华兴资本

ANNUAL REPORT 2018

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

CONTENTS

COMPANY PROFILE

China Renaissance is 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. The Group has built its 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. The Group's network of entrepreneurs and investors plays a critical role in supporting investment capital flows into leading new economy businesses and structuring industry-shaping transactions.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Bao Fan *(Chairman)*
Mr. Xie Yi Jing
Mr. Du Yongbo

Non-Executive Directors

Mr. Neil Nanpeng Shen
Mr. Li Shujun
Mr. Li Eric Xun

Independent Non-Executive Directors

Ms. Yao Jue
Mr. Ye Junying
Mr. Zhao Yue

AUDIT COMMITTEE

Ms. Yao Jue *(Chairman)*
Mr. Ye Junying
Mr. Zhao Yue

REMUNERATION COMMITTEE

Mr. Ye Junying *(Chairman)*
Mr. Bao Fan
Mr. Zhao Yue

NOMINATION COMMITTEE

Mr. Bao Fan *(Chairman)*
Ms. Yao Jue
Mr. Zhao Yue

COMPANY SECRETARY

Mr. Yee, Ming Cheung Lawrence

AUTHORIZED REPRESENTATIVES

Mr. Xie Yi Jing
Mr. Yee, Ming Cheung Lawrence

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F One Pacific Place, 88 Queensway
Hong Kong

COMPANY ADDRESS

Registered Office

The offices of Maples Corporate Services Limited
P.O. Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

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

LEGAL ADVISORS

As to Hong Kong law and United States law
Skadden, Arps, Slate, Meagher & Flom and affiliates

As to the laws of mainland China
Commerce & Finance Law Offices

As to BVI and Cayman Islands law
Maples and Calder (Hong Kong) LLP

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, Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

PRINCIPAL BANKS

Industrial and Commercial Bank of China (Asia) Limited
Silicon Valley Bank
UBS AG, Singapore
China Merchants Bank
China Minsheng Bank

STOCK CODE

1911

COMPANY WEBSITE

http://www.huaxing.com/

CHAIRMAN'S STATEMENT

Dear shareholders,

As I write this letter for China Renaissance's first annual report as a public company, I would like to begin by expressing my sincere gratitude to our clients, partners, employees, and shareholders for their continued trust and support.

2018 was the prelude to a global paradigm shift: the impact of unilateralism on globalization, Sino-US trade disputes, the rise of populism, and the policy shifts of central banks. Our industry also faced its own challenges: concerns over the business models and valuations of new economy startups in China, increasing pressure faced by venture capital (VC) and private equity (PE) firms as financing activities began to cool and investment strategies were adjusted, and the industry-wide decline in revenues and profits for Chinese securities firms.

With this macroeconomic backdrop in mind, 2018 was still a significant year for China Renaissance — we completed our IPO and listing on the Hong Kong Stock Exchange Main Board, allowing for new milestones with remarkable results.

- One such milestone was that our revenue increased by 51.2% in 2018 as compared to the prior year. The three business lines (investment banking, investment management, and Huajing Securities) all achieved double-digit growth, with total adjusted net profit reaching US$67.3 million.

- Each of these business lines contributed substantially to this milestone. Our investment banking business took part in a number of significant franchise-building projects in private equity, the capital markets (IPOs) and M&A, reflecting its role as the new economy's leading financial institution. With regard to our investment management business, total assets under management (AUM) reached US$4.1 billion, representing an increase of 26.0% from the previous year, with more than ten portfolio companies successfully launching in public markets. Huajing Securities, a rising star in the Chinese securities market, has also achieved many "firsts" during the year.

- We have a strong commitment to the continuous improvement of management and operational efficiencies, as well as corporate culture recognition. In 2018, the "Young Leadership Program" was officially launched. Two of the first eight young leaders of the program have joined the executive committee, while several others have become front-line business heads, playing key roles in setting and executing corporate strategies.

During the past 14 years since the Group's inception, amidst the ups and downs in our development, we have never stopped reflecting on our achievements and looking ahead. Having gone through a volatile 2018, I believe I should share some of my thoughts with our shareholders: **vision and values of which we have become more certain, a clearer business strategy, and most importantly, our understanding of the core capabilities of the Group.**

We have the right vision and values

China Renaissance was founded on the core principles to service, support and grow with China's new economy entrepreneurs, bringing together top-notch new economy enterprises with quality global funds. We hold on to this belief and trust that recognition will finally come. We are convinced that our business foundation can only be solidified through the constant creation of real value for our clients.

"Entrepreneurship" is core to the values of China Renaissance. We are a financial institution, with a startup's determination. We firmly believe that entrepreneurship, ownership and the pursuit of excellence are the most powerful driving forces behind business development. We shall continue to make China Renaissance a platform to attract top talent with an entrepreneurial spirit.

We have a clear long-term strategy to deliver growth

"Growth" is central to the development of China Renaissance in the next five to ten years, and it is also our commitment to shareholders, clients and employees. Only through continuous growth will our business be able to move to higher levels and attract the brightest talent, exceeding market expectations.

Being a "growth story" does not mean we lose sight of the quality of our development. Our entire management will consider ROE as the most important financial indicator, which also reflects our philosophy on strategic development and business selection.

We will keep strengthening our presence in investment banking, while continuously raising the status of our investment management and soon-to-launch wealth management businesses. Internationalization is the long-term direction for our development, as we bring entrepreneurs and investors from China to the world.

The questions we keep pondering include "what drives growth?" and "what makes a growing company great?". We believe the answers lie in the core values of a company. With the market moving in all sorts of directions, the only way for China Renaissance to maintain growth and realize its vision is by improving its core competencies and continuously creating value for clients.

We stand apart from our competitors by focusing on the "new economy". Such focus does not only define our business direction, but also shapes our corporate development. We continue to make breakthroughs and take quantum leaps, which have allowed us to grow from a mere financial advisor to an integrated financial institution. Like our new economy partners, we strive to be innovative in developing our business and growing our organization.

For the past ten years or so, we have laid the groundwork for starting the growth engine, putting great effort into building our core capabilities and fundamental infrastructure. We are not looking for a quick return, but firmly believe in the importance of building long-term strategic strengths and investing heavily in our future development. As such, we believe in outperforming ourselves and assimilating talent, hoping to attract more high-potential individuals from diverse backgrounds, with whom we will build a great business together.

2019 remains a year of uncertainty, both for the world and for us. However, with optimism on the long-term development of China and the new economy, and our sincere gratitude to all shareholders, clients and employees, we remain energetic and motivated. Your investment represents your trust in and encouragement to us. Besides financial rewards, we hope to share fond memories of building a world-class financial institution together. With this in mind, we keep our feet on the ground, remain prudent and, as always, do our best.

Bao Fan
Chairman and CEO

Hong Kong
March 19, 2019

BUSINESS REVIEW

2018 was a milestone year for China Renaissance. Not only did the Group successfully list on the Main Board of the Hong Kong Stock Exchange Limited on 27 September 2018, but we also delivered remarkable results, achieving significant business growth for each of our three segments, namely, investment banking, investment management and Huajing Securities.

The Group's investment banking business continued to perform well in 2018 despite volatile market conditions. The underwriting business took off as we participated in various significant transactions, including the IPOs of Meituan Dianping, iQIYI, Tencent Music and Beigene. Our successful application for the Hong Kong IPO sponsor license and qualification for Stock Connect brokerage were amongst other important achievements for our capital market services. The Group also took part in a number of mega private placement deals and advised on some important technology M&A transactions. Our role as a leading M&A advisor to China's top new economy firms was recognized as Mergermarket named us "Technology, Media & Telecom M&A Financial Adviser of the Year" for the second consecutive year. Similarly, the Group's investment management business continued its progress and industry leadership. This year saw its asset under management (AUM) reach US$4.1 billion and the exiting of numerous portfolio companies which have completed their IPOs in domestic and international markets. Huajing Securities, the Group's multi-licensed onshore securities platform, expanded its footprint through new business lines while also increased revenues and moved towards profitability. Notable assignments in the year included taking the lead underwriter role for Hainan Airlines' first renewable corporate bond issuance and leading the asset restructuring of the publicly traded BizConf Telecom.

As a result of the resiliency of our talented global team, together with the successful execution of our strategy, the Group's total revenue increased by 51.2% from the prior year, attributable to the three business segments as follows:

- Investment banking's revenue increased by 49.4%;

- Management fee increased by 66.9% for the investment management segment; and

- Huajing Securities recorded an increase of 29.7% in revenue.

The Group reported an adjusted net profit of US$67.3 million for 2018 compared to US$58.1 million for 2017.

