report.
- Huajing Securities was established on August 19, 2016 by the Group and two other shareholders, and the Group holds 49% equity interest as at December 31, 2016. After the capital injection from new investors in November 2017, the Group’s equity interest was diluted from 49% to 48.82% as at December 31, 2017. Throughout the Track Record Period, the Group has effective control over the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES—continued

board of directors which is the decision maker of Huajing Securities' daily operation. In addition, the Group can effectively control the shareholder's meetings' resolutions related to daily operations. The directors of the Company concluded that the Group has a control over Huajing Securities throughout the Track Record Period.

- (e) China Renaissance Investment Limited was inactive and disposed by the Group with no gain or loss in 2016.
- (f) Peiyuan (Shanghai) Business Consulting Limited was inactive and disposed by the Group with no gain or loss in 2017.
- (g) No audited financial statements have been prepared since the date of the establishment as there is no such statutory requirement.
- (h) These companies are newly established by the Company in the respective years.
- (i) The statutory financial statements of the following subsidiaries established in the PRC were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by the following certified public accountants registered in the PRC.

Name of subsidiary	Financial year ended	Name of auditors
Shanghai Huasheng Equity Investment Management Limited	December 31, 2015 and 2017	北京匡正會計師事務所有限公司 Kuang Zheng Certified Public Accountants ("Kuang Zheng") (Note (j))
	December 31, 2016	利安達會計師事務所(特殊普通合夥) Reanda Certified Public Accountants LLP ("Reanda")
Shanghai Huasheng Youge Equity Investment Management	December 31, 2015 and 2017	Kuang Zheng
	December 31, 2016	Reanda
Ningbo Meishan Bonded Port Area Huajie Investment Management Limited	December 31, 2017	Kuang Zheng
	December 31, 2015 and 2016	N/A
Dazi Huashi Investment Consultants Limited	December 31, 2015 and 2017	Kuang Zheng
	December 31, 2016	Reanda
Beijing Jiushi Zhulu Technology Limited	December 31, 2017	Kuang Zheng
	December 31, 2016	Reanda
	December 31, 2015	N/A
Shanghai Huijia Investment Consulting Limited	December 31, 2017	Kuang Zheng
	December 31, 2015 and 2016	Reanda
CRP-Fanya Investment Consultants (Beijing) Limited	December 31, 2017	Kuang Zheng
	December 31, 2015 and 2016	Reanda
Huajing Securities	December 31, 2017 and 2016	德勤華永會計師事務所(特殊普通合夥) Deloitte Touche Tohmatsu CPA LLP
	December 31, 2015	N/A

- (j) The English names for all the PRC certified public accountants firms are used for identification purpose only.
- (k) Each of the Company and its subsidiaries as listed above has adopted December 31, as their financial year end date.
- (l) The companies are audited by Deloitte Touche Tohmatsu as at December 31, 2015, 2016 and 2017.
- (m) The company is audited by T.O.TIP&Co., Limited as at December 31, 2015, 2016 and 2017.
- (n) The companies are investment holding and not active, therefore there are no statutory audited reports.
- (o) The Group holds 86.9% of equity interest as at December 31, 2015, 2016 and 2017 and March 31, 2018. After the capital injection from new investors in July 2018, the Group's equity interest was diluted to 25% as at date of the report.
- (p) The Group holds 100% of equity interest as at December 31, 2017 and March 31, 2018. The Group's equity interest was diluted to 30% as at date of the report after a series of agreement entered in July 2018, for the purpose of reflecting the distribution of carried interest within the investment funds.
- (q) The Group holds 51% of equity interest as at December 31, 2016 and 2017 and March 31, 2018. The Group's equity interest was diluted to 47.25% as at date of the report after a series of agreement entered in July 2018, for the purpose of reflecting the distribution of carried interest within the investment funds.

None of the subsidiaries had issued any debt securities during the Track Record Period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

41. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

Name of subsidiary	Incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss and other comprehensive expense allocated to non-controlling interest		Accumulated non-controlling interests	
		December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	December 31, 2016
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Huajing Securities . . .	PRC	N/A	51.00%	N/A	(6,919)	N/A	69,880
Individually immaterial subsidiaries with non-controlling interests						909	4,324
Total						909	74,204

Name of subsidiary	Incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss) profit and other comprehensive (expense) income allocated to non-controlling interest		Accumulated non-controlling interests	
		December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017	March 31, 2018
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Huajing Securities	PRC	51.18%	51.18%	(8,454)	8,133	221,220	229,353
Individually immaterial subsidiaries with non-controlling interests						2,536	2,854
Total						223,756	232,207

Summarized financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below:

Huajing Securities:

	As at December 31,		As at March 31,	
	2016	2017	2017	2018
	US\$'000	US\$'000	US\$'000 unaudited	US\$'000
Current assets	137,096	393,370	131,005	218,714
Non-current assets	7,260	51,285	7,662	234,376
Current liabilities	7,338	14,352	4,330	6,892
Non-current liabilities	—	—	—	—
Equity attributable to owners of the Company	67,138	209,083	65,336	216,845
Non-controlling interests	69,880	221,220	69,001	229,353

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

41. DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS—continued

	Year ended December 31,		Three months ended March 31,	
	2016 US\$'000	2017 US\$'000	2017 US\$'000 unaudited	2018 US\$'000
Revenue	1,138	8,765	1,891	1,359
Expenses	(8,276)	(33,118)	(4,375)	(2,294)
(Loss) profit and total comprehensive (expense) income for the year/period	(13,567)	(16,518)	(1,724)	15,891
(Loss) profit and total comprehensive (expense) income attributable to owners of the Company	(6,648)	(8,064)	(845)	7,758
(Loss) profit and total comprehensive (expense) income attributable to the non-controlling interests	<u>(6,919)</u>	<u>(8,454)</u>	<u>(879)</u>	<u>8,133</u>
	Year ended December 31,		Three months ended March 31,	
	2016 US\$'000	2017 US\$'000	2017 US\$'000 unaudited	2018 US\$'000
Net cash outflow from operating activities	(7,879)	(30,134)	(7,586)	(8,843)
Net cash outflow from investing activities	(4,996)	(35,610)	(1,045)	(245,676)
Net cash inflow from financing activities	144,155	309,755	—	—
Net cash inflow (outflow)	<u>131,280</u>	<u>244,011</u>	<u>(8,631)</u>	<u>(254,519)</u>

42. DIRECTOR'S REMUNERATION

Save as disclosed in this report, no remuneration was paid or payable by the Group to the directors of the Company in respect of the Track Record Period. Under the arrangement currently in force, the aggregate amount of the directors' fee and other emoluments for the year ending December 31, 2018, excluding share-based payments and discretionary bonus, is estimated to be approximately US\$5,300,000.

43. EVENTS AFTER REPORTING PERIOD

On May 8, 2018, the Company issued convertible notes with an aggregate principal amount of US\$86,000,000 at par value of \$0.0001 each to certain individuals and entities. The convertible notes shall be automatically converted into ordinary shares of the Company prior to its initial public offerings in Hong Kong. Such convertible notes could be converted into 5,945,920 ordinary shares at an initial conversion price of US\$14.4637 per share, and shall be subject to adjustment of the applicable conversion price.

On May 22, 2018, the Group entered into a series of agreements to (i) subscribe for new shares in Sumscope Inc. for an aggregate consideration of approximately US\$10 million, and (ii) subscribe for a warrant to acquire additional shares in Sumscope Inc. for up to a total investment amount of US\$14 million (the "Sumscope Warrant"). On the same date, the Group entered into a series of agreements to dispose of its 30% equity interest in SHFR (note 18) to exchange equity interest in Sumscope Inc. As a result of these transactions, and assuming the Sumscope Warrant is not exercised, the Group will be holding 6.4581% of the share capital of Sumscope Inc. Assuming the Sumscope

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued**43. EVENTS AFTER REPORTING PERIOD—continued**

Warrant is fully exercised at the pre-determined price without adjustment and no new shares are issued by Sumscope Inc. other than pursuant to the exercise of the Sumscope Warrant, the Group will be holding 9.5164% of the share capital of Sumscope Inc. on a fully converted and diluted basis, including the shares of Sumscope Inc. issued pursuant to the exercise of the Sumscope Warrant. The transaction was approved by the board of directors of Sumscope on June 26, 2018 and has been completed on July 2, 2018.

As of March 31, 2018, the Company has an authorized share capital of US\$50,000 made up of 500,000,000 shares divided into (a) 455,000,000 ordinary shares with a par value of US\$0.0001 each, (b) 20,000,000 Series A preferred shares with a par value of US\$0.0001 each and (c) 25,000,000 Series B preferred shares with a par value of US\$0.0001 each. On August 10, 2018, it is resolved as an ordinary shareholder meeting's resolution that each authorized, issued and unissued share of a par value of US\$0.0001 in the Company be subdivided into 4 shares of a par value of US\$0.000025 each (the "Share Subdivision"), such that immediately following the Share Subdivision, the authorized share capital of the Company will be US\$50,000 made up of 2,000,000,000 shares divided into (a) 1,820,000,000 ordinary shares with a par value of US\$0.000025 each, (b) 80,000,000 Series A preferred shares with a par value of US\$0.000025 each and (c) 100,000,000 Series B preferred shares with a par value of US\$0.000025 each.

On July 25, 2018, Grand Eternity Limited, a wholly-owned subsidiary of the Group, entered into a series of agreements, pursuant to which it agreed to (i) subscribe for non-voting participatory shares in Starwick Investments Limited ("Starwick") for an aggregate consideration of US\$9,500,000, and (ii) subscribe for non-voting participatory shares in East Image Limited ("East Image") for an aggregate consideration of US\$20,500,000 (together, the "Company A Investments"). Starwick and East Image are both special purpose vehicles used for the sole purpose of investing in convertible bonds of Company A (the "Company A Convertible Bonds"). Starwick is managed by Helix Capital Partners, a subsidiary of the Group. As a result of the Company A Investments, the shares of Company A to be converted from the Company A Convertible Bonds at the pre-determined price without adjustment account for approximately 7.77% of the issued share capital of Company A. Company A is a leading medical technology company that develops, manufactures and sells high-end interventional medical devices.

44. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to March 31, 2018.