The Group's continued gain of market share and business growth in 2018 were particularly impressive considering the challenging market environment in which it operated. The ongoing trade tensions between China and the United States, along with the overall contraction in global growth, weighed on our target markets. These factors have negatively impacted our industry's ability to service their growth. The liquidity and asset price correction has also put downward pressure on the entire industry, with overall Chinese investment bank revenue and profits decreasing significantly from 2017 to 2018. Our business was additionally impacted by the convergence of the new and traditional economies, where a new frontier has yet to emerge. Added on these challenges was the changing and tightening regulatory landscape in 2018 which also hampered financial innovation.

The Group's growth could not have been achieved without a right organizational structure. As continued efforts to enhance the effectiveness of our structure, major changes including the below were implemented during the year:

- Joining up the infrastructures of the organization to better integrate business functions and share best practices;
- Evolving to a client-centric, service-oriented operating model for our investment banking group;
- Pooling resources to strengthen our fund-raising, risk management and portfolio management capabilities for our investment management group; and
- Focusing on talent development in the organization to train the next generation of leadership.

The long-term success of the Group depends largely on its ability to capture on-going and future growth opportunities. Looking ahead, the new economy is expected to continue to increase its contribution to China's GDP, at a rate as high as more than doubling over the next five years. Key drivers are advances in technology, growth of entrepreneurship and innovative business models. The new economy has also had a tremendous impact on the growth of private wealth and the number of ultra high-net-worth individuals (UHNWI), with nearly 50% of all billionaires today coming from new economy sectors, comparing to a mere 7% in 2006. The demand for wealth management is growing as these individuals look to preserve their assets. Another tailwind for growth arises from regulatory reforms, as the further opening of China's financial markets is expected to increase market access of foreign-owned securities firms, bringing more capital and appetite for investments in China's new economy sectors and players. Lastly the launch of the Science and Technology Innovation Board (STIB) at the Shanghai Stock Exchange presents additional opportunities, as the sectors prioritized by the STIB are the ones in which the Group has deep know-how and strong client bases.

With these opportunities in sight, the Group will focus on a few key near-term growth initiatives: (1) expanding business and facilitating growth in the healthcare sector by leveraging on the Group's relevant Technology, Media and Entertainment (TME) and financial services experiences; (2) accelerating growth of the investment management business by generating global investment opportunities for Chinese investors; (3) becoming the "Manager of Choice" for the vast and fast growing wealth generated from new economy; and (4) grasping the opportunities offered by the STIB and developing Huajing Securities as the first securities house for the new economy in China.

FINANCIAL HIGHLIGHTS

The following table summarizes our consolidated results of operations for the years 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 financial information was prepared in accordance with International Financial Reporting Standards ("**IFRS**").

SUMMARY OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the Year ended December 31,	
	2018	2017
	US$'000	US$'000
Total revenue	**210,863**	139,414
Total revenue and net investment gains or losses	**220,361**	139,139
Total operating expenses	**(180,172)**	(145,572)
Operating profit (loss)	**40,189**	(6,433)
Loss before tax	**(234,229)**	(15,918)
Income tax expense	**(14,721)**	2,412
Loss for the year	**(248,950)**	(13,506)
(Loss) profit for the year attributable to owners of the Company	**(244,112)**	32

To supplement our financial information presented in accordance with IFRS, we also use 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 and our management considers these non-IFRS measures 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 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.

SUMMARY OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	For the Year ended December 31,	
	2018	2017
	US$'000	US$'000
(Loss) profit for the year attributable to owners of the Company	**(244,112)**	32
Add:		
Share-based compensation expenses	**11,562**	8,203
Interest expense for convertible notes	**2,395**	—
Change in fair value of call option	**(14,100)**	—
Change in fair value of convertible notes	**—**	504
Change in fair value of convertible redeemable preferred shares	**292,345**	25,730
Subtotal before adjustments relating to carried interest	**48,090**	34,469
Add:		
Unrealized net carried interest [1]	**19,211**	23,634
Adjusted net profit attributable to owners of the Company (unaudited)	**67,301**	58,103

Note:

(1) The unrealized net carried interest is calculated by subtracting our carried interest to management team and other parties from our unrealized income from carried interest as follows.

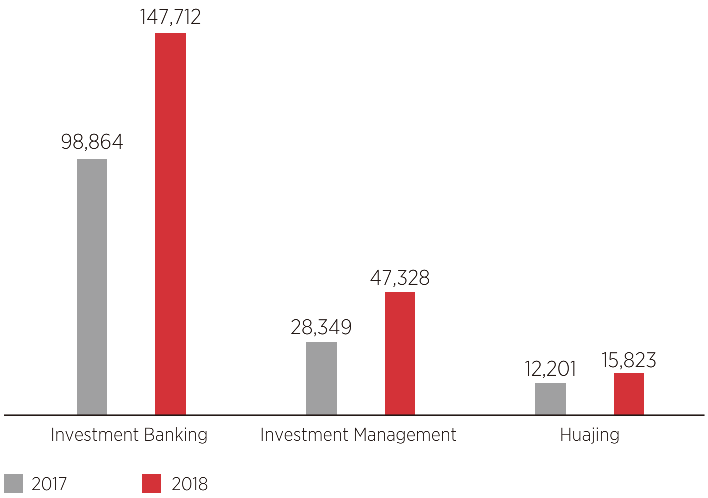
	For the Year ended December 31,	
	2018	2017
	US$'000	US$'000
Unrealized income from carried interest	**67,851**	73,036
Carried interest to management team and other parties	**(48,640)**	(49,402)
Unrealized net carried interest	**19,211**	23,634

The unrealized income from carried interest is based on the underlying fair value change of the respective funds under our investment management business. 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 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.

SEGMENT PERFORMANCE

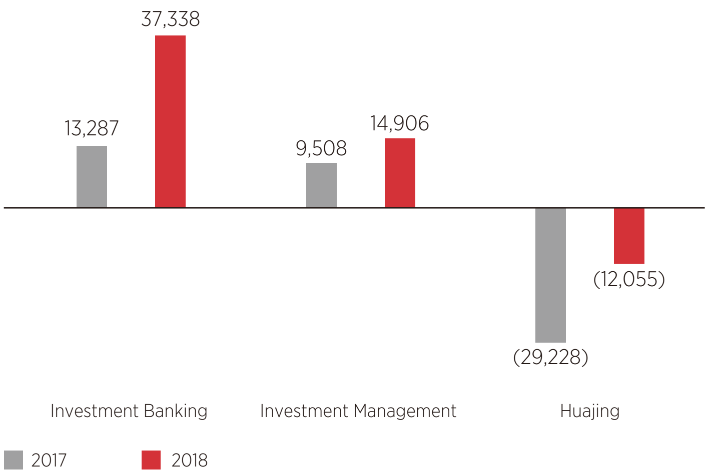
Revenue by Segment

(US$'000)



Operating Profit (loss) by Segment

(US$'000)



MANAGEMENT DISCUSSION AND ANALYSIS

SEGMENT PERFORMANCE

The following table sets forth a breakdown of revenue and net investment gains or losses by reporting segment for the years indicated.

	For the Year Ended December 31			
	2018 US$'000	2017 US$'000	Change US$'000	% of change
Business Segment				
Investment Banking	**147,712**	98,864	48,848	49.4%
Investment Management	**47,328**	28,349	18,979	66.9%
Huajing	**15,823**	12,201	3,622	29.7%
Total revenue	**210,863**	139,414	71,449	51.2%
Net investment gains or losses	**9,498**	(275)	9,773	N.M.
Total revenue and net investment gains or losses	**220,361**	139,139	81,222	58.4%

The following table sets forth a breakdown of operating profit (loss) by reporting segment for the years indicated.

	For the Year Ended December 31			
	2018 US$'000	2017 US$'000	Change US$'000	% of change
Business Segment				
Investment Banking	**37,338**	13,287	24,051	181.0%
Investment Management	**14,906**	9,508	5,398	56.8%
Huajing	**(12,055)**	(29,228)	17,173	-58.8%
Operating profit (loss)	**40,189**	(6,433)	46,622	N.M.

SEGMENT PERFORMANCE (CONTINUED)

Investment Banking

The following table sets forth segment revenue, segment operating expenses, segment operating profit, and segment operating margin for the years indicated.

	For the Year Ended December 31			
	2018 US$'000	2017 US$'000	Change US$'000	% of change
Investment Banking				
Advisory services	**111,688**	85,854	25,834	30.1%
Equity underwriting	**26,982**	7,606	19,376	254.7%
Sales, trading, and brokerage	**9,042**	5,404	3,638	67.3%
Total revenue	**147,712**	98,864	48,848	49.4%
Compensation and benefits	**(85,772)**	(61,989)	(23,783)	38.4%
Other operating expenses	**(24,602)**	(23,588)	(1,014)	4.3%
Segment operating expenses	**(110,374)**	(85,577)	(24,797)	29.0%
Segment operating profit	**37,338**	13,287	24,051	181.0%
Segment operating margin	**25.3%**	13.4%		

SEGMENT PERFORMANCE (CONTINUED)

Investment Banking (Continued)

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

	For the Year ended December 31,	
	2018	2017
	US$ in millions	US$ in millions
Transaction Value		
Advisory services	**16,280**	14,895
Equity underwriting	**13,680**	3,769
Total	**29,960**	18,664

Segment Revenue

For the investment banking segment, segment revenue was US$147.7 million, an increase of 49.4% from the prior year. This increase was primarily due to (i) an increase in private placement advisory fees resulting from a strong transaction backlog formed in 2017 and an increase in M&A advisory revenue, (ii) an increase in equity underwriting services resulting from the increase of IPOs by new economy companies, and (iii) an increase in equity sales, trading, and brokerage fees.

Segment Operating Expenses

For the investment banking segment, segment operating expenses increased by 29.0% from US$85.6 million for the year ended December 31, 2017 to US$110.4 million for the year ended December 31, 2018, which was primarily attributed to the increase in compensation and benefit expenses from US$62.0 million for the year ended December 31, 2017 to US$85.8 million for the year ended December 31, 2018. The increase was in turn resulted from the strengthening of our equity research, sales and trading capabilities, and expansion of the sector coverage of our advisory services. Among compensation and benefit expenses, the share-based compensation for this segment increased by 41.7% from US$7.9 million for the year ended December 31, 2017 to US$11.2 million for the year ended December 31, 2018.

Segment Operating Profit

For the investment banking segment, segment operating profit was US$37.3 million, an increase of 181.0% from the prior year, and segment operating margin improved from 13.4% for the year ended December 31, 2017 to 25.3% for the year ended December 31, 2018.

SEGMENT PERFORMANCE (CONTINUED)

Investment Management

The following table sets forth segment revenue, segment operating expenses, segment operating profit, segment operating margin, and adjusted segment operating profit for the years indicated.

	For the Year ended December 31, 2018 US$'000	2017 US$'000	Change US$'000	% of change
Investment Management				
Management fee	**47,328**	28,349	18,979	66.9%
Total revenue	**47,328**	28,349	18,979	66.9%
Compensation and benefits	**(18,575)**	(9,785)	(8,790)	89.8%
Other operating expenses	**(13,847)**	(9,056)	(4,791)	52.9%
Segment operating expenses	**(32,422)**	(18,841)	(13,581)	72.1%
Segment operating profit	**14,906**	9,508	5,398	56.8%
Segment operating margin	**31.5%**	33.5%		
Unrealized income from carried interest	**67,851**	73,036	(5,185)	-7.1%
Carried interest to management team and other parties	**(48,640)**	(49,402)	762	-1.5%
Unrealized net carried interest	**19,211**	23,634	(4,423)	-18.7%
Adjusted segment operating profit	**34,117**	33,142	975	2.9%

The following table sets forth certain operational information of the investment management segment as of the dates indicated.

	As of December 31 2018 US$'000	2017 US$'000
Committed Capital	**3,186,980**	2,675,797
Invested Capital	**2,051,413**	1,600,718
AUM	**4,123,441**	3,272,616

SEGMENT PERFORMANCE (CONTINUED)

Investment Management (Continued)

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 December 31, 2018						
Huaxing Growth Capital USD Fund I	**61,600**	**53,722**	**66,349**	**132,454**	**198,803**	**3.7**
Huaxing Growth Capital USD Fund II	**179,306**	**153,194**	**2,060**	**242,195**	**244,255**	**1.6**
Huaxing Growth Capital USD Fund III	**224,250**	**30,500**	**–**	**30,500**	**30,500**	**1.0**
Huaxing Growth Capital RMB Fund I	**154,574**	**140,320**	**50,870**	**238,229**	**289,099**	**2.1**
Huaxing Growth Capital RMB Fund II	**789,470**	**655,670**	**92,528**	**1,023,429**	**1,115,957**	**1.7**
Huaxing Growth Capital RMB Fund III	**806,329**	**103,287**	**–**	**106,835**	**106,835**	**1.0**
Huaxing Healthcare Capital Fund RMB I	**155,643**	**103,466**	**655**	**127,377**	**128,032**	**1.2**
Project Funds	**815,808**	**811,254**	**26,257**	**1,055,640**	**1,081,897**	**1.3**
Total	**3,186,980**	**2,051,413**	**238,719**	**2,956,659**	**3,195,378**	**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	–	–	–	–	–	–
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	625,680	–	–	–	–	–
Huaxing Healthcare Capital Fund RMB I	163,478	35,963	–	35,963	35,963	1.0
Project Funds	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

(1) An investment is considered fully or partially realized when it has been disposed of or has otherwise generated disposition proceeds or current income.

(2) The gross multiples of invested capital measure the aggregate value generated by 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.

SEGMENT PERFORMANCE (CONTINUED)

Investment Management (Continued)

Segment Revenue

For the investment management segment, management fee was US$47.3 million, an increase of 66.9% from the prior year. This increase was primarily in connection with the closing of Huaxing Growth Capital RMB Fund III and the final closing of Huaxing Healthcare Capital RMB Fund I. The committed capital and AUM of our private equity funds were US$3.2 billion and US$4.1 billion, representing an increase of 19.1% and of 26.0% from the prior year, respectively.

Segment Operating Expenses

For the investment management segment, segment operating expenses increased by 72.1% from US$18.8 million for the year ended December 31, 2017 to US$32.4 million for the year ended December 31, 2018. This increase was primarily due to (i) the increase in our compensation and benefit expenses, and (ii) professional services fees in connection with our fundraising activities.

Segment Operating Profit

For the investment management segment, our operating profit increased from US$9.5 million for the year ended December 31, 2017 to US$14.9 million for the year ended December 31, 2018. Our segment operating margin maintained at 31.5%.

Unrealized Net Carried Interest and Adjusted Segment Operating Profit

Unrealized net carried interest, calculated as unrealized income from carried interest subtracting carried interest to management team and other parties, decreased by 18.7% from US$23.6 million for the year ended December 31, 2017 to US$19.2 million for the year ended December 31, 2018. Unrealized income from carried interest decreased by 7.1% from US$73.0 million for the year ended December 31, 2017 to US$67.8 million for the year ended December 31, 2018 resulting from the relative slow-down of appreciation in value of the portfolio companies under our investment management business. Carried interest to management team and third parties decreased by 1.5% from US$49.4 million for the year ended December 31, 2017 to US$48.6 million for the year ended December 31, 2018 in line with the decrease of unrealized income from carried interest.

SEGMENT PERFORMANCE (CONTINUED)

Huajing

The following table sets forth segment revenue, segment operating expenses and segment operating loss for the years indicated.

	For the Year ended December 31, 2018 US$'000	2017 US$'000	Change US$'000	% of change
Huajing				
Total revenue	**15,823**	12,201	3,622	29.7%
Total revenue and net investment gains or losses	**25,321**	11,926	13,395	112.3%
Compensation and benefits	**(26,856)**	(29,592)	2,736	-9.2%
Other operating expenses	**(10,520)**	(11,562)	1,042	-9.0%
Segment operating expenses	**(37,376)**	(41,154)	3,778	-9.2%
Segment operating loss	**(12,055)**	(29,228)	17,173	-58.8%

Segment Revenue

For the Huajing segment, segment revenue was US$15.8 million, an increase of 29.7% from the prior year. This increase was primarily due to increase in interest income generated from bank deposit, term-deposit and investment- grade financial bonds.

Segment Operating Expenses

For the Huajing segment, segment operating expenses decreased by 9.2% from US$41.1 million for the year ended December 31, 2017 to US$37.4 million for the year ended December 31, 2018. This decrease was primarily due to the decrease in compensation and benefit and other operating expenses attributable to our effective cost management.

Segment Operating Loss

For the Huajing segment, segment operating loss decreased by 58.8% from US$29.2 million for the year ended December 31, 2017 to US$12.1 million for the year ended December 31, 2018.

RESULTS OF OPERATIONS

Revenue and Net Investment Gains or Losses

The following table sets forth a breakdown of revenue and net investment gains or losses by type for the years indicated.