The information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, our Company's Reporting Accountants, as set out in Appendix I to this prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus respectively.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets of China Renaissance Holdings Limited (the "Company") and its subsidiaries (together, the "Group") attributable to owners of the Company is prepared in accordance with Rule 4.29 of the Listing Rules and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets of the Group attributable to owners of the Company as at March 31, 2018 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group as at March 31, 2018 or any future dates following the Global Offering.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company is based on the audited consolidated net tangible liabilities of the Group attributable to owners of the Company as at March 31, 2018 as derived from the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Consolidated net tangible liabilities of the Group attributable to owners of the Company as at March 31, 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as at March 31, 2018	
	US\$'000 (note 1)	US\$'000 (note 2)	US\$'000	US\$ (note 3)	HK\$ (note 4)
Based on the Offer Price of HK\$31.80 per Offer Share	<u>(41,968)</u>	<u>321,521</u>	<u>279,553</u>	<u>0.86</u>	<u>6.75</u>
Based on the Offer Price of HK\$34.80 per Offer Share	<u>(41,968)</u>	<u>352,709</u>	<u>310,741</u>	<u>0.96</u>	<u>7.50</u>

Notes:

1. The amount is calculated based on the consolidated net liabilities of the Group attributable to owners of the Company as at March 31, 2018 amounting to approximately US\$39,188,000, extracted from the Accountants' Report of the Group set out in Appendix I to this Prospectus, and adjusted for intangible assets of the Group attributable to owners of the Company as at March 31, 2018 of approximately US\$2,780,000.
2. The estimated net proceeds from the Global Offering are based on 85,008,000 Shares at the Offer Price of HK\$31.80 and HK\$34.80 per Share, being the low-end and high-end of the indicative range of the Offer Price, respectively, after deduction of the underwriting fees and other related expenses incurred or expected to be incurred by the Company (excluding listing expenses which has been charged to profit or loss up to March 31, 2018 by the Company). The calculation of such estimated net proceeds does not take into account of any Shares which may be allotted and issued pursuant to the exercise of Over-allotment Option for the Global Offering and the options granted under the ESOP, or any Shares which may be issued pursuant to the RSU Plan and issued or repurchased by the Company under general mandates granted to the directors of the Company. The estimated net proceeds from the Global Offering are converted from

Hong Kong dollars into U.S. dollars at an exchange rate of HK\$7.8494 to US\$1.00, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on September 7, 2018. No representation is made that Hong Kong dollars amounts have been, could have been or may be converted to U.S. dollars, or vice versa, at that rate or at any other rates or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is calculated after the adjustments referred to in note (2) above and based on 325,008,000 Shares, being the number of Shares expected to be in issue assuming that immediately following the completion of the Global Offering and the 2018 Share Subdivision had been completed on March 31, 2018 and without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Overallotment Option for the Global Offering and the options granted under the ESOP, or any Shares which may be issued pursuant to the RSU Plan and issued or repurchased by the Company under the general mandates granted to the directors of the Company.
4. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted from U.S. dollars into Hong Kong dollars at the rate of US\$1.00 to HK\$7.8494, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on September 7, 2018. No representation is made that the U.S. dollars amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
5. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as of March 31, 2018 to reflect any trading result or other transactions of the Group entered into subsequent to March 31, 2018. In particular, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as shown on the table above have not been adjusted to illustrate the effect of the issuance of 2018 Convertible Notes in an aggregate principal amount of US\$86,000,000 in May 2018 (the “2018 CN Issuance”) and the conversion of convertible redeemable preferred shares and convertible notes into ordinary shares upon the completion of the Global Offering (the “Conversion”) as detailed below.

As at March 31, 2018, the carrying amount of convertible redeemable preferred shares of the Group was US\$336,421,000 and recognized as financial liabilities. The convertible redeemable preferred shares shall automatically be converted without the payment of any additional consideration into ordinary shares upon the earlier of the completion of the Global offering, or election in writing by the holders of the majority of the then outstanding Series A Preferred Shares and the holders of the majority of the then outstanding Series B Preferred Shares, and based on initial conversion ratio of 1:1, and shall be subject to adjustment of the conversion price. In addition, the Group issued 2018 Convertible Notes in an aggregate principal amount of US\$86,000,000 in May 2018. The 2018 Convertible Notes shall be automatically converted without the payment of any additional consideration into ordinary shares at an initial conversion price of US\$14.4637 per share prior to the completion of the Global Offering, and shall be subject to adjustment of the applicable conversion price. Had the 2018 CN Issuance and the Conversion been assumed to take place as at March 31, 2018, the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company would have increased from approximately US\$279,553,000 to approximately US\$701,974,000 based on an Offer Price of HK\$31.80 per Share, or from approximately US\$310,741,000 to approximately US\$733,162,000 based on an Offer Price of HK\$34.80 per Share. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share would have increased to HK\$11.17 (US\$1.42) and HK\$11.67 (US\$1.49) based on the Offer Price of HK\$31.80 per Share and HK\$34.80 per Share, respectively, based on 493,162,000 Shares, being the number of Shares expected to be in issue assuming that the Global Offering, the 2018 Share Subdivision and the Conversion had been completed on March 31, 2018.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of China Renaissance Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Renaissance Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at March 31, 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated September 14, 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed placing and public offer ("Global Offering") on the Group's financial position as at March 31, 2018 as if the Global Offering had taken place at March 31, 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended December 31, 2017 and the three months ended March 31, 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality

control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at March 31, 2018 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, September 14, 2018

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on September 7, 2018 with effect from the Listing Date and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on September 7, 2018 with effect from the Listing Date and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorized share capital of the Company at the date of adoption of the Articles is US\$50,000 divided into 2,000,000,000 shares of US\$0.000025 each.

2.2 Directors*(a) Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the

provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has

any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general

meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided

for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such

deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution—majority required

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable

of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office, specifying the objects of the meeting and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by

advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such

dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of

him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day

appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION**1 Introduction**

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on July 13, 2011 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account.” At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company,

subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated

company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES**1. Incorporation**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on July 13, 2011. Upon our incorporation, the authorized share capital of our Company was US\$50,000 divided into 5,000,000 ordinary shares with a par value of US\$0.01 each.

Our registered office address is at the offices of Maples Corporate Services Limited of PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in Appendix III.

Our registered place of business in Hong Kong is at Units 8107-08, Level 81, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 6, 2018 with the Registrar of Companies in Hong Kong. Mr. Yee, Ming Cheung Lawrence has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is Units 8107-08, Level 81, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

As at the date of this document, our Company's principal place of business in China is located at Pacific Century Place, Gate 1, Space 8, No.2A Workers' Stadium North Road, Chaoyang District, Beijing, China.

2. Changes in share capital

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this document:

- (a) On April 26, 2017, our Company issued 1,527,271 series B preferred shares fully paid up with a par value each of US\$0.0001 to Renaissance Greenhouse HK Limited for a total consideration of US\$10,000,000.
- (b) On the same day of April 26, 2017, upon the conversion of convertible notes issued on June 20, 2016, our Company issued series B preferred shares in the following manner:
 - (i) 2,119,565 to Bamboo Green, Ltd.;
 - (ii) 652,173 to Greenhouse CR Holdings II Co., Ltd.; and
 - (iii) 489,130 to Gopher Harvest Fund LP.
- (c) On June 5, 2018, our Company issued 1,060,000 ordinary shares to CR Partners, 1,993,500 ordinary shares to Honor Equity Limited and 766,000 ordinary shares to Sky Allies Development Limited, respectively.
- (d) On June 15, 2018, our Company issued 3,000,000 ordinary shares to Honor Equity Limited and 7,000,000 ordinary shares to Sky Allies Development Limited.
- (e) On August 10, 2018, our Company conducted a share subdivision such that our Company's share capital was redesignated to US\$50,000, comprising 1,820,000,000 ordinary Shares with par value of US\$0.000025 each, 80,000,000 Series A Preferred Shares with par value of US\$0.000025 each, and 100,000,000 Series B Preferred Shares with par value of US\$0.000025 each.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Changes in the share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in note 39 to the Accountants' Report as set out in Appendix I.

Save for the subsidiaries mentioned in the Accountants' Report set out in Appendix I, our Company has no other subsidiaries.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this document.

- On May 11, 2017, the registered capital of Ningbo Huajie was increased from RMB1,000,000 to RMB2,500,000.
- On July 5, 2017, the registered capital of Ningbo Huaqing was increased from RMB1,000,000 to RMB2,500,000.
- On July 15, 2017, the registered capital of Huasheng Youge was increased from RMB1,000,000 to RMB100,000,000.
- On December 1, 2017, the registered capital of Ningbo Xinshou was increased from RMB2,000,000 to RMB60,000,000.
- On December 15, 2017, the registered capital of Huajing Securities was increased from RMB1,000,000,000 to RMB1,404,800,000.
- On February 8, 2018, the registered capital of Tianjin Huajie was increased from RMB10,000,000 to RMB12,000,000.
- On April 8, 2018, the registered capital of Ningbo Meishan Bonded Port Area Rongjin Investment Management Limited was increased from RMB100,000 to RMB1,000,000.
- On June 19, 2018, the registered capital of Tianjin Huaqing was increased from RMB100,000 to RMB1,000,000.
- On July 10, 2018, the registered capital of Huasheng Xinxuan was increased from RMB10,608,696 to RMB17,893,005.
- On July 16, 2018, the registered capital of Tianjin Huajie was increased from RMB12,000,000 to RMB50,000,000.
- On July 17, 2018, the registered capital of Dazi Huafeng Venture Capital Partnership L.P. was increased from RMB100,000,000 to RMB500,000,000.
- On July 19, 2018, the registered capital of Ningbo Meishan Bonded Port Area Rongjia Investment Management Partnership L.P. was increased from RMB 1,000,000 to RMB 15,000,000.
- On July 19, 2018, the registered capital of Ningbo Xinshou was increased from RMB 60,000,000 to RMB 80,000,000.
- On July 31, 2018, the registered capital of Huasheng Xinhang was increased from RMB 54,182,828 to RMB 193,639,900.

- On August 8, 2018, the registered capital of Ningbo Huaqing was increased from RMB 2,500,000 to RMB 12,000,000.
- On December 11, 2017, the authorized share capital of CRS (Hong Kong) was increased from HK\$618,000,000 to HK\$1,774,400,000, and the issued share capital was increased from HK\$618,000,000 to HK\$1,774,400,000.
- On December 11, 2017, the authorized share capital of Maxson Securities Limited was increased from HK\$607,500,000 to HK\$1,763,900,000 and the issued share capital was increased from HK\$607,500,000 to HK\$1,763,900,000.
- On June 19, 2017, the equity capital of CRS (US) was increased from US\$ 11,000,000 to US\$ 16,000,000.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this document.

4. Resolutions of the Shareholders of our Company dated September 7, 2018

Written resolutions of our Shareholders were passed on September 7, 2018, pursuant to which, among others:

- (a) conditional on (i) the conditions of the Global Offering as set out in this document being fulfilled, and (ii) the obligations of the Underwriters under each of the Underwriting Agreements to be entered into between, among others, our Company and the Underwriters in connection with the Global Offering becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) thereunder by the Joint Global Coordinators for themselves and on behalf of the Underwriters) and such obligations not having been terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) the Listing, the Global Offering and the Over-allotment Option were approved, our Directors were authorized to negotiate and agree the Offer Price, and our Directors were authorized to allot and issue the Offer Shares (including the Shares to be allotted and issued pursuant to the exercise of the Over-allotment Option);
 - (ii) a general unconditional mandate (the “**Sale Mandate**”) was granted to our Directors to exercise all the powers of our Company to allot, issue and deal with any Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted and issued or dealt with, such number of Shares shall not exceed 20% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and outstanding options under the ESOP or pursuant to the RSU Plan);
 - (iii) a general unconditional mandate (the “**Repurchase Mandate**”) was granted to our Directors to exercise all powers of our Company to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option, outstanding options under the ESOP, or the RSU Plan); and

- (iv) the Sale Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of Shares purchased by our Company pursuant to the Repurchase Mandate (up to 10% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and outstanding options under the ESOP, or pursuant to the RSU Plan));
- (b) our Company conditionally approved and adopted the Memorandum and the Articles with effect from the Listing Date; and
- (c) all of the authorized Preferred Shares (including all the then existing issued and outstanding Preferred Shares) be re-designated and re-classified into ordinary Shares of our Company each on a one for one basis, each with effect from the Listing Date.

Each of the general mandates referred to in sub-paragraphs (a)(ii), (a)(iii), and (a)(iv) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable laws of the Cayman Islands or the Memorandum of Association and Articles of Association; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying such mandate.

5. Repurchase of our own securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on September 7, 2018, the Repurchase Mandate was given to our Directors authorizing them to exercise all the powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of

our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following the completion of the Global Offering (excluding any Shares which may be issued under the Over-allotment Option and outstanding options under the ESOP or pursuant to the RSU Plan), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association, and (iii) the passing by an ordinary resolution in a general meeting revoking or varying such mandate.

Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable Laws of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any par value of shares payables on the purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Law. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Law.

Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

Status of repurchased shares

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as canceled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Islands law.

Suspension of repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

Core connected persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell their securities to the company.

Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

Funding of repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of the proceeds of a new issuance of shares made for the purpose of the repurchase or from sums standing to the credit of our share premium account or, if authorized by the Articles of Association and subject to the

Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles of Association and subject to Cayman Companies Law, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for the Company.

General

The exercise in full of the Repurchase Mandate, on the basis of 548,439,612 Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option and outstanding options under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan), could accordingly result in up to approximately 54,843,961 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; and
- the passing by an ordinary resolution in a general meeting revoking or varying such mandate.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

- (a) amended and restated exclusive call option agreement dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Dazi Huafeng, pursuant to which Mr. Du Yongbo and Mr. Wang Xinwei agreed to grant Huagan Shanghai an exclusive option to purchase (or through its designated person(s) to purchase) from them all or part of their equity interests in Dazi Huafeng;
- (b) amended and restated exclusive call option agreement dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Dazi Hualing, pursuant to which Mr. Du Yongbo and Mr. Wang Xinwei agreed to grant Huagan Shanghai an exclusive option to purchase (or through its designated person(s) to purchase) from them all or part of their equity interests in Dazi Hualing;
- (c) amended and restated exclusive call option agreement dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Dazi Huashi, pursuant to which Mr. Du Yongbo and Mr. Wang Xinwei agreed to grant Huagan Shanghai an exclusive option to purchase (or through its designated person(s) to purchase) from them all or part of their equity interests in Dazi Huashi;
- (d) amended and restated exclusive call option agreement dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Shanghai Quanyuan, pursuant to which Mr. Du Yongbo and Mr. Wang Xinwei agreed to grant Huagan Shanghai an exclusive option to purchase (or through its designated person(s) to purchase) from them all or part of their equity interests in Shanghai Quanyuan;
- (e) amended and restated exclusive business cooperation agreement dated April 25, 2018 entered into between Huagan Shanghai and Dazi Huafeng, pursuant to which Dazi Huafeng agreed to engage Huagan Shanghai as the exclusive service provider to provide Dazi Huafeng with investment consultancy, financial consultancy, commercial consultancy, marketing information consultancy, technology consultancy and other services in return for service fees;
- (f) amended and restated exclusive business cooperation agreement dated April 25, 2018 entered into between Huagan Shanghai and Dazi Hualing, pursuant to which Dazi Hualing agreed to engage Huagan Shanghai as the exclusive service provider to provide Dazi Hualing with investment consultancy, financial consultancy, commercial consultancy, marketing information consultancy, technology consultancy and other services in return for service fees;
- (g) amended and restated exclusive business cooperation agreement dated April 25, 2018 entered into between Huagan Shanghai and Dazi Huashi, pursuant to which Dazi Huashi agreed to engage Huagan Shanghai as the exclusive service provider to provide Dazi Huashi with investment consultancy, financial consultancy, commercial consultancy, marketing information consultancy, technology consultancy and other services in return for service fees;

- (h) amended and restated exclusive business cooperation agreement dated April 25, 2018 entered into between Huagan Shanghai and Shanghai Quanyuan, pursuant to which Shanghai Quanyuan agreed to engage Huagan Shanghai as the exclusive service provider to provide Shanghai Quanyuan with investment consultancy, financial consultancy, commercial consultancy, marketing information consultancy, technology consultancy and other services in return for service fees;
- (i) amended and restated equity pledge agreement dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Dazi Huafeng, pursuant to which Mr. Du Yongbo and Mr. Wang Xinwei agreed to pledge all of their existing and future equity interests in Dazi Huafeng to Huagan Shanghai;
- (j) amended and restated equity pledge agreement dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Dazi Hualing, pursuant to which Mr. Du Yongbo and Mr. Wang Xinwei agreed to pledge all of their existing and future equity interests in Dazi Hualing to Huagan Shanghai;
- (k) amended and restated equity pledge agreement dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Dazi Huashi, pursuant to which Mr. Du Yongbo and Mr. Wang Xinwei agreed to pledge all of their existing and future equity interests in Dazi Huashi to Huagan Shanghai;
- (l) amended and restated equity pledge agreement dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Shanghai Quanyuan, pursuant to which Mr. Du Yongbo and Mr. Wang Xinwei agreed to pledge all of their existing and future equity interests in Shanghai Quanyuan to Huagan Shanghai;
- (m) amended and restated proxy agreement dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Dazi Huafeng, pursuant to which Mr. Du Yongbo and Mr. Wang Xinwei agreed to, among other things, irrevocably authorize Huagan Shanghai or its designated person(s) to exercise all of their rights as shareholders of Dazi Huafeng;
- (n) amended and restated proxy agreement dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Dazi Hualing, pursuant to which Mr. Du Yongbo and Mr. Wang Xinwei agreed to, among other things, irrevocably authorize Huagan Shanghai or its designated person(s) to exercise all of their rights as shareholders of Dazi Hualing;
- (o) amended and restated proxy agreement dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Dazi Huashi, pursuant to which Mr. Du Yongbo and Mr. Wang Xinwei agreed to, among other things, irrevocably authorize Huagan Shanghai or its designated person(s) to exercise all of their rights as shareholders of Dazi Huashi;
- (p) amended and restated proxy agreement dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Shanghai Quanyuan, pursuant to which Mr. Du Yongbo and Mr. Wang Xinwei agreed to, among other things, irrevocably authorize Huagan Shanghai or its designated person(s) to exercise all of their rights as shareholders of Shanghai Quanyuan;
- (q) a cornerstone investment agreement dated September 10, 2018 entered into between the Company, Alipay (Hong Kong) Holding Limited, CRS (Hong Kong), Goldman Sachs and

ICBCI Capital, pursuant to which Alipay (Hong Kong) Holding Limited had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$50,000,000;

- (r) a cornerstone investment agreement dated September 12, 2018 entered into between the Company, LGT Group Foundation, CRS (Hong Kong), Goldman Sachs and ICBCI Capital, pursuant to which LGT Group Foundation had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$25,000,000;
- (s) a cornerstone investment agreement dated September 11, 2018, entered into between the Company, Snow Lake China Master Fund, Ltd., Snow Lake China Master Long Fund, Ltd. (together with Snow Lake China Master Fund, Ltd., the “**Snow Lake Funds**”), CRS (Hong Kong), Goldman Sachs and ICBCI Capital, pursuant to which the Snow Lake Funds had agreed to, among other things, subscribe for Shares at the Offer Price in the amount of the Hong Kong dollar equivalent of US\$50,000,000; and
- (t) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

Trademarks registered in China

As at the Latest Practicable Date, we had registered the following trademarks in China which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Class	Registration number	Expiry date (dd/mm/yyyy)
1.		the Company	35	23672095	06/04/2028
2.		the Company	36	23672310	06/04/2028
3.		the Company	36	23672312	06/04/2028
4.	华兴	the Company	16	18670478	20/04/2027
5.	华兴	the Company	41	18670453	06/02/2028
6.	华兴	the Company	42	18670541	20/04/2027
7.	华兴	the Company	45	18670511	20/04/2027
8.	華興資本	the Company	41	19176555	06/06/2027

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

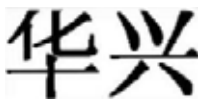
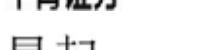
No.	Trademark	Registered owner	Class	Registration number	Expiry date (dd/mm/yyyy)
9.	華興資本	the Company	45	19176652	06/06/2027
10.	華興資本	the Company	42	19176705	06/06/2027
11.	華興資本	the Company	9	19176408	06/03/2028
12.	華興資本	the Company	16	19176564	06/07/2027
13.	華興資本	the Company	45	8766258	27/11/2021
14.	華興	the Company	45	8766157	27/11/2021
15.	RENAISSANCE	the Company	45	8766386	27/11/2021
16.		the Company	35	18610883	20/01/2027
17.		the Company	36	18611535	20/01/2027
18.	逐鹿 X	Beijing Zhulu	36	18606845	20/01/2027
19.	逐鹿 X	Beijing Zhulu	35	18606788	06/02/2028
20.	华菁证券	Huajing Securities	9	21115754	27/10/2027
21.	华菁证券	Huajing Securities	16	21115851	27/12/2027

Trademarks registered in Hong Kong

No.	Trademark	Registered owner	Class	Registration number	Application Date (dd/mm/yyyy)
1.		the Company	35, 36	304112702	19/04/2017
2.	(A) 華興 (B) 华兴	the Company	36	304056255	23/02/2017
3.		the Company	35, 36	304247686	21/08/2017
4.	(A) HUAXING (B) Huaxing	the Company	36	304056246	23/02/2017

Trademark applications pending in China

As at the Latest Practicable Date, we had applied for the registration of the following trademarks in China which we consider to be or may be material to our business:

No.	Trademark	Applicant	Class	Application number	Application date (dd/mm/yyyy)
1.	華興資本	Huaxing Fanya	36	19176719	29/02/2016
2.	華興資本	Huaxing Fanya	35	19176704	29/02/2016
3.		Huaxing Fanya	35	16944726	14/05/2015
4.		Huajing Securities	35	27119474	27/10/2017
5.		Huajing Securities	36	27119474	27/10/2017
6.		Huajing Securities	36	26080308	28/08/2017
7.		Huajing Securities	35	26080308	28/08/2017
8.		Huajing Securities	36	23900839	04/05/2017
9.		Huajing Securities	36	23891787	04/05/2017
10.		Beijing Zhulu	36	27200793	31/10/2017
11.		Beijing Zhulu	35	27186308	31/10/2017
12.		the Company	35	23672259	19/04/2017

As at the Latest Practicable Date, we had not applied for the registration of any trademarks in Hong Kong which we consider to be or may be material to our business.

Trademark applications pending in the United States

As at the Latest Practicable Date, we had applied for the registration of the following trademarks in the United States which we consider to be or may be material to our business:

No.	Trademark	Registered owner	Class	Registration number	Application date (dd/mm/yyyy)
1.	CHINA RENAISSANCE	the Company	35/36	87465652	26/05/2017
2.	 China Renaissance	the Company	35/36	87465657	26/05/2017

Trademarks pending transfer in China

As at the Latest Practicable Date, we had applied for registration of the transfer of the following trademarks in China which we consider to be or may be material to our business:

No.	Trademark	Registered owner / Transferor	Transferee	Class	Registration number	Expiry date (dd/mm/yyyy)
1.	华菁证券	the Company	Huajing Securities	35	21114516	27/12/2027
2.	华菁证券	the Company	Huajing Securities	41	21115942	27/12/2027
3.	华菁证券	the Company	Huajing Securities	38	21116015	27/10/2027
4.	华菁证券	the Company	Huajing Securities	35	21114698	13/01/2028

Domain names

As at the Latest Practicable Date, we owned the following domain names which we consider to be or may be material to our business:

No.	Domain name	Registered owner	Expiry date
1.	huaxing.com	Huaxing Fanya	29/12/2025
2.	huajingsec.com	Huajing Securities	03/07/2026

C. FURTHER INFORMATION ABOUT OUR DIRECTORS**1. Particulars of Directors' service contracts and appointment letters***Executive Directors*

Each of our executive Directors has entered into a service contract with our Company on September 12, 2018. Pursuant to this agreement, they agreed to act as executive Directors for an initial term of three years with effect from the date the appointment is approved by the Board or until the third annual general meeting of our Company after the Listing Date (whichever is earlier). Either party has the right to give not less than three months' written notice to terminate the agreement. Details of the Company's remuneration policy is described in "Directors and Senior Management—Remuneration."

The executive Directors are not entitled to receive any annual salaries in their capacities as executive Directors under their respective service contracts. The executive Directors may be paid a discretionary bonus in such sum and at such time or times as determined by the Board in its absolute discretion under their respective service contracts.

Non-executive Directors

Each of our non-executive Directors has entered into an appointment letter with our Company on September 12, 2018. Their appointment as a director shall continue for three years after or until the third annual general meeting of the Company after the Listing Date, whichever is earlier, (subject to

retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing.

The non-executive Directors are not entitled to receive any remuneration and benefits in their capacities as non-executive Directors under their respective appointment letters.

Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company on September 12, 2018. The initial term of their appointment shall be three years from the date of this document or until the third annual general meeting of the Company after the Listing Date, whichever is earlier, (subject to retirement as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

The annual director's fees of our independent non-executive Directors payable by us under their respective appointment letters is HK\$500,000.

2. Remuneration of Directors

- (a) Remuneration and benefits in kind of approximately US\$865,000, US\$1,427,000, US\$5,491,000 and US\$1,668,000 in aggregate were paid and granted by our Group to our Directors in respect of the years ended December 31, 2015, 2016 and 2017 and three months ended March 31, 2018, respectively.
- (b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2018, is expected to be approximately US\$5,300,000 in aggregate (excluding share-based payments and discretionary bonus).
- (c) Save as disclosed in—"Further information about our Directors—Particulars of Directors' service contracts and appointment letters" above, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests

Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Global Offering

Immediately following completion of the Global Offering (assuming the Over-allotment Option and outstanding options under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan), the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company and its associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the

Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) *Interest in Shares and underlying Shares*

Name of director	Nature of interest	Number and class of securities	Approximate percentage of interest in our Company immediately after the Global Offering ^(Note 1)
Mr. Bao ^(Note 2)	Interest in a controlled corporation	244,240,000	44.53%
	Settlor of a trust who can influence how the trustee exercises the voting power of its shares	31,064,000	5.66%
	Beneficial owner	16,400,000	2.99%
Mr. Xie Yi Jing ^(Note 3)	Beneficial owner	400,000	0.07%
Mr. Du Yongbo ^(Note 4)	Beneficial owner	400,000	0.07%
Mr. Li Shujun ^(Note 5)	Interest in controlled corporations	35,652,172	6.50%
Mr. Neil Nanpeng Shen ^(Note 6)	Interest in a controlled corporation	34,565,216	6.30%

Notes:

- (1) The calculation is based on the total number of 548,439,612 Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option and outstanding options under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan).
- (2) FBH Partners owns 73.37% equity interest in CR Partners. Mr. Bao owns 79% of the equity interest in FBH Partners, and as a result of a voting proxy granted by Ms. Hui Yin Ching, the 21% owner of FBH Partners, over all her equity interests in FBH Partners, Mr. Bao controls 100% of the voting power at the general meetings of FBH Partners. Under the SFO, Mr. Bao is deemed to be interested in the 244,240,000 Shares held by CR Partners. Separately, as Mr. Bao is the settlor of Sky Allies Trust Scheme who can influence how Infiniti Trust (Hong Kong) Limited exercises the voting of its 31,064,000 Shares held through Sky Allies Development Limited for the trust. Under the SFO, Mr. Bao is also deemed to be interested in the 31,064,000 Shares held by Sky Allies Development Limited. Separately, Mr. Bao is entitled to receive 16,400,000 Shares pursuant to the exercise of his options granted under the ESOP.
- (3) Mr. Xie is entitled to receive 400,000 Shares pursuant to the exercise of his options granted under the ESOP.
- (4) Mr. Du is entitled to receive 400,000 Shares pursuant to the exercise of his options granted under the ESOP.
- (5) Greenhouse CR Holdings Co., Ltd. is wholly-owned by Trustbridge Partners IV L.P., whose general partner is TB Partners GP4, L.P.. The general partner of TB Partners GP4, L.P. is TB Partners GP Limited, whose sole shareholder is Mr. Li Shujun. Greenhouse CR Holdings II Co., Ltd. is wholly-owned by Trustbridge Partners V L.P., whose general partner is TB Partners GP5, L.P.. The general partner of TB Partners GP5, L.P. is TB Partners GP5 Limited, whose sole shareholder is Mr. Li Shujun. Under the SFO, Mr. Li Shujun is deemed to be interested in the 20,000,000 Shares held by Greenhouse CR Holdings Co., Ltd. and the 15,652,172 Shares held by Greenhouse CR Holdings II Co., Ltd. in the capacity of holders of interests in controlled corporations as opposed to beneficial owners.
- (6) Bamboo Green is wholly-owned by Sequoia Capital China Growth Fund III, L.P. The general partner of Sequoia Capital China Growth Fund III, L.P. is SC China Growth III Management, L.P., whose general partner is SC China Holding Limited. SC China Holding Limited is a wholly-owned subsidiary of SNP China Enterprises Limited, whose sole shareholder is Mr. Neil Nanpeng Shen. Under the SFO, Mr. Neil Nanpeng Shen is deemed to be interested in the 34,565,216 Shares held by Bamboo Green.

(ii) *Interest in associated corporations*

The following table lists out the directors' or chief executives' interests in associated corporations of our Company:

Name of director or chief executive	Nature of interest	Associated corporation	Amount of registered capital (RMB)	Percentage of shareholding in the associated corporation
Mr. Bao	Interests held as a limited partner	Tianjin Huajie	5,000,000	10%
	Interests held as a limited partner	Tianjin Huahuang	4,500,000	30%
	Interest held as a limited partner through controlled corporation ^(Note 1)	Huaxing Associates, L.P.	Not applicable	Not applicable

Name of director or chief executive	Nature of interest	Associated corporation	Amount of registered capital (RMB)	Percentage of shareholding in the associated corporation
Mr. Du Yongbo	Interest held as a limited partner through controlled corporation ^(Note 1)	Huaxing Associates II, L.P.	Not applicable	Not applicable
	Interest held as a limited partner through controlled corporation ^(Note 1)	Huaxing Associates III, L.P.	Not applicable (Note 3)	Not applicable (Note 3)
	Nominee shareholder whose shareholder's rights are subject to contractual arrangements	Dazi Huafeng	50,000	50%
	Nominee shareholder whose shareholder's rights are subject to contractual arrangements	Dazi Hualing	50,000	50%
	Nominee shareholder whose shareholder's rights are subject to contractual arrangements	Dazi Huashi	500,000	50%
	Nominee shareholder whose shareholder's rights are subject to contractual arrangements	Shanghai Quanyuan	50,000	50%
	Interests held as a limited partner	Dazi Huafeng Venture Capital Partnership L.P.	50,000,000	10%
	Interests held as a limited partner	Ningbo Xinshou	20,000,000	25%
	Interests held as a limited partner	Huasheng Xinhang	38,727,980	20%
	Interest held as a limited partner through controlled corporation ^(Note 2)	Huaxing Associates II, L.P.	Not applicable	Not applicable
	Interest held as a limited partner through controlled corporation ^(Note 2)	Huaxing Associates III, L.P.	Not applicable (Note 4)	Not applicable (Note 4)

Notes:

- (1) Mr. Bao holds limited partnership interest through FBH Partners, a special purpose vehicle controlled by Mr. Bao.
- (2) Mr. Du Yongbo holds limited partnership interest through Ever Perfect Investments Limited, a special purpose vehicle controlled by Mr. Du Yongbo.
- (3) In Huaxing Associates III, L.P., the capital commitment of FBH Partners (being a special purpose vehicle controlled by Mr. Bao) is US\$1,000,000, which accounts 6.19% of the total capital commitment of partners of Huaxing Associates III, L.P.
- (4) In Huaxing Associates III, L.P., the capital commitment of Ever Perfect Investments Limited (being a special purpose vehicle controlled by Mr. Du Yongbo) is US\$1,000,000, which accounts 6.19% of the total capital commitment of partners of Huaxing Associates III, L.P.

Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who, immediately following the completion of the Global Offering, will have or be deemed to have or taken to have beneficial interests or short position in the

Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, see “Substantial Shareholders” in this document.

D. ESOP

1. Summary

The following is a summary of the principal terms of the ESOP of the Company as approved by the Board on August 24, 2012 and amended by resolution of the Board on March 1, 2013, April 27, 2015 and June 5, 2018. The terms of the ESOP are not subject to the provisions of Chapter 17 of the Listing Rules as we will not grant any options under the ESOP for subscription of ordinary shares with a par value of US\$0.000025 each after the Listing.

2. Purpose

The purpose of the ESOP is to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, directors and consultants and to promote the success of the Company’s business by offering these individuals an opportunity to acquire a proprietary interest in the success of the Company or to increase this interest, by issuing them Shares or by permitting them to purchase Shares.

3. Eligibility

Those eligible to participate in the ESOP include employees, consultants, and all members of the Board (the “**Service Providers**”), as determined, authorized and approved by the Board, an officer or a committee appointed by the Board to administer the ESOP (the “**Administrator**”). The Administrator may, from time to time, select from among all eligible individuals (the “**Participants**”) to whom an option or a share purchase right (collectively, an “**Award**”) will be granted and will determine the nature and amount of each Award. Nil consideration is required to be paid by the grantees for the grant of Awards under the ESOP.

To comply with U.S. securities laws and the exemptions from U.S. securities registration, only Service Providers that are not U.S. persons, or trusts established in connection with any employee benefit plan of the Company (including the ESOP) for the benefit of a Service Provider, are eligible for the grant of options or share purchase rights exempted under Regulation S (“**Reg S Options**” and “**Reg S Share Purchase Rights**,” as applicable) of the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). Only employees are eligible for the grant of options qualifying as incentive stock options (“**Incentive Stock Options**”) within the meaning of Section 422 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”) and the regulations promulgated thereunder. If a Service Provider owns more than 10% of the total combined voting power of all classes of outstanding securities of the Company or any parent or subsidiary of the Company (a “**Ten Percent Owner**”), the Ten Percent Owner will not be eligible for the grant of an Incentive Stock Option unless the option’s exercise price is at least 110% of the fair market value, and the option is not exercisable after the expiration of 5 years from the date of grant.

4. Share Limit

The overall limit on the number of underlying Shares which may be issued pursuant to the ESOP is 91,304,348 Shares with a par value of US\$0.000025 each (with options representing

18,564,348 Shares having been cancelled). Among the Shares which may be issued pursuant to the ESOP, 7,974,000 Shares have been issued to Honor Equity Limited and 3,064,000 Shares have been issued to Sky Allies Development Limited which are holding the Shares on trust for the Participants, while 4,240,000 Shares have been issued to CR Partners.

5. Administration

The ESOP is administered by the Administrator who has the authority to grant or amend Awards to Service Providers. Subject to any specific designation in the ESOP, the Administrator has the exclusive power, authority and discretion to:

- (i) determine the fair market value, in the absence of an established market for the Shares;
- (ii) designate the Service Providers to whom Awards are granted to;
- (iii) determine the number of Shares to which an Award will relate;
- (iv) determine the forms of agreement for use under the ESOP;
- (v) determine the terms and conditions of any Award granted pursuant to the ESOP, including, but not limited to, the exercise price, purchase price, the time or times when the options may be exercised, the time or times when repurchase or redemption rights may lapse, any vesting acceleration or waiver or forfeiture restrictions, and any restrictions or limitations regarding any Award or the Shares relating thereto, based in each case on such factors as the Administrator, in its sole discretion, determines;
- (vi) institute a program under which outstanding Awards are surrendered or canceled in exchange for Awards of the same type (which may have lower terms), Awards of a different type, cash, a reduction in exercise or purchase price of an outstanding Award, or any combination of the above, to be determined by the Administrator in its sole discretion;
- (vii) prescribe, amend, and rescind rules and regulations relating to the ESOP;
- (viii) modify or amend each Award (subject to restrictions), including the discretionary authority to extend the exercisability of an option longer than is provided in the Award Agreement (as defined below), or accelerate the vesting or exercisability of an option or lapsing of a repurchase or redemption right or forfeiture provision to which Shares purchased pursuant to a share purchase right may be subject;
- (ix) construe and interpret terms of the ESOP and the Awards granted thereunder; and
- (x) make all other determination and take any other action that the Administrator deems necessary or desirable to administer the ESOP.