	For the Year ended December 31,			
	2018 US$'000	2017 US$'000	Change US$'000	% of change
Transaction and advisory fees	**152,431**	106,770	45,661	42.8%
Management fees	**47,328**	28,349	18,979	66.9%
Interest income	**11,104**	4,295	6,809	158.5%
Total Revenue	**210,863**	139,414	71,449	51.2%
Net investment gains or losses	**9,498**	(275)	9,773	N.M.
Total revenue and net investment gains or losses	**220,361**	139,139	81,222	58.4%

Total revenue was US$210.9 million for the year ended December 31, 2018, which increased by 51.2%, from US$139.4 million for the year ended December 31, 2017.

- Transaction and advisory fees were US$152.4 million, increased by 42.8% from the prior year.
- Management fees were US$47.3 million, increased by 66.9% from the prior year.
- Interest income was US$11.1 million, increased by 158.5% from the prior year.

The net investment gains or losses was contributed by cash management investment of China Renaissance Securities (China) Co., Ltd. (the "**Huajing Securities**"). The gain was US$9.5 million for the year ended December 31, 2018 and the loss was US$0.3 million for the year ended December 31, 2017.

Total revenue and net investment gains or losses was US$220.4 million for the year ended December 31, 2018, which increased by 58.4% from US$139.1 million for the year ended December 31, 2017.

RESULTS OF OPERATIONS (CONTINUED)

Operating Expenses

Total operating expenses increased by 23.8% from US$145.6 million for the year ended December 31, 2017 to US$180.2 million for the year ended December 31, 2018.

Compensation and benefit expenses increased by 29.4% from US$101.4 million for the year ended December 31, 2017 to US$131.2 million for the year ended December 31, 2018. Among compensation and benefit expenses, share-based compensation increased by 40.9% from US$8.2 million for the year ended December 31, 2017 to US$11.6 million for the year ended December 31, 2018.

Other operating expenses increased by 10.8% from US$44.2 million for the year ended December 31, 2017 to US$49.0 million for the year ended December 31, 2018.

Operating Profit (loss)

As a result of the foregoing, we recorded an operating profit of US$40.2 million for the year ended December 31, 2018, compared to an operating loss of US$6.4 million for the year ended December 31, 2017.

Other Income, Gains or Losses

Other gains were US$0.8 million for the years ended December 31, 2018 and 2017. Other gains mainly come from interest income from bank deposit and loan to related parties and third parties. Please refer to the notes to the consolidated financial statements for further details of the loans to related parties and third parties.

Interest Expenses

Interest expense increased significantly from US$1.4 million for the year ended December 31, 2017 to US$11.4 million for the year ended December 31, 2018. This increase in interest expense was primarily due to bank borrowings utilized in November 2017 and convertible notes issued in May 2018.

Impairment Losses on Assets

Impairment losses on assets were decreased from US$1.0 million for the year ended December 31, 2017 to US$0.6 million for the year ended December 31, 2018.

RESULTS OF OPERATIONS (CONTINUED)

Investment Income

The following table sets forth a breakdown of investment income by the nature of investments for the years indicated.

	For the year ended December 31	
	2018	2017
	US$'000	US$'000
Investments in our own private equity funds in our capacity as a general partner	**4,821**	4,025
Investments in our own private equity funds in our capacity as a limited partner	**(1,883)**	1,959
Investments in third-party private equity funds in our capacity as a limited partner	**14,811**	3,744
Investments in the form of preferred shares of other companies	**1,283**	6,191
Passive equity holdings in non-associate companies	**95**	—
Hedge asset related to an interest rate cap	**946**	79
Cash management investments	**3,793**	2,184
Others	**560**	–
Total	**24,426**	18,182

Investment income increased by 34.3% from US$18.2 million for the year ended December 31, 2017 to US$24.4 million for the year ended December 31, 2018, which was primarily due to appreciation in the value of portfolio companies managed by the third-party private equity funds in which we have invested in the capacity as a limited partner.

Share of Results of Associates

Share of results of associates increased from share of profit of US$0.1 million for the year ended December 31, 2017 to US$0.3 million for the year ended December 31, 2018.

Change in fair value of call option

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 and is mandatorily measured at fair value through profit or loss as a derivative in accordance with IFRS. For the year ended December 31, 2018, we recorded a gain of US$14.1 million under the change in fair value of call option.

RESULTS OF OPERATIONS (CONTINUED)

Change in Fair Value of Convertible Notes

The fair value gain of convertible notes was nil for the year ended December 31, 2018, as compared to a fair value loss of US$0.5 million for the year ended December 31, 2017. This change was primarily due to the conversion of our 2016 convertible notes in April 2017.

Change in Fair Value of Convertible Redeemable Preferred Shares

For the year ended December 31, 2018, the fair value of convertible redeemable preferred shares was a loss of $292.3 million, compared to a fair value loss of US$25.7 million for the year ended December 31, 2017. This change was primarily due to the significant increase in valuation of the Company as a result of Listing.

Loss Before Tax

As a result of the foregoing, in particular 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$15.9 million and US$234.2 million for the year ended December 31, 2017 and 2018, respectively.

Income Tax Expense

Income tax expense was US$14.7 million for the year ended December 31, 2018, compared to income tax benefit of US$2.4 million for the year ended December 31, 2017. This was primarily due to improved operating results of our investment banking and investment management businesses, and decreased losses within Huajing Securities.

Loss for the Year and Loss for the Year Attributable to Owners of the Company

As a result of the foregoing, loss for the year increased significantly from US$13.5 million for the year ended December 31, 2017 to US$249.0 million for the year ended December 31, 2018, and loss for the year attributable to owners of the Company was US$244.1 million for the year ended December 31, 2018, compared to a profit for the year attributable to owners of the Company of US$0.03 million for the year ended December 31, 2017.

Adjusted net profit attributable to owners of the Company

As a result of the foregoing, adjusted net profit attributable to owners of the Company without unrealized net carried interest increased from US$34.5 million for the year ended December 31, 2017 to US$48.1 million for the year ended December 31, 2018. Unrealized net carried interest, calculated as unrealized income from carried interest subtracting carried interest to management team and other parties, decreased from US$23.6 million for the year ended December 31, 2017 to US$19.2 million for the year ended December 31, 2018. Adjusted net profit attributable to owners of the Company with unrealized net carried interest increased from US$58.1 million for the year ended December 31, 2017 to US$67.3 million for the year ended December 31, 2018.

CASH FLOWS

During the year ended December 31, 2018, we funded working capital and other capital requirements primarily from cash generated from our business operations and proceeds from the initial public offering. We have primarily used cash to fund our capital expenditures and working capital for our business expansion, including the development of Huajing Securities.

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. As of December 31, 2018, we had aggregate cash and cash equivalents of US$64.5 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$353.4 million as of December 31, 2018.

Cash flows from operating activities

Cash generated from operating activities consists primarily of our transaction and advisory fees, management fees, and interest income from business carried out by Huajing Securities. Cash used in operating activities mainly comprises of investments in cash management products and contribution in the working capital. Cash flow used in operating activities reflects: (i) profit or loss before tax adjusted for non-cash and non-operating items, such as change in fair value of convertible notes, change in fair value of convertible redeemable preferred shares, change in fair value of call option, share-based compensation expenses, depreciation of furniture and equipment, amortization of intangible assets, 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 increase or decrease in financial assets at fair value through profit or loss from Huajing Securities; and (iii) other cash items such as income tax paid and interest received.

For the year ended December 31, 2018, we had net cash used in operating activities of US$241.1 million, resulting from our loss before tax of US$234.2 million adjusted for non-cash and non-operating items of US$259.2 million, income tax payment of US$12.9 million, interest earned of US$10.7 million and negative movements in working capital of US$263.9 million. Negative movements in working capital primarily reflected: (i) an increase of $240.1 million in financial assets at fair value through profit or loss from Huajing Securities, (ii) an increase of US$44.2 million in accounts and other receivables in connection with our business operations, and offset by (iii) an increase of US$20.1 million in accounts and other payables mainly in connection with compensation and other payments.

For the year ended December 31, 2017, we had net cash used in operating activities of US$8.0 million, resulting from our loss before tax of US$15.9 million adjusted for non-cash and non-operating items of US$18.7 million, income tax payment of US$10.0 million, interest received of US$2.2 million and negative movements in working capital of US$3.0 million.

CASH FLOWS (CONTINUED)

Cash flows from investing activities

Cash outflows from investing activities primarily consist of our purchase of furniture 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 investments in associates and loan receivables. Cash inflows from investing activities primarily consist of interest earned, 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 year ended December 31, 2018, net cash used in investing activities was US$398.2 million, primarily due to (i) net cash outflows from purchase of financial assets at fair value through profit or loss of US$55.9 million, net cash outflows from purchase of term deposits of US$281.7 million and purchase of financial bonds of $19.8 million for cash management, (ii) investments in associated companies of US$30.8 million, (iii) loans receivables of US$10.3 million, (iv) purchase of furniture, equipment and intangible assets of $3.1 million and offset by (v) interest received of $3.4 million from banks and loans.