6. Award Agreements

Awards granted under the ESOP will be evidenced by an agreement (“Award Agreement”) between the Company and the Participant. Each Award granted under the ESOP shall be subject to all applicable terms and conditions of the ESOP and may be subject to other terms and conditions not inconsistent with the ESOP that the Administrator deems appropriate for inclusion in an Award Agreement. The Award Agreement may include additional provisions specified by the Administrator, including, in the case of an option, the number of Shares subject to the option, the exercise price, the term of the option, and the date when all or any installment of the option is exercisable.

7. Terms and Conditions of Options

Types of options

Each option shall be designated in the Award Agreement as either an Incentive Stock Option or an option that does not or is not intended to qualify as an Incentive Stock Option (a “**Nonstatutory Stock Option**”). However, if the aggregate fair market value of the Shares (determined at the date of grant) to which the Incentive Stock Options are exercisable for the first time by a Participant during any calendar year exceeds US\$100,000, such options will be treated as Nonstatutory Stock Options.

Term of the option

The term of each option shall be the term stated in the Award Agreement, provided that the term shall not exceed 10 years from the date of grant, and a shorter term may be required in the case of a Ten Percent Owner, namely that the option is not exercisable after the expiration of 5 years from the date of grant. Subject to the preceding sentence, the Administrator in its sole discretion will determine when an option expires.

Exercise of option

The option may not be exercised until vested. Each Award Agreement shall specify the date in which all or any installment of the options are or will become exercisable, to be determined by the Administrator in its sole discretion.

An option shall be deemed exercised when the Company receives (i) notice of exercise in accordance with the Award Agreement from the person exercising the option, (ii) full payment for the Shares, and (iii) all representations, indemnifications and documents requested by the Administrator.

Exercise price

Each Award Agreement will specify the exercise price. The exercise price of an Incentive Stock Option may be determined either based on the value of the Company’s net assets on the date of grant, or by the Administrator in its sole discretion, whether or not the exercise price is lower than the fair market value.

Termination of service other than by death

If a Participant ceases to be a Service Provider for any reason other than by death, the Participant’s options will expire on the earliest of the following events: (i) the expiration of the term of the option, (ii) for reason of a permanent and total disability, the last day of the six-month period following the termination of service, and (iii) for any reason other than permanent and total disability, the 90th day following the termination of service.

Following the termination of service, the Participant may exercise all or part of his or her option at any time before the option’s expiration, to the extent that the option was vested and exercisable as of the date of termination of service or as a result of the termination. Unless otherwise stipulated in the Award Agreement, Shares subject to the options not vested and exercisable by the date of termination of service will be forfeited. Any Shares subject to options vested and exercisable by the date of termination of service, but that were not purchased prior to the expiration of the option, will be forfeited following the option’s expiration.

Termination of service by death

If a Participant dies while a Service Provider, his or her options will expire on the earlier of the following events: (i) the expiration of the term of the option, and (ii) the last day of the six-month period following the Participant's death, or such date as the Administrator may determine and specify in the Award Agreement.

Following the Participant's death, the executors or administrators of the Participant's estate or by any person who has acquired the option by way of beneficiary designation, bequest or inheritance, may exercise all or part of the option at any time before the expiration of the option, to the extent that the option was vested and exercisable as of the date of the Participant's death or as a result of the death. Shares subject to the options not vested and exercisable by the date of the Participant's death will be forfeited. Any Shares subject to options vested and exercisable by the date of the Participant's death, but that were not purchased prior to the expiration of the option, will be forfeited following the option's expiration.

Restrictions on transfer of Shares

Shares issued upon the exercise of an option will be subject to forfeiture conditions, rights of repurchase or redemption, rights of first refusal, and other transfer restrictions as the Administrator may determine and as set forth in the applicable Award Agreement. These transfer restrictions will apply in addition to any other restrictions that may apply to holders of Shares generally.

To comply with U.S. securities laws, Shares issued pursuant to the exercise of Reg S Options are subject to additional transfer restrictions. Such Shares must not be offered or sold to a U.S. person or for the account or benefit of a U.S. person prior to the first anniversary of the Shares being issued pursuant to the exercise of the Reg S Option (the "**Acquisition Date**"). Such Shares may only be offered or sold to non-U.S. persons prior to the first anniversary of the Acquisition Date if certain conditions are fulfilled.

8. Terms and Conditions of Share Purchase Rights***Type of share purchase right***

Each share purchase right shall be designated as a Reg S Share Purchase Right or as a share purchase right other than a Reg S Share Purchase Right. If the Award Agreement does not specify the type, then the share purchase right will not be treated as a Reg S Share Purchase Right.

Term and non-transferability of share purchase rights

Share purchase rights will automatically expire if not exercised by the Participant within 30 days after the date of grant, or such longer time as specified in the Award Agreement. Share purchase rights are not transferable and must be exercised only by the Participant to whom the share purchase right was granted.

Purchase price

The purchase price will be determined by the Administrator in its sole discretion.

Restriction on transfer of shares

Shares awarded or sold pursuant to share purchase rights will be subject to forfeiture conditions, rights of repurchase or redemption, rights of first refusal, and other transfer restrictions as the Administrator may determine and as set forth in the applicable Award Agreement. These transfer restrictions will apply in addition to any other restrictions that may apply to holders of Shares generally.

To comply with U.S. securities laws, Shares issued pursuant to a Reg S Share Purchase Right are subject to additional transfer restrictions. Such Shares must not be offered or sold to a U.S. person or for the account or benefit of a U.S. person prior to the first anniversary of the Shares being issued pursuant to the exercise of the Reg S Option (the “**Acquisition Date**”). Such Shares may only be offered or sold to non-U.S. persons prior to the first anniversary of the Acquisition Date if certain conditions are fulfilled.

9. Taxes

No Shares shall be delivered under the ESOP to any Participant or other person until such Participant or other person has made arrangements acceptable to the Administrator for the satisfaction of any applicable tax withholding obligations in connection with the exercise of an option, purchase of Shares pursuant to the share purchase rights or disposition of Awards under any applicable laws. Upon the exercise of the option, or the delivery of Shares subject to the share purchase rights, the Company may be required to withhold or collect from the Participant such amount of any taxes to satisfy such tax obligations.

10. Non-transferability of Awards

Unless otherwise determined by the Administrator and so provided in the applicable Award Agreement, no Award is to be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner, whether by operation of law or otherwise, other than by will or applicable laws of descent and distribution, or (except in the case of an Incentive Stock Option) pursuant to a domestic relations order. Awards will be exercised during the lifetime of the Participant and only by the Participant. Upon any attempt to pledge, assign, hypothecate, transfer or otherwise dispose of an Award, such Award will terminate and become null and void.

11. General Provisions*Adjustments*

In the event of any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, share split, reverse share split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase, or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares, the Administrator may (in its sole discretion) adjust the number and class of Shares that may be delivered under the ESOP and/or the number, class and price of Shares covered by each outstanding Award.

Change in control

There is a change in control event (a “**Change in Control**”) where (i) a person becomes the beneficial owner of the Company’s securities representing 50% of the total voting power of the

Company, (ii) there is a consummation of the sale, lease or disposition by the Company of all or substantially all of the Company's assets, or (iii) there is a consummation of a scheme of arrangement, merger, consolidation or other similar business combination involving the Company (except one where the person owning 50% or more in the total voting power of the Company remains so immediately after the event).

Where there is a Change in Control, each outstanding Award will be assumed (or an equivalent award substituted) by the successor entity now in control. In the event the successor entity refuses to do so, the Participant will fully vest in and have the right to exercise the Award, including Shares which would not otherwise be vested or exercisable, and all restrictions on such Shares will lapse. In such a case, the Award will be exercisable for a period of time as determined by the Administrator, and if not purchased prior to the expiration of such period, the Award will terminate, unless otherwise determined by the Administrator.

Reservation of rights

Except as provided in the ESOP and in the applicable Award Agreement, a Participant will not have any rights, and no adjustment will be made to the number or exercise price or purchase price of Shares subject to an Award, by reason of (i) a subdivision or consolidation of Shares or other securities of any class in the Company, (ii) a dividend payment, (iii) any other increase or decrease in the number of Shares or other securities of any class in the Company, or (iv) any issuance of equity securities of any class (including securities convertible to equity) by the Company.

Term, amendment and termination of the ESOP

The Company must obtain Shareholders' approval for the ESOP within 12 months before or after the date the ESOP is adopted by the Board. Prior to the Shareholders' approval, Awards may be granted but options cannot be exercised and share purchase rights cannot be enforced. The ESOP will become effective upon the earlier of its adoption by the Board or the Shareholders' approval for the ESOP. If Shareholders fail to approve the ESOP within 12 months prior to or after its adoption by the Board, Awards that have been granted shall be rescinded and no Awards shall be granted thereafter.

The Administrator may at any time amend, alter, suspend or terminate the ESOP. Where required by applicable law; provided, however, that to the extent necessary or desirable to comply with any applicable laws, the Company shall obtain Shareholders' approval of any ESOP amendment; provided, further, that no amendment, alteration, suspension or termination of the ESOP shall materially and adversely impair the rights of any Participant with respect to an outstanding Award unless mutually agreed otherwise between the Participant and the Administrator, in writing and signed by the Participant and the Company. No Shares shall be issued or sold under the ESOP after its termination except upon exercise of an Award granted prior to its termination.

Outstanding options granted

The overall limit on the number of underlying Shares pursuant to the ESOP is 91,304,348 Shares (with options representing 18,564,348 Shares having been cancelled). The number of underlying Shares pursuant to the outstanding options granted under the ESOP amounts to 57,462,000 Shares, representing approximately 10.48% of the issued Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option and outstanding options granted under the ESOP are not exercised, and no new Shares are issued for the RSU Plan).

As of the Latest Practicable Date, 69 grantees held options granted under the ESOP which remained outstanding. These options under the ESOP were granted between November 5, 2012 and April 1, 2018 (both days inclusive).

Director and senior management

As of the Latest Practicable Date, our Directors and senior management were holding unexercised options under the ESOP to subscribe for a total of 33,820,000 Shares representing 6.17% of the issued share capital of our Company upon completion of the Global Offering (assuming the Over-allotment Option and outstanding options granted under the ESOP are not exercised, and no new Shares are issued for the RSU Plan).

Below is a list of the Directors and senior management who are grantees under the ESOP:

Name of Director or senior management	Address	Date of grant	Vesting period	The period during which options are exercisable	Exercise price	Number of Shares under the option granted⁽¹⁾	Approximate percentage of issued shares immediately after completion of the Global Offering⁽¹⁾
Bao Fan (包凡)	Unit 5622, The Harbourview Place, 1 Austin Road West, Kowloon, Hong Kong, China	April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	16,000,000	2.93%
		April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$0.75	400,000	0.07%
Xie Yi Jing (謝屹璟) . .	Villa 6 Palm Spring Villa, 3800 Long Dong Avenue, Pu Dong, Shanghai 201210 China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$0.75	400,000	0.07%
Du Yongbo (杜永波) . .	Flat 6A, Ligao Wangfurong West, Tianzhu Shunyi District, Beijing 101300, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$0.75	400,000	0.07%

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Name of Director or senior management	Address	Date of grant	Vesting period	The period during which options are exercisable	Exercise price	Number of Shares under the option granted⁽¹⁾	Approximate percentage of issued shares immediately after completion of the Global Offering⁽¹⁾
Wang Xinwei (王新衛) ..	No. 105, Building 13, Wanke Xingyuan, Chaoyang District, Beijing, China	April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	960,000	0.18%
		April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$0.75	400,000	0.07%
Jiang Shan (姜山)	6A, Block 9, Tung Chung Clescent, Tung Chung, NT	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$0.75	1,700,000	0.31%
Zou Juan (鄒涓)	F527-4-5B, Hupanyaju, No. 10, South Nanhu Road, Chaoyang District, Beijing, China	January 1, 2015	5 years from July 1, 2014	10 years from the date of grant	US\$0.25	2,800,000	0.51%
		April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	800,000	0.15%
		April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$0.75	400,000	0.07%
Wang Lixing (王力行) ..	2-2-2002 Xianghai Yuan, Fanhai International Community, No. 95, Yaojiayuan Road, Chaoyang District	January 1, 2015	5 years from the date of grant	10 years from the date of grant	US\$0.25	560,000	0.10%
		January 1, 2016	5 years from the date of grant	10 years from the date of grant	US\$0.625	1,000,000	0.18%
		April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	1,000,000	0.18%
		April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$0.75	1,200,000	0.22%

Name of Director or senior management	Address	Date of grant	Vesting period	The period during which options are exercisable	Exercise price	Number of Shares under the option granted ⁽¹⁾	Approximate percentage of issued shares immediately after completion of the Global Offering ⁽¹⁾
Lam Ka Cheong Jason (林家昌)	Flat B, 10/F, Block 6, King's Park Villa, 1 King's Park Rise, Ho Man Tin, Kowloon	May 13, 2013	5 years from August 1, 2013	10 years from the date of grant	US\$0.25	300,000	0.06%
		January 1, 2014	5 years from the date of grant	10 years from the date of grant	US\$0.25	100,000	0.02%
		January 1, 2015	5 years from the date of grant	10 years from the date of grant	US\$0.25	5,000,000	0.91%
		April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$0.75	400,000	0.07%
Subtotal		8 grantees				33,820,000	6.17%

Note:

(1) The table above assumes that the Over-allotment Option and outstanding options granted under the ESOP are not exercised, and no new Shares are issued for the RSU Plan.

Connected persons who are not Directors or senior management

As of the Latest Practicable Date, one connected persons of the Company (who is a director of a significant subsidiary but not a Director or member of senior management) was holding unexercised options under the ESOP to subscribe for a total of 840,000 Shares, representing approximately 0.15% of the issued share capital of our Company upon completion of the Global Offering (assuming the Over-allotment Option and the outstanding options granted under the ESOP are not exercised and no new Shares are issued pursuant to the RSU Plan).

The table below shows the details of options granted to connected persons of our Company (who are not Directors or member of senior management) under the ESOP:

Name of connected person	Address	Date of grant	Vesting period	The period during which options are exercisable	Exercise price	Number of Shares under the option granted ⁽¹⁾	Approximate percentage of issued shares immediately after completion of the Global Offering ⁽¹⁾
Wang Haixiao	Flat B, 66F, TWR1, The Hermitage, 1 Hoi Wang Rd, Kowloon, Hong Kong	January 1, 2016	5 years from the date of grant	10 years from the date of grant	US\$0.625	240,000	0.04%
		April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$0.75	600,000	0.11%
Subtotal . .		1 grantee				840,000	0.15%

Note:

(1) The table above assumes that the Over-allotment Option and outstanding options granted under the ESOP are not exercised, and no new Shares are issued for the RSU Plan.

Other grantees

The table below shows the details of options granted to individuals, other than the nine Directors, members of our senior management or connected persons disclosed above, under the ESOP:

Name of Grantee	Title in our Group	Business line within our Group	Address	Date of grant	Vesting period	The period during which options are exercisable	Exercise price	Number of Shares under the option granted ⁽¹⁾	Approximate percentage of issued shares immediately after completion of the Global Offering ⁽¹⁾
Kim Charles Jong Won	Managing Director	Investment Banking	4880 Commonwealth Ave, La Canada, CA 91011, USA	January 1, 2014	5 years from February 15, 2014	10 years from the date of grant	US\$ 0.25	1,500,000	0.27%
				January 1, 2015	5 years from the date of grant	10 years from the date of grant	US\$ 0.25	300,000	0.05%
Xiang Wei (項威)	Managing Director	Back office	Room 1802, No. 2 Lane 1398, Gubei Road, Shanghai, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	1,200,000	0.22%
				April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	320,000	0.06%
				July 1, 2016	5 years from the date of grant	10 years from the date of grant	US\$0.625	160,000	0.03%
Wei Shanwei (魏山巍)	Managing Director	Investment Banking	Flat K 25/F, Tower 3, The Avenue, 200 Queen's Road East, Hong Kong	January 1, 2016	5 years from May 22, 2015	10 years from the date of grant	US\$0.625	1,000,000	0.18%
				April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	600,000	0.11%
Au, Francis Kwok Yu (區國譽)	Ex-employee	Investment Banking	1808 Saint Albans Road, San Marino, CA 91108, USA	January 1, 2013	5 years from April 3, 2012	10 years from the date of grant	US\$0.375	1,200,000	0.22%
Choy, Wai Ting (蔡偉定)	Managing Director	Investment Banking	Flat B, 43/F, Tower 2, The Legend, 23 Tai Hang Drive, Tai Hang, Hong Kong	January 1, 2016	5 years from August 18, 2015	10 years from the date of grant	US\$0.625	1,000,000	0.18%
				April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Zhou Xiang (周翔)	Managing Director	Investment Banking	Room 2208, 19F, Building 1#, No.32 Baizhiwan Street, Chaoyang District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	600,000	0.11%
				January 1, 2015	5 years from the date of grant	10 years from the date of grant	US\$ 0.25	480,000	0.09%
Zhou Liang (周亮)	Managing Director	Investment Banking	1503#, Building 3, Guodian Huayuan, No. 12, Anding Road, Chaoyang District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	600,000	0.11%
				April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	240,000	0.04%
				January 1, 2015	5 years from the date of grant	10 years from the date of grant	US\$ 0.25	160,000	0.03%

Name of Grantee	Title in our Group	Business line within our Group	Address	Date of grant	Vesting period	The period during which options are exercisable	Exercise price	Number of Shares under the option granted ⁽¹⁾	Approximate percentage of issued shares immediately after completion of the Global Offering ⁽¹⁾
Jonathan Dean Hong	Managing Director	Investment Banking	77W 24th Street #22F, NY, 10010, USA	January 1, 2014	5 years from the date of grant	10 years from the date of grant	US\$ 0.25	600,000	0.11%
				January 1, 2015	5 years from the date of grant	10 years from the date of grant	US\$ 0.25	100,000	0.02%
				April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	100,000	0.02%
				April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Yeh, Pei Ru (葉蓓如)	Managing Director	Investment Banking	Flat D 21/F Palatial Crest, 3 Seymour Road, Hong Kong	January 1, 2016	5 years from May 27, 2015	10 years from the date of grant	US\$0.625	500,000	0.09%
				January 1, 2016	5 years from May 27, 2015	10 years from the date of grant	US\$ 0.25	350,000	0.06%
Tang Yu (唐彥)	Managing Director	Investment Banking	15#2502, Oulujingdian Wanxingyuan, No. 172 Beiyuan Road, Chaoyang District, Beijing, China	November 5, 2012	5 years from January 1, 2013	10 years from the date of grant	US\$ 0.25	440,000	0.08%
				January 1, 2016	5 years from the date of grant	10 years from the date of grant	US\$0.625	400,000	0.07%
Wei Ke (魏可)	Managing Director	Investment Management	Unit 1208, Area 3, Wantong Tianzhu Xinxin Jiayuan, No.33 Tianzhudong Road, Shunyi District, Beijing, China	October 1, 2017	5 years from September 18, 2017	10 years from the date of grant	US\$0.625	800,000	0.15%
Ding Yuting (丁玉婷)	Director	Investment Banking	Room 1004, Building 20, Sheng Yuan Jia Hao Cheng, Long 669, Liuying Road, Shanghai, China	January 1, 2014	5 years from the date of grant	10 years from the date of grant	US\$ 0.25	300,000	0.05%
				April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	300,000	0.05%
Liu Yinghang (劉英航)	Director	Investment Banking	220-2-202, District 2, Wanxiang Xintian Jiayuan, Dongwei Road, Chaoyang District, Beijing, China	January 1, 2014	5 years from the date of grant	10 years from the date of grant	US\$ 0.25	300,000	0.05%
				January 1, 2016	5 years from the date of grant	10 years from the date of grant	US\$0.625	300,000	0.05%
Sun Qiang (孫強)	Director	Investment Banking	3-11A Park Avenue, 6 Chaoyang Park South Rd, Chaoyang District, Beijing, China	April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	300,000	0.05%
				January 1, 2015	5 years from the date of grant	10 years from the date of grant	US\$ 0.25	120,000	0.02%
				April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Chen Yang (陳楊)	Director	Back office	Room 1306, A-Z Town, ShiliPu, Chaoyang District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	400,000	0.07%
				April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	96,000	0.02%