For the year ended December 31, 2017, net cash used in investing activities was US$56.0 million, primarily due to (i) net cash outflows from purchase of financial bonds of $32.5 million and purchase of financial assets at fair value through profit or loss of US$14.0 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) loans receivables of US$6.5 million, (iii) investment in our own private equity funds in our capacity as a general partner and in our capacity as a limited partner of US$5.5 million, and (iv) purchase of furniture, equipment and intangible assets of US$7.0 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$8.0 million, withdrawal of pledged deposits of $0.8 million and interest received of $0.6 million from banks and loans.

Cash flows from financing activities

Financing activities primarily consist of proceeds from the initial public offering, issuance of convertible redeemable preferred shares, issuance of convertible notes, bank borrowings, distribution of dividends to our shareholders and the payment of interest on debt.

For the year ended December 31, 2018, net cash generated from financing activities was US$266.3 million, primarily due to (i) net proceeds from the initial public offering of US$332.4 million (after deducting all capitalized listing related expenses), issuance of convertible notes of US$86.0 million and proceeds from issuance of ordinary shares for share award schemes of US$6.1 million, (ii) net cash injection by third-party holders to consolidated assets management plans of US$20.3 million, (iii) repayment of bank borrowings and interest expenses of US$160.4 million to ICBCI Investment Management, (iv) payment on repurchase of shares of US$11.8 million, and (v) dividends of US$4.5 million paid to our shareholders and (vi) distribution of $1.7 million to non-controlling shareholders.

For the year ended December 31, 2017, net cash generated from financing activities was US$314.8 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 and distribution of $1.2 million to non-controlling shareholders.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of December 31, 2018, we had not entered into any off-balance sheet transactions.

CAPITAL STRUCTURE

We manage our capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of our capital structure. The capital structure of the Group consists of bank borrowings, issued convertible redeemable preferred shares and convertible notes.

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. The term of the ICBCI Loan is three years with a variable interest rate based on six months LIBOR plus 600 basis points. On September 28, 2018, the facilities were canceled and all outstanding amount due thereunder were repaid.

Up to December 31, 2018, we raised an aggregate of US$160 million in cash from multiple issuances of convertible redeemable preferred shares to various investors including $20 million converted from the convertible notes issued in 2016. All of these convertible redeemable preferred shares are unsecured and unguaranteed. On the Listing Date, all of the convertible redeemable preferred shares were automatically converted into our Shares.

In May 2018, we issued convertible notes in an aggregate principal amount of US$86 million, or the 2018 convertible notes (as defined in the Prospectus). The 2018 convertible notes are unsecured and unguaranteed. On the Listing Date, the 2018 convertible notes were automatically converted into our Shares.

For the details of use of proceeds of issue of the 2018 convertible notes, please refer to the section headed “History, Reorganization and Corporate Structure – Pre-IPO Investments – Principal terms of the Pre-IPO Investments” in the Prospectus.

GEARING RATIO

As of December 31, 2018, the gearing ratio of the Group, which is calculated by total liabilities (excluding convertible redeemable preferred shares and convertible notes) divided by total assets, was 12.6%, compared with 32.4% as of December 31, 2017.

SIGNIFICANT INVESTMENTS HELD

The following table sets forth the fair value of investments of our primary investment activities as of the dates indicated.

	As of December 31	
	2018	2017
	US$'000	US$'000
Investments in our own private equity funds in our capacity as a general partner	**36,516**	26,387
Investments in our own private equity funds in our capacity as a limited partner	**37,647**	12,173
Investments in third-party private equity funds in our capacity as a limited partner	**45,881**	36,962
Strategic minority equity investments		
— Investments in the form of preferred shares of other companies	**26,214**	14,708
— Passive equity holdings in non-associate companies	**6,912**	4,279
Total	**153,170**	94,509

As of December 31, 2018, the Group had significant investment amounting to approximately US$153.2 million measured in fair value, which was increased by 62.1% as compared to December 31, 2017.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

For details of the Group's future plans for material investments and capital assets, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the Reporting Period, we did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2018, we had 556 (2017: 582) full-time employees, including over 80% advisory and investment professionals.

The following table sets forth the number of our employees by function as of December 31, 2018.

Function	Number of Employees	Percentage
Investment Banking	241	43%
Investment Management	55	10%
Huajing Securities	158	29%
Group Middle and Back Office	102	18%
Total	556	100%

The following table sets forth the number of our employees by geographic region as of December 31, 2018.

Geographic Region	Number of Employees	Percentage
Beijing, China	321	58%
Shanghai, China	127	23%
Other cities in China	8	1%
Hong Kong	78	14%
United States	22	4%
Total	556	100%

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees performance-based cash bonuses and other incentives in addition to base salaries. As of December 31, 2018, 67 grantees held options granted under the ESOP which remained outstanding. The total remuneration expenses, including share-based compensation expense, for the year ended December 31, 2018 were US$131.2 million, representing an increase of 29.4% as compared to the year ended December 31, 2017.

The Group also participates in various employee social security plans for its employees, including housing provident fund, pension, medical insurance, social insurance and unemployment insurance. During the year ended December 31, 2018, the Group did not experience any significant labour disputes or any difficulty in recruiting employees.

FOREIGN EXCHANGE RISK

The transactions of the Company are denominated and settled in its functional currency, the United States dollar. The Group's subsidiaries primarily operate in the PRC and Hong Kong and are exposed to foreign exchange risk for currencies such as Renminbi, US dollars, and Hong Kong dollars.

As of December 31, 2018, we did not hedge or consider it necessary to use financial instruments for hedging purposes.

PLEDGE OF ASSETS

As of December 31, 2018, no assets of the Group were pledged.

CONTINGENT LIABILITIES

As of December 31, 2018, we did not have any material contingent liabilities.

FINAL DIVIDENDS

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

	For the Year ended December 31,	
	2018	2017
	US$'000	US$'000
Dividends to shareholders of the Company	**15,413**	4,150

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2018.

Details of dividend policy adopted by the Company are set out in the section headed "Corporate Governance Report" of this Annual Report.

REPORT OF DIRECTORS

The Board of the Company is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2018.

DIRECTORS

The Directors who held office during the year ended December 31, 2018 and up to the date of this Annual Report are:

Executive Directors:

Mr. Bao Fan *(Chairman)*
Mr. Xie Yi Jing
Mr. Du Yongbo

Non-executive Directors:

Mr. Neil Nanpeng Shen
Mr. Li Shujun
Mr. Li Eric Xun

Independent non-executive Directors:

Ms. Yao Jue
Mr. Ye Junying
Mr. Zhao Yue

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 48 to 55 of this Annual Report.

GLOBAL OFFERING

The Company was incorporated in the Cayman Islands on July 13, 2011 as an exempted limited liability company under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's Shares were listed on the Main Board of the Stock Exchange on September 27, 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Analysis of the principal activities of the Group during the year ended December 31, 2018 is set out in Note 44 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business are set out in the section headed "Business Review" and "Management Discussion and Analysis" of this report. The Group's key relationships with its stakeholders who have a significant impact on the Group and on which the Group's success depends, is set out in the section headed "Environmental, Social and Governance Report" of this report. These discussions form part of this report. Events affecting the Company that have occurred since the end of the financial year is set out in the section headed "Important Events After The Reporting Date" in this report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control:

- 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.

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment, giving back to the community and achieving sustainable growth. Details are set out in the section headed "Environmental, Social and Governance Report" in this Annual Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2018, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions (the "**Continuing Connected Transactions**") for the Group for the year ended December 31, 2018.

Non-exempt continuing connected transactions

Set out below is a summary of the continuing connected transactions for the Group, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1. *Carried Interest Distribution Framework Agreement*

Background

We incentivize the personnel of our investment funds by sharing carried interest to be distributed from the general partners of the investment funds. Thus, on June 15, 2018 (as amended and restated on September 11, 2018), our Company, Huagan Shanghai (a wholly-owned subsidiary), CR Investments Corporation (a wholly-owned subsidiary), our Consolidated Affiliated Entities (being the ultimate general partners of the relevant funds) and the Connected Investment Team Members (as defined below), entered into the Carried Interest Distribution Framework Agreement.