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Name of Grantee	Title in our Group	Business line within our Group	Address	Date of grant	Vesting period	The period during which options are exercisable	Exercise price	Number of Shares under the option granted ⁽¹⁾	Approximate percentage of issued shares immediately after completion of the Global Offering ⁽¹⁾
Yu Debra	Managing Director	Investment Banking	245 Library Place, Princeton Boro NJ 08540, USA	April 1, 2017	5 years from July 18, 2016	10 years from the date of grant	US\$0.625	320,000	0.06%
				April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Kang Dian (康典)	Consultant	Investment Banking	Flat F, 61/F, Block 6, The Belcher's 89 Pokfulam Road, Hong Kong	April 1, 2017	4 years from March 1, 2017	10 years from the date of grant	US\$0.625	400,000	0.07%
Fang Kai (房凱)	Managing Director	Investment Banking	9B Tower One, Marina South, No. 8 AP Lei Chau Drive, Aberdeen Hong Kong	April 1, 2017	5 years from January 17, 2017	10 years from the date of grant	US\$0.625	320,000	0.06%
				April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Xia Yang (夏陽)	Ex-employee	Investment Banking	Building 6, Dong Yuan Ya Ji Estate, 2211 Long Dong Road, Pudong, Shanghai, China	July 1, 2016	5 years from June 6, 2016	10 years from the date of grant	US\$0.625	400,000	0.07%
Xu Yuan (許媛)	Director	Investment Banking	Room 616, Ding Gu Mansion (Sun & Moon Light Earl Mansion), No. 338 Cheng Bei Road, Shanghai, China	January 1, 2016	5 years from the date of grant	10 years from the date of grant	US\$0.625	180,000	0.03%
				April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	80,000	0.01%
				April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Yee, Ming Cheung Lawrence (余名章)	Managing Director	Back office	Flat E 3/F, Fairview, 32 Braga Circuit, Ho Man Tin Kowloon, Hong Kong	April 1, 2017	5 years from August 8, 2016	10 years from the date of grant	US\$0.625	240,000	0.04%
				April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Yu Rui	Managing Director	Investment Banking	Apt 2802, Unit D, Building 1, Park 1872, Ba Li Zhuang Bei Li, Chaoyang District, Beijing, China	April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	160,000	0.03%
				April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	160,000	0.03%
Ji Diying (季迪英)	Managing Director	Investment Banking	20 Webster Road, Scarsdale NY, 10583, USA	April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	300,000	0.05%
Zheng Huande (鄭煥德)	Director	Back office	9F, Hong Xiang Ge, Hong Ye Yuan, Dongmen North Road, Luohu, Shenzhen, Guangdong, China	April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	260,000	0.05%
Huang Jingxin (黃晶心)	Vice-President	Back office	3-5-701, No. 8 Lize West Street, Chaoyang District, Beijing, China	January 1, 2016	5 years from the date of grant	10 years from the date of grant	US\$0.625	160,000	0.03%
				April 1, 2018	10 years from the date of grant	10 years from the date of grant	US\$ 0.75	100,000	0.02%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of Grantee	Title in our Group	Business line within our Group	Address	Date of grant	Vesting period	The period during which options are exercisable	Exercise price	Number of Shares under the option granted ⁽¹⁾	Approximate percentage of issued shares immediately after completion of the Global Offering ⁽¹⁾
Zheng Yi (鄭熾)	Director	Back office	10-1504, Hui Min Yuan, Tong Hui Jia Yuan, Chaoyang District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	160,000	0.03%
				January 1, 2014	5 years from the date of grant	10 years from the date of grant	US\$ 0.25	100,000	0.02%
Xu Yeren	Consultant	Back office	Room 903, No. 4, 368 Lane, Hongjing Road, Minxing District, Shanghai, China	July 1, 2016	4 years from the date of grant	10 years from the date of grant	US\$0.625	240,000	0.04%
Guo Dajiang	Consultant	Back office	Flat C 45/F Block 2, PH 4 Residence Bel-air, Hong Kong	January 1, 2017	5 years from August 1, 2016	10 years from the date of grant	US\$0.625	200,000	0.04%
Zhang Runtian (張潤田)	Vice President	Investment Banking	Room 1802, Building No. 20, Block D, Shuangjing Fulicheng, Chaoyang District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	200,000	0.04%
Dong Jianjin (董建瑾)	Managing Director	Back office	Room 2101, Unit 7, Building 1, Lidu Shuian, Chaoyang District, Beijing, China	October 1, 2015	4 years from the date of grant	10 years from the date of grant	US\$ 0.25	200,000	0.04%
Tang Qian (唐倩)	Director	Back office	1002, #7, Building 5, Douban Xiao Qu, Dongcheng District, Beijing, China	January 1, 2016	5 years from the date of grant	10 years from the date of grant	US\$0.625	120,000	0.02%
				April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Xu Rong (徐榮)	Director	Back office	No. 12A, Hepingli Middle Street, Dongcheng District, Beijing, China	January 1, 2016	5 years from the date of grant	10 years from the date of grant	US\$0.625	120,000	0.02%
				April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Dong Mengyuan (董夢媛)	Vice President	Investment Banking	Room 202, Building 3, 88 Xuefu Street, Yangpu District, Shanghai, China	January 1, 2015	5 years from the date of grant	10 years from the date of grant	US\$ 0.25	200,000	0.04%
Nicholas Thomas Ganz	Managing Director	Back office	87 Great Oak Lane Road, Pleasantville, NY 10570, USA	April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	196,000	0.04%
Zhang Yan (章彥)	Director	Investment Banking	Room 301, Unit 52, No. 127 Tangzhen Road, Pudong New District, Shanghai, China	January 1, 2015	5 years from the date of grant	10 years from the date of grant	US\$ 0.25	180,000	0.03%
Zheng Ruiyuan (鄭瑞漫)	Director	Back office	20B Building 1-502, 2 Jintai West Road, Chaoyang District, Beijing, China	November 5, 2012	5 years from January 1, 2013	10 years from the date of grant	US\$ 0.25	100,000	0.02%
				April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Zhang Cong (張聰)	Vice President	Investment Management	Room 202, Unit 3, Building No. 9, Wenhua Road, Changping District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	160,000	0.03%

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

Name of Grantee	Title in our Group	Business line within our Group	Address	Date of grant	Vesting period	The period during which options are exercisable	Exercise price	Number of Shares under the option granted ⁽¹⁾	Approximate percentage of issued shares immediately after completion of the Global Offering ⁽¹⁾
Jing Haojie (景皓潔)	Vice President	Back office	Room 1204, Block 22#, Fudongjiayuan, Gaoyangshu Street, Chaoyang District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	160,000	0.03%
Zhang Yu (張瑜)	Director	Investment Banking	Flat 702, 1 Danyuan, No. 17 Building, Donghuashi Beilixiqu, Dongcheng District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	160,000	0.03%
Feng Da (馮達)	Director	Back office	Room 206, Unit 2, No. 14 building, Yu Hai Yuan, Haidian District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	160,000	0.03%
Zhu Qing (朱慶)	Director	Back office	Room 1603, Building 8, No. 1141, Taolin Road, Pudong New District, Shanghai, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	160,000	0.03%
Qiao Yinglun (喬英倫)	Director	Investment Banking	Room 702, Unit 4, Building 20, Sunshine East C District, No. 6 North Fourth Ring Road, Chaoyang District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	160,000	0.03%
Zou Yanshu (鄒彥書)	Director	Investment Management	21st Floor, Tower C, Central International Trade Center, 6 Jianguomenwai Avenue, Chaoyang District, Beijing, China	January 1, 2015 April 1, 2018	5 years from the date of grant 5 years from the date of grant	10 years from the date of grant 10 years from the date of grant	US\$ 0.25 US\$ 0.75	80,000 40,000	0.01% 0.01%
Del're, Daniel	Director	Back office	Flat D, 31/F, Lime Stardom, 1 Larch Street, Tai Kok Tsui, Kowloon, Hong Kong	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Li Haoyi (李豪翼)	Director	Investment Banking	Flat F 26/F Royal Court 9M Kennedy Road, Hong Kong	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Sun Jing (孫競)	Director	Investment Banking	Flat F, 39/F, Tower 8, Island Harbourview, 11 Hoi Fai Road, Tai Kok Tsui, KLN, Hong Kong	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Jiang, Tong	Managing Director	Investment Banking	Flat 506, 5/F, Tower C, 9 Old Peak Road, Queen's Garden, Mid-Levels, Hong Kong	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Jiang Yifei (蔣一斐)	Director	Investment Banking	Room 606, No. 138, Wuhua Road, Hongkou District, Shanghai, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Xu Kun (徐鈺)	Vice President	Investment Banking	Room 1601, No. 11 Building, Zone 1, Zifang Yuan, Fengtai District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Yuan, Lingyun (袁凌韻)	Director	Investment Management	Flat E 48/F, Tower 6, Harbour Green, Sham Mong Road, KLN, Hong Kong	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Lee, Vanessa (李穎嫻)	Director	Investment Banking	Flat 20A, Tower 3, Queens Terrace, No. 1 Queens Street, Sheung Wan, Hong Kong	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%

Name of Grantee	Title in our Group	Business line within our Group	Address	Date of grant	Vesting period	The period during which options are exercisable	Exercise price	Number of Shares under the option granted ⁽¹⁾	Approximate percentage of issued shares immediately after completion of the Global Offering ⁽¹⁾
Niu Xiaoyi (牛曉毅)	Director	Investment Management	Room 2506, Building 3, Xanadu, No. 139 Chaoyang Road, Chaoyang District, Beijing	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	80,000	0.01%
Wei Hu (魏虎)	Vice President	Investment Banking	Room 502, Unit 4, Building 2, No. 20, Caoqiao East Road, Fengtai District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	60,000	0.01%
Yang Jing (楊靜)	Director	Back office	C6-505, Fu Li Cheng, Chao Yang District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	60,000	0.01%
Zhang Xuefeng (張雪風)	Vice President	Investment Banking	Room 1312, Floor 13, Building 7, Xuan Te Jia Yuan, Chaoyang District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	60,000	0.01%
Chan, Wing Yin Jane Clare (陳永賢)	Director	Back office	Flat LC, 3/F, TWR 3, Amber, Hemera, Tseung Kwan O, NT, Hong Kong	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	40,000	0.01%
Xu Leyang (許樂洋)	Vice President	Investment Banking	Room 401, No.11, Lane 675, East Changli Rd., Pudong New District, Shanghai, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	40,000	0.01%
Zhang Yu (張俞)	Associate	Back office	Room 1102, Unit 3, Block A05, Fulishangyueju, Tongzhou District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	40,000	0.01%
Li Xiaoyu (李小玉)	Vice President	Investment Banking	Room 2005, Unit 1, 17/F, Building 140, Jiangfujiaoyuan, Chaoyang District, Beijing, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	20,000	0.00%
Zhong Yingchun (鍾迎春)	Vice President	Investment Banking	R134, 500 Lane, Xingle Road, Minhang, Shanghai, China	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$ 0.75	20,000	0.00%
Total								22,802,000	4.18%

Note:

(1) The table above assumes that the Over-allotment Option and outstanding options granted under the ESOP are not exercised, and no new Shares are issued under the RSU Plan.

Assuming full exercise of the outstanding options under the ESOP and no new Shares are issued pursuant to the RSU Plan, the shareholding of our Shareholders immediately following the Listing will be diluted by approximately 9.48% if calculated based on 605,901,612 Shares. The consequent impact on the earnings per ordinary share for the years ended December 31, 2015, 2016, 2017 and the three months ended March 31, 2018 is US\$0.01, US\$0.01, nil and nil respectively, being the difference between basic and diluted earnings per ordinary share, with the following assumptions:

- 1) The calculation of basic earnings per ordinary share for the Track Record Period is based on the profit (loss) for the year/period attributable to the owners of the Company.
- 2) The computation of diluted earnings per ordinary share for the three years ended December 31, 2015, 2016 and 2017 and the three months ended March 31, 2018 considers only the effect of the full exercise of the current outstanding options granted under the ESOP, namely 57,462,000 additional Shares, and does not take into account the effect of any issuance or conversion of series A or series B preferred shares, or conversion of any convertible notes issued by the Company.
- 3) For the avoidance of doubt, the impact on earnings per ordinary share for the Track Record Period does not take into account the issuance and conversion of the 2018 Convertible Notes, the 2018 Share Subdivision (as defined in “History, Reorganization and Corporate Structure—Major Shareholding Changes of our Company”), and any Shares issued or to be issued under the RSU Plan, all of which occurred after the Track Record Period.

E. RSU PLAN

1. Summary

The following is a summary of the principal terms of the China Renaissance Holdings Limited 2018 Restricted Share Unit Plan (i.e. the RSU Plan), as approved by the Board on June 15, 2018. 40,000,000 Shares have been issued to Honor Equity Limited and Sky Allies Development Limited for distribution of Shares corresponding to RSUs. 12,000,000 Shares will be issued by the Company within five years of the Listing for the same purpose.

As of the Latest Practicable Date, our Company had not identified any grantee under the RSU Plan.

2. Purpose

The purpose of the RSU Plan is to enable the officers, employees or directors of, and consultants to, the Group to share in the success of the Company, in order to assure a closer identification of the interests of such persons with those of the Group and stimulate the efforts of such persons on the Company Group’s behalf.

3. Restricted Share Units (“RSUs”)

An Award represents a grant of RSUs to the grantees (the “**Grantees**”). Each RSU shall represent the right to receive one Share (subject to any adjustment in accordance with the terms of the RSU Plan due to changes of share capital of our Company) upon vesting. The number of Shares that are subject to outstanding Awards under the Plan at any time shall not exceed the aggregate number of RSUs that then remain available for distribution under the Plan.

4. Administration

The term of the Plan shall be ten (10) years from the date of approval and adoption of the Plan by the Board. The Plan shall be administered by a committee as designated by the Board (the “**Committee**”). Any decisions of the Committee shall be approved by the majority of the members of the Committee.

Subject to compliance with any applicable legal requirements relating to the administration of this plan and the grant of any Award, the Committee shall have the power and authority to grant Awards in accordance with the terms of the Plan, including the power and authority:

- (a) to select any person who is a full- or part-time officer, employee or director of, or a consultant to, the Company or any Subsidiary of the Company (an “**Eligible Person**”) at the time of the grant to whom Awards may from time to time be granted;
- (b) to determine the time or times of grant, and the extent, if any, of Awards granted to any one or more Grantees;
- (c) to determine the number of RSUs granted under any Award, subject to adjustment;
- (d) to determine and modify the terms and conditions of any Award, and to approve the form of written instruments evidencing the Awards;
- (e) to amend, with the consent of the Grantee, the terms of any outstanding Award at any time; to amend, without the consent of the Grantee, such terms where the amendment (i) does not materially and adversely affect the rights of the Grantee, or (ii) is necessary or advisable (as determined by the Committee) to carry out the purpose of the Award as a result of any applicable law, or (iii) pertains to a Plan or Award that specifically permits such amendment without consent;
- (f) to accelerate at any time the vesting of all or any portion of any Award;
- (g) to impose any limitations on Awards granted under the Plan;
- (h) to appoint such agents as the Committee may deem in its absolute discretion appropriate to administer the Plan;
- (i) to adopt, alter and repeal such rules, guidelines and practices for administration of the Plan and for its own acts and proceedings as it shall deem advisable; to interpret the terms and provisions of the Plan and any Award (including related written instruments); to make all determinations it deems advisable for the administration of the Plan; to decide all disputes arising in connection with the Plan; and
- (j) to take any other action that the Committee deems necessary or desirable for the administration of the Plan.

All decisions of the Committee shall be binding on all persons, including the Company and the Grantees.

Neither the Board nor the Committee, nor any member of either or any delegatee thereof, shall be liable for any act or omission made in good faith in connection with the Plan.

5. Grant of RSUs

The Committee at the time of grant shall specify the date or dates and/or any vesting or other terms and conditions (which may include continuing employment (or other service relationship),

achievement of pre-established performance goals and objectives and/or such other conditions that the Committee deems appropriate in its sole discretion) on which RSUs under an Award shall become vested.

If any RSU is forfeited prior to vesting in accordance with the terms and conditions of the Award Agreement, then such RSU shall be forfeited with immediate effect and of no further force or effect, and no payment shall be made to the Grantee in respect thereof.

6. Changes in stock

Subject to the terms of the RSU, if the outstanding Shares are increased or decreased or are exchanged for a different number or kind of Shares or other securities of the Company, or additional Shares or new or different Shares or other securities of the Company or other non-cash assets are distributed with respect to such Shares or other securities, the Committee shall make an appropriate or proportionate adjustment in order to prevent dilution or enlargement of rights of the Grantees under the Plan.

Merger or demerger. In the event of a merger or a demerger of the Company, all provisions in this Plan, for the period remaining as from the exchange date, shall continue to apply to the rights received as a result of the exchange. If the Board determines that such RSU shall vest, the Company shall as soon as possible prior to the date of the proposed shareholders' meeting, deliver the Shares underlying the RSUs to the Grantees, either directly or indirectly under the name of any person or entity designed by the Grantees.

Winding Up. In the event a notice is given by the Company to its shareholders to convene a shareholders' meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up the Company prior to the vesting date of any RSU, the Board shall determine at its discretion whether and the period when such RSU shall vest. If the Board determines that such RSU shall vest, the Company shall as soon as possible prior to the date of the proposed shareholders' meeting, deliver the Shares underlying the RSUs to the Grantees, either directly or indirectly under the name of any person or entity designed by the Grantees.

Takeover. If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) is made to all of the shareholders of the Company (other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer becomes or is declared unconditional, the Company shall forthwith give notice to the Grantees and the Grantees shall be entitled to receive the Shares in respect of the vested RSUs within any period specified in the notification.

Scheme of arrangement. If a general offer by way of scheme arrangement is made to all of the shareholders of the Company and has been approved by the necessary number of shareholders of the Company at the requisite meetings, the Company shall forthwith give notice to the Grantees and the Grantees shall be entitled to receive the Shares in respect of the vested and unvested RSUs within any period specified in the notification.

Compromise or arrangement. In the event of a compromise or arrangement between the Company and its shareholders and/or creditors being proposed in connection with a scheme for the reconstruction of the Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which the Company was incorporated, the Company shall give notice to all Grantees

on the same day as it first gives notice of the meeting to its shareholders and/or creditors summoning the meeting to consider such a scheme or arrangement. the Grantee shall be entitled to receive the Shares in respect of the vested and unvested RSUs within any period specified in the notification. In any event, the Company shall procure the Shares to be delivered to the Grantees no later than three days prior to the proposed meeting.

7. Non-transferability of the awards and Shares

Unless otherwise determined by the Committee and so provided in the applicable Award Agreement, no RSUs shall be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner (whether by operation of law or otherwise) other than by will or applicable laws of descent and distribution or pursuant to a domestic relations order. Failure to comply shall result in the RSU being forfeited.

8. Rights of the grantees

Voting Rights. Where the Shares are delivered to and held by a nominee, trustee, or custodian appointed by the Company for the purpose of implementation of the RSUs, regardless of whether the corresponding RSUs have vested or not, such nominee, trustee or custodian shall, as provided in the applicable trust deed or other similar custodian documents entered into with the Company, exercise the shareholder's rights attached to the Shares, in particular, the right to vote at the Company's shareholders' meetings on behalf of the Grantees.

Dividends. No Grantee shall receive any payment with respect to the outstanding RSUs under the Awards in the event the Company pays any dividend on the underlying Shares until such RSUs become fully vested (provided always that the Grantees shall not be entitled to receive any dividend declared and distributed with respect to the RSUs prior to the vesting of the same), unless otherwise provided in the Award Agreement. The Company may in its discretion implement mechanisms intended to reduce the costs associated with the dividend distributions.

Death. Each Grantee to whom an Award has been made under the Plan may designate a beneficiary or beneficiaries to receive any vested Award or any payment under any Award payable on or after the Grantee's death. Such designation shall not be effective until received by the Committee.

Creditors' rights. With respect to any Award and any payments in cash, Shares or other consideration not received by a Grantee, a Grantee shall have no rights greater than those of a general creditor of the Company unless the Committee shall otherwise expressly determine in connection with any Award or Awards.

9. Tax withholding

Each Grantee shall, no later than the date as of which the value of an Award or other amounts received thereunder first becomes includable in the gross income of the Grantee for income tax purposes, pay to the Company or other applicable employer, or make arrangements satisfactory to the Committee regarding payment of, any national, federal, state, or local taxes of any kind required by law to be withheld with respect to such income. The Company and its Subsidiaries shall, to the extent permitted by law, have the right to (i) deduct any such taxes from any payment of any kind otherwise due to the Grantee or (ii) procure the sale of all or part of the Shares to satisfy the Grantee's obligations.

10. Grantees

As of the Latest Practicable Date, our Company had not granted any RSUs to any grantee.

F. OTHER INFORMATION**1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in this document and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option and outstanding options under the ESOP or new Shares to be issued pursuant to the RSU Plan).

Goldman Sachs satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

As of the Latest Practicable Date, certain funds managed by a joint venture of ICBC International Holdings Limited, the parent company of ICBCI Capital, invested in certain funds managed by our Group as limited partners, during the ordinary course of business. In addition, in March 2017, ICBC International Holdings Limited entered into a Strategic Cooperation Framework Agreement with the Company to facilitate their corporation in various areas, including but not limited to investment banking, financial markets as well as wealth management & private banking business. In view of the ICBCI Facilities, and taken into consideration of the above as a whole, ICBCI Capital is expected to be not independent from the Company.

Each of the Joint Sponsors will receive an aggregate fee of US\$500,000 for acting as sponsor to the Company in connection with the Listing.

4. Consents of experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included:

Name	Qualification
Goldman Sachs (Asia) L.L.C.	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), and Type 9 (asset management) of the regulated activities as defined under the SFO
ICBC International Capital Limited	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
Commerce & Finance Law Offices	Qualified PRC Lawyers
Maples and Calder (Hong Kong) LLP	BVI and Cayman Islands attorneys-at-law
Deloitte Touche Tohmatsu	Certified public accountants
China Insights Consultancy Limited	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above had any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for securities, in any member of our Group.

5. Binding effect

This document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

6. Bilingual Document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

7. Preliminary expenses

The Company did not incur any material preliminary expenses.

8. Disclaimers

- (a) Save as disclosed in this document, within the two years immediately preceding the date of this document:
 - (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or shares as fully or partly paid otherwise than in cash;

- (ii) no commissions, discounts, brokerages or other special terms have been granted, have been paid or are payable in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries; and
 - (iii) taking no account of any Shares which may be taken up under the Global Offering and allotted and issued pursuant to the ESOP, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering (without taking into account any Shares to be issued pursuant to the exercise of the Over-allotment Option and outstanding options under the ESOP or pursuant to the RSU Plan), have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.
- (b) Save as disclosed in this document:
- (i) we do not have any promoter and no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this document;
 - (ii) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
 - (iii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iv) none of the Directors or the experts named in the part headed “—Other information—Consents of experts” above has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
 - (v) there is no arrangement under which future dividends are waived or agreed to be waived;
 - (vi) our Company has no outstanding convertible debt securities or debentures;
 - (vii) we do not have any issued and outstanding, authorized or otherwise created but unissued debt securities or term loans;
 - (viii) there are no contracts for hire or hire purchase of plant to or by us for a period of over one year which are substantial in relation to our business; and
 - (ix) none of the Directors are materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

- (a) copies of WHITE, YELLOW, and GREEN Application Forms;
- (b) the written consents referred to in “Statutory and general information—F. Other information—4. Consents of experts” in Appendix IV; and
- (c) copies of the material contracts referred to in “Statutory and General information—B. Further information about our business—1. Summary of material contracts” in Appendix IV.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this document:

- (a) the Memorandum and Articles of Association;
- (b) the report issued by China Insights Consultancy Limited, a summary of which is set forth in “Industry Overview”;
- (c) the PRC legal opinions issued by our PRC Legal Advisor on PRC law, in respect of certain general corporate matters and property interests in China of our Group;
- (d) the Accountants’ Report and the report on the unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the texts of which are set out in Appendices I and II;
- (e) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on Cayman Islands law, summarising certain aspects of Cayman Islands company law referred to in Appendix III;
- (f) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor on BVI law summarizing certain aspects of BVI law referred to “Contractual Arrangements”;
- (g) the Cayman Companies Law;
- (h) the written consents referred to in “Statutory and general information—Other information—Consents of experts” in Appendix IV;
- (i) the material contracts referred to in the section headed “Statutory and general information—Further information about our business—Summary of material contracts” in Appendix IV;
- (j) the service contracts and the letters of appointment with our Directors referred to in the section headed “Statutory and general information—Further information about our Directors—Particulars of Directors’ service contracts and appointment letters” in Appendix IV;

- (k) the list of all grantees who have been granted share options to subscribe for Shares under the ESOP, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (l) the terms of the ESOP; and
- (m) the terms of the RSU Plan.