The Carried Interest Distribution Framework Agreement governs the distribution of carried interest to designated personnel of 22 of our investment funds from which we derive income from carried interest. Recipients of such distribution of carried interest may include connected persons (the "**Connected Investment Team Members**", presently Mr. Bao (our Director), Mr. Du Yongbo (our Director), Mr. Wang Xinwei (a former Director who resigned within this financial year), 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) and Ever Perfect Investments Limited (an associate of Mr. Du Yongbo)). The term of the Carried Interest Distribution Framework Agreement commenced on the date of the agreement and shall end on December 31, 2030.

Pursuant to the Carried Interest Distribution Framework Agreement, certain employees or directors of members of our Group as well as our external consultants who are our former employees and independent third parties responsible for managing the 22 relevant investment funds 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 Consolidated Affiliated Entities 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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Non-exempt continuing connected transactions (Continued)

1. Carried Interest Distribution Framework Agreement (Continued)

Background (Continued)

As disclosed in the Prospectus, we consider that it would be unsuitable to adopt monetary annual caps for the Carried Interest Distribution Framework Agreement. We expect to retain at least 25% of the distributable carried interest for each of the 22 relevant investment funds.

For the year ended December 31, 2018, there were (i) no distribution of carried interest, and (ii) no carried interest distribution arrangements entered into under the Carried Interest Distribution Framework Agreement.

Further details of the Carried Interest Distribution Framework Agreement are set out in the Prospectus.

Confirmation from independent non-executive Directors

The Company's independent non-executive Directors have reviewed the Carried Interest Distribution Framework Agreement mentioned above, and confirmed the Carried Interest Distribution Framework Agreement has been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Conclusions from the Company's Independent Auditor

The Auditor of the Company has confirmed in a letter to the Board that, with respect to the Carried Interest Distribution Framework Agreement entered into by the Group for the year ended December 31, 2018:

(a) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the Auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Non-exempt continuing connected transactions (Continued)

2. Contractual Arrangements

Background to the Contractual Arrangements

Our Consolidated Affiliated Entities are held by Mr. Du Yongbo and Mr. Wang Xinwei our Director and former Director in last 12 months, (the "**Registered Owners**").

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, 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.

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.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Non-exempt continuing connected transactions (Continued)

2. *Contractual Arrangements (Continued)*

Background to the Contractual Arrangements (Continued)

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 entered into the Contractual Arrangements 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.

PRC Laws and Regulations Relating to Foreign Ownership Restrictions

Foreign investment activities in China are mainly governed by the Catalog and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) (the "**Negative List**"), which have been promulgated and amended from time to time jointly by the Ministry of Commerce of the People's Republic of China (中華人民共和國商務部) ("**MOFCOM**") and National Development and Reform Commission of China (中華人民共和國國家發展和改革委員會). 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.

The Company's PRC Legal Adviser has opined that 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 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.

Further details of the limitations on foreign ownership in PRC companies under PRC laws and regulations are set out in the section headed "Contractual Arrangements" and "Regulations" in the Prospectus.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Non-exempt continuing connected transactions (Continued)

2. Contractual Arrangements (Continued)

Risks relating to the Contractual Arrangements

The Company believes the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 59 to 66 of the Prospectus.

- 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;

- 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;

- 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;

- 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;

- 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;

- the Contractual Arrangements may be considered by PRC tax authorities to require transfer pricing adjustments;

- 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;

- 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; and

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

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Non-exempt continuing connected transactions (Continued)

2. Contractual Arrangements (Continued)

Contractual Arrangements in Place

The Contractual Arrangements that were in place as at December 31, 2018 are as follows:

(a) exclusive call option agreements dated April 25, 2018 entered into between: (i) Huagan Shanghai, the Registered Owners and Dazi Huafeng; (ii) Huagan Shanghai, the Registered Owners and Dazi Hualing; (iii) Huagan Shanghai, the Registered Owners and Dazi Huashi; and (iv) Huagan Shanghai, the Registered Owners and Shanghai Quanyuan pursuant to which the Registered Owners 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 each of the Consolidated Affiliated Entities;

(b) exclusive business cooperation agreements dated April 25, 2018 entered into between Huagan Shanghai and each of the Consolidated Affiliated Entities, pursuant to which each of the Consolidated Affiliated Entities agreed to engage Huagan Shanghai as the exclusive service provider to provide each of the Consolidated Affiliated Entities with investment consultancy, financial consultancy, commercial consultancy, marketing information consultancy, technology consultancy and other services in return for service fees;

(c) equity pledge agreements dated April 25, 2018 entered into between: (i) Huagan Shanghai, the Registered Owners and Dazi Huafeng; (ii) Huagan Shanghai, the Registered Owners and Dazi Hualing; (iii) Huagan Shanghai, the Registered Owners and Dazi Huashi; (iv) Huagan Shanghai, the Registered Owners and Shanghai Quanyuan, pursuant to which the Registered Owners agreed to pledge all of their existing and future equity interests in each of the Consolidated Affiliated Entities to Huagan Shanghai;

(d) proxy agreements dated April 25, 2018 entered into between: (i) Huagan Shanghai, the Registered Owners and Dazi Huafeng; (ii) Huagan Shanghai, the Registered Owners and Dazi Hualing; (iii) Huagan Shanghai, the Registered Owners and Dazi Huashi and (iv) Huagan Shanghai, the Registered Owners and Shanghai Quanyuan, pursuant to which the Registered Owners agreed to, among other things, irrevocably authorize Huagan Shanghai or its designated person(s) to exercise all of their rights as shareholders of each of the Consolidated Affiliated Entities;

(e) powers of attorney dated April 25, 2018 made by each of the Registered Owners, pursuant to which each of the Registered Owners agreed to, among other things, authorize Huagan Shanghai or its designee(s) to represent each of them respectively to exercise all of their rights as shareholder of each of the Consolidated Affiliated Entities; and

(f) spouse undertakings dated April 25, 2018 made by the spouses of the Registered Owners, pursuant to which they each, among other things, irrevocably undertook to refrain from claiming any interests or rights in the equity interests of each of the Registered Owners in the Consolidated Affiliated Entities.

Apart from the above, there were no other new Contractual Arrangements entered into, renewed or reproduced during the financial year ended December 31, 2018. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2018.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Non-exempt continuing connected transactions (Continued)

2. Contractual Arrangements (Continued)

Contractual Arrangements in Place (Continued)

The Board has reviewed the overall performance of the Contractual Arrangements and confirmed the strict compliance with relevant requirements under Listing Rules and the waiver granted by the Stock Exchange upon the listing of the Company.

For the year ended December 31, 2018, none of the Contractual Arrangements had been unwound as none of the restrictions that led to the adoption of the contracts under the Contractual Arrangements has been removed.

The Company has been advised by its PRC Legal Adviser that the Contractual Arrangements do not violate the relevant PRC regulations.

Mitigation actions taken by the Company

The Company's management works closely with its external legal counsels and advisors to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

All of the Contractual Arrangements are subject to the restrictions as set out on pages 207 to 212 of the Prospectus.

Listing Rule Implications and Waiver

The highest applicable percentage ratios (other than the profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the Contractual Arrangements are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

However, the Stock Exchange has granted the Company a waiver from strict compliance with: (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting an annual cap for the Contractual Arrangements; and (iii) limiting the term of the Contractual Arrangements.

Confirmation from independent non-executive Directors

The Company's independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried during year ended December 31, 2018 have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the year ended December 31, 2018; (iii) no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the year ended December 31, 2018 other than the ones disclosed above; (iv) the Contractual Arrangements have been entered into in the ordinary and usual course of business of the Group; (v) the Contractual Arrangements have been entered into on normal commercial terms or better; and (vi) the Contractual Arrangements have been entered into in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTIONS (CONTINUED)

Non-exempt continuing connected transactions (Continued)

2. Contractual Arrangements (Continued)

Conclusions from the Company's Independent Auditor

The Auditor of the Company has confirmed in a letter to the Board that, with respect to the aforesaid continuing connected transactions entered into in the year ended December 31, 2018:

(a) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Company's board of directors;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the Auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(c) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the Contractual Arrangements, nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap (if any) as set by the Company.

During the year ended December 31, 2018, no related party transactions disclosed in Note 39 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

MAJOR CUSTOMERS AND SUPPLIERS

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.

For the year ended December 31, 2018, the revenue amounts from the Group's five largest customers accounted for 35.0% (2017: 26.4%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 15.9% (2017: 10.9%) of the Group's total revenue.

Other than Mr. Neil Nanpeng Shen, none of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest customers.

The Group has no major suppliers due to the nature of our business. For the year ended December 31, 2018, purchases from the Group's five largest suppliers accounted for approximately 24.7% (2017: 19.5%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended December 31, 2018 accounted for approximately 7.0% (2017: 6.7%) of the Group's total purchase amount for the same year.

During the year ended December 31, 2018, the Group did not experience any significant disputes with its customers or suppliers.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last four financial years, as extracted from the audited consolidated financial statements, is set out in the table below. This summary does not form part of the audited consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the Year ended December 31,			
	2018	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000
Total revenue	**210,863**	139,414	133,363	120,171
Total revenue and net investment gains or losses	**220,361**	139,139	133,363	120,171
Total operating expenses	**(180,172)**	(145,572)	(93,839)	(61,577)
Operating profit (loss)	**40,189**	(6,433)	39,524	58,594
(Loss) profit for the year	**(248,950)**	(13,506)	28,559	29,591
(Loss) profit for the year attributable to owners of the Company	**(244,112)**	32	31,833	28,844
Subtotal before adjustments relating to carried interest	**48,090**	34,469	52,056	66,651
Adjusted net profit attributable to owners of the Company (unaudited)	**67,301**	58,103	55,179	73,353

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,			
	2018	2017	2016	2015
	US$'000	US$'000	US$'000	US$'000
Current assets	**802,779**	574,866	280,269	223,197
Current liabilities	**130,484**	85,343	87,632	47,945
Net current assets	**672,295**	489,523	192,637	175,252
Non-current assets	**263,160**	167,045	88,734	64,130
Non-current liabilities	**3,858**	417,533	204,315	189,975
NET ASSETS	**931,597**	239,035	77,056	49,407
Equity attributable to owners of the Company	**724,566**	15,279	2,852	48,498
Non-controlling interests	**207,031**	223,756	74,204	909
CAPITAL AND RESERVES	**931,597**	239,035	77,056	49,407

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their respective holding of the Company's securities.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 44 to the consolidated financial statements.

FURNITURE AND EQUIPMENT

Details of movements in the furniture and equipment of the Company and the Group during the year ended December 31, 2018 are set out in Note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2018 and details of the Shares issued during the year ended December 31, 2018 are set out in the section headed "Other Information — Purchase Sale or Redemption of the Company's Listed Securities" and in Note 34 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

DONATION

During the year ended December 31 2018, the Group made charitable donations of approximately US$1.3 million (2017: nil).

DEBENTURE ISSUED

On May 8, 2018, the Company issued convertible notes with an aggregate principal amount of US$86,000,000 to certain persons and entities. Immediately prior to the Listing of the Company on September 27, 2018, these convertible notes were automatically converted into 23,783,664 ordinary shares at the conversion price of US$3.6159 per share. Details of the convertible notes are set out in Note 31 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

Save for share option schemes as set out in this Annual Report, no equity-linked agreements were entered into by the Group, or existed during the year ended December 31, 2018.

DIVIDENDS

The Board does not recommend the distribution of a final dividend for the year ended December 31, 2018. There is no arrangement under which a shareholder of the Company has waived or agreed to waive any dividend.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices.

Such permitted indemnity provision has been in force for the year ended December 31, 2018. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group and the Company during the year ended December 31, 2018 are set out in the section of consolidated statement of changes in equity on page 107 and Note 46 in the consolidated financial statements respectively. The distributable reserves of the Company as at December 31, 2018 were US$558.7 million.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2018 are set out in the section headed “Management Discussion and Analysis” in this Annual Report and Note 30 to the consolidated financial statements.

DIRECTORS’ SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the date of their respective appointment or until the third annual general meeting of the Company since September 14, 2018 (whichever is sooner).

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from September 14, 2018 or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

None of the Directors proposed for re-election at the annual general meeting has a service contract with members of the Group that is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed “Other Information” below, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2018.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

A Remuneration Committee was set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Details of the emoluments of directors and the five highest paid individuals are set out in note 14 to the financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Save for the disclosure under the section headed "Connected Transactions" in the Prospectus and this report, no contract of significance (including for the provision of services to the Group) has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders during the year ended December 31, 2018.

MANAGEMENT CONTRACTS

No contract, concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2018.

AUDITOR

The Shares were only listed on the Stock Exchange on September 27, 2018, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended December 31, 2018 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who are proposed for reappointment at the forthcoming annual general meeting.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

The Board consists of three executive Directors, three non-executive Directors and three independent non-executive Directors.

DIRECTORS

Executive Directors

Mr. Bao Fan (包凡), aged 48, 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 is the chairman of the Nomination Committee and a member of the Remuneration Committee with effect from September 14, 2018. 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 China Securities Regulatory Commission ("**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 48, 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.

DIRECTORS (CONTINUED)

Executive Directors (Continued)

Mr. Du Yongbo (杜永波), aged 48, 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 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 certain subsidiaries 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 51, 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, 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, an independent non-executive director of Pinduoduo Inc. (Nasdaq Ticker: PDD) since April 2018, and a non-executive director of Meituan Dianping (SEHK stock code 3690) since October 2015, whose shares were listed on the Stock Exchange on September 20, 2018.

DIRECTORS (CONTINUED)

Non-executive Directors (Continued)

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;

(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.

Neil Nanpeng Shen was a non-executive director of Homeinns Hotel Group from 2006 to 2017, a non-executive director of PPDAI Group Inc. (NYSE Ticker: PPDF) from 2017 to August 2018 and an independent non-executive director of Momo Inc. (Nasdaq Ticker: MOMO) from May 2014 to December 2018.

Mr. Li Shujun (李曙軍), aged 47, 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.

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.

DIRECTORS (CONTINUED)

Independent non-executive Directors

Ms. Yao Jue (姚珏), aged 45, was appointed as an independent non-executive Director, chairman of the Audit Committee and member of the Nomination Committee of our Company with effect from September 14, 2018. 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;
- 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; and
- CooTek (Cayman) Inc., whose American depositary shares are listed on the New York Stock Exchange with stock code CTK, as an independent director since September 2018.

Mr. Ye Junying (葉俊英), aged 55, was appointed as an independent non-executive Director, chairman of the Remuneration Committee and member of the Audit Committee of our Company with effect from September 14, 2018. 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.

Mr. Zhao Yue (肇越), aged 52, was appointed as an independent non-executive Director and member of the Audit Committee, Remuneration Committee and Nomination Committee of our Company with effect from September 14, 2018. 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

Mr. Wang Xinwei (王新衛), aged 52, 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 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. Cui Qiang (崔強), aged 45, is our Co-Chief Financial Officer, primarily responsible for overseeing the overall financial management of the Group. He has served in his current role since March 1, 2019. He joined our Group in September 2016 as the chief financial officer of Huajing Securities, a subsidiary and domestic securities platform of the Group with multiple licences, and he has also served as a member on its Management Committee, Risk Management Committee, Equity Commitment Committee, Operation Committee and Asset and Liability Management Committee. Prior to joining the Group, Mr. Cui worked at Zhong De Securities Company Limited as the chief financial officer and executive director from December 2011 to September 2016, and as the financial controller and director from July 2009 to November 2011. Previously, Mr. Cui was the business controller and vice president at Deutsche Bank Hong Kong Branch from July 2007 to July 2009, and the business controller and assistant vice president at Deutsche Bank Beijing Branch from November 2004 to July 2007. Prior to that, Mr. Cui was a senior counsel at PricewaterhouseCoopers Consulting Co. Ltd. from August 2002 to October 2004, and he also held the position of assistant financial controller at Thakral Information Technology Co. Ltd. from January 1998 to August 2000. From February 1996 to January 1998, he was an auditor at Reanda Certified Public Accountants LLP.

Mr. Cui received his bachelor's degree of corporate management from the University of International Business and Economics in 1996 and his master's degree in management and accounting from the University of Toronto in 2002. Mr. Cui is currently a member of the Chinese Institute of Certified Public Accountants. He has obtained qualifications from the Securities Association of China to act as a securities practitioner and the China Securities Regulatory Commission to hold senior management position in securities firms. During the past three years, Mr. Cui has not been a director of any listed companies.

SENIOR MANAGEMENT (CONTINUED)

Ms. Zou Juan (鄒涓), aged 45, 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 39, is the managing director, head of advisory of our Group, responsible for overseeing the financial advisory business of our Group. Mr. Wang started his 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, and responsible for, overseeing all business units and operational functions of our Group in Hong Kong and the US ("**CR International**"). 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 CRSHK 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.

SENIOR MANAGEMENT (CONTINUED)

Mr. Xiang Wei (項威), aged 36, is our Chief Operating Officer, primarily responsible for overseeing the overall strategic planning, operational management and organizational construction of the Group, and assisting the CEO to manage general operational and business development affairs. He has served in his current role since December 31, 2018. Mr. Xiang joined our Group in September 2015 and served sequentially as a director of Huaxing Growth Capital Fund, board secretary and managing director of Huajing Securities and the Head of Strategic Development and managing director of the Company. Prior to joining our Group, Mr. Xiang was a legal counsel of Shanghai International Energy Exchange from April 2014 to September 2015. Before that, he worked as an associate at Cleary Gottlieb Steen & Hamilton LLP from August 2013 to April 2014, an international associate at Shearman & Sterling LLP from August 2011 to July 2012, and an associate at Haiwen & Partners from August 2008 to July 2011.

Mr. Xiang obtained his dual bachelor's degrees in July 2005 (degree in English literature from Wuhan University of Technology and degree in law from Wuhan University). He got his Master of law degree from Tsinghua University in July 2008 and also his LL.M. from Columbia University in July 2013. During the past three years, Mr. Xiang 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 CRSHK and took on the additional role of chief operating officer of CRSHK 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 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.

In compliance with Rule 3.29 of the Listing Rules, Mr. Yee undertook not less than 15 hours of relevant professional training to update his skills and knowledge during the year ended December 31, 2018.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed herein, the Directors confirm that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DISCLOSURE UNDER RULE 8.10 OF THE LISTING RULES

Save as disclosed below, each of our executive Directors confirms that during the Relevant Period, 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 our investment funds. We have implemented 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 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 are also 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 require 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.

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

CORPORATE GOVERNANCE REPORT

The Board of Directors is pleased to present the corporate governance report for the Company for the year ended December 31, 2018.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

For the Relevant Period, the Company has complied with all applicable code provisions set out in the Corporate Governance Code ("**CG Code**"), except as disclosed in this Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own securities dealing code to regulate all dealings by Directors and relevant employees of securities in the Company and other matters covered by the Model Code.

Specific enquiry has been made of all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the Relevant Period.

BOARD OF DIRECTORS

The Board currently comprises three executive Directors, three non-executive Directors and three independent non-executive Directors.

The composition of the Board is as followings:

Executive Directors

Mr. Bao Fan *(Chairman)*
Mr. Xie Yi Jing
Mr. Du Yongbo

Non-executive Directors

Mr. Neil Nanpeng Shen
Mr. Li Shujun
Mr. Li Eric Xun

Independent non-executive Directors

Ms. Yao Jue
Mr. Ye Junying
Mr. Zhao Yue

The biographical details of the Directors are set out in the section headed "Directors and Senior Management" on pages 48 to 55 of this Annual Report.

None of the members of the Board is related to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Bao Fan is the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Bao Fan has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Furthermore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of Chairman and Chief Executive Officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

BOARD MEETINGS AND COMMITTEE MEETINGS

Code provision A.1.1 of the CG Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

During the year ended December 31, 2018, four board meetings were held (two of which were held during the Relevant Period). The main resolutions considered and approved in these meetings include (i) Company's Listing application; (ii) Company's Listing and related documents; (iii) Company's interim reporting; and (iv) the repurchase of Company's shares on the open market. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

A summary of the attendance record of the Directors at Board meetings and committee meetings during the Relevant Period is set out in the following table below:

	Number of meeting(s) attended/ number of meeting(s) held during the Relevant Period			
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Executive Directors:				
Mr. Bao Fan	2/2	0/0	0/0	0/0
Mr. Xie Yi Jing	2/2	0/0	0/0	0/0
Mr. Du Yongbo	2/2	0/0	0/0	0/0
Non-executive Directors:				
Mr. Neil Nanpeng Shen	2/2	0/0	0/0	0/0
Mr. Li Shujun	2/2	0/0	0/0	0/0
Mr. Li Eric Xun	2/2	0/0	0/0	0/0
Independent non-executive Directors:				
Ms. Yao Jue	2/2	1/1	0/0	0/0
Mr. Ye Junying	2/2	1/1	0/0	0/0
Mr. Zhao Yue	2/2	1/1	0/0	0/0

No general meeting of the Company was held during the Relevant Period. The Company will fully comply with the requirement under the code provision I(c) to disclose the attendance of each director at general meetings.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from September 14, 2018 or until the third annual general meeting of the Company since the Listing Date (whichever is sooner).

APPOINTMENT AND RE-ELECTION OF DIRECTORS

All the Directors are subject to retirement by rotation and re-election at annual general meeting. Pursuant to the Articles of Association, 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 and be eligible for re-election at each annual general meeting, provided that every Director is subject to retirement by rotation at least once every three years. In addition, any new Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next following annual general meeting and be subject to re-election.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is the primary decision-making body of the Company and is responsible for overseeing the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board makes decisions objectively in the interests of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The Group's senior management is responsible for the day-to-day management of the Group's business and is responsible for overseeing the general operation, business development, finance, marketing, and operations.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of the Board committees are available on the websites of the Company and the Stock Exchange.

Audit Committee

The Company has established an Audit Committee in compliance with Rule 3.21 of the Listing Rules and the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal controls system of the Group, review and approve connected transactions and to advise the Board.

The Audit Committee comprises three independent non-executive Directors, namely Ms. Yao Jue, Mr. Ye Junying and Mr. Zhao Yue. Ms. Yao Jue is the chairman of the Audit Committee.

During the year ended December 31, 2018, two Audit Committee meetings were held (one of which was held during the Relevant Period). The main resolutions considered and approved in these meetings include: (i) Company's interim reporting; and (ii) annual audit planning for the year ended December 31, 2018.

BOARD COMMITTEES (CONTINUED)

Remuneration Committee

The Company established a Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the CG Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and other senior management.

The Remuneration Committee comprises one executive Director, namely Mr. Bao Fan, and two independent non-executive Directors, namely Mr. Ye Junying and Mr. Zhao Yue. Mr. Ye Junying is the chairman of the Remuneration Committee.

The Remuneration Committee has adopted the second model described in paragraph B.1.2(c) under Appendix 14 to the Listing Rules (i.e. make recommendation to the Board on the remuneration packages of individual executive Director and senior management member).

During the Relevant Period, the Remuneration Committee did not convene any meetings as there were no relevant matters to discuss.

Details of the remuneration paid or payable to each Director of the Company for the year ended December 31, 2018 are set out in Note 14 to the financial statements.

The remuneration of the members of senior management who are neither a Director nor chief executive of the Company by band for the year ended December 31, 2018 is set out below:

Remuneration Bands (HKD)	Number of Persons
7,500,001 - 15,000,000	3
0 - 7,500,000	2
Total	5

Nomination Committee

The Company has established a Nomination Committee in compliance with the CG Code. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of Directors and management of Board succession.

The Nomination Committee comprises one executive Director, namely Mr. Bao Fan, and two independent non-executive Directors, namely Ms. Yao Jue and Mr. Zhao Yue. Mr. Bao Fan is the chairman of the Nomination Committee.

Code provision A.5.2 of the CG Code stipulates that Nomination Committee meetings should be held at least annually. As the Company was only listed on September 27, 2018, no Nomination Committee meeting was held during the Relevant Period.

BOARD COMMITTEES (CONTINUED)

Board Diversity Policy

The Company has adopted a board diversity policy (the "**Diversity Policy**") which sets out the approach to achieve diversity of the Board. The Company embraces the benefits of having a diverse Board to enhance the quality of its performance.

In identifying and selecting suitable candidates to serve as a director of the Company, the Nomination Committee would consider the criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

During the year ended December 31, 2018, the Board has not set any measurable objectives. The Board has on March 19, 2019 approved to incorporate gender, age, culture and educational background, professional qualifications, knowledge and industry experience as measurable objectives in the Diversity Policy. The Board will review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives. The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth.

The Nomination Committee will review the Diversity Policy, as appropriate, to ensure its effectiveness.

Dividend Policy

The Company has adopted a dividend policy (the "**Dividend Policy**") which aims to increase or maintain the value of dividends per share of the Company, to provide reasonable return in investment of investors, and to allow the Shareholders to assess its dividend payout trend and intention.

Pursuant to the Dividend Policy, a dividend may only be declared and paid out of the profits and reserves of the Company lawfully available for distribution (including share premium), and may not be declared and paid out if this would result in the Company being unable to pay its debts as they fall due in the ordinary course of business. The Board has absolute discretion on whether to pay a dividend and alternatively, Shareholders may by ordinary resolution declare dividends but no dividend may be declared in excess of the amount recommended by the Board. In addition, the Company does not currently have a fixed dividend payout ratio. Even if the Board decides to pay dividends, the form, frequency and amount of dividends will depend on, among other things, (a) current and future operations, and future business prospects, (b) the Company's liquidity position, cash flows, general financial condition capital adequacy ratio and capital requirements, and (c) the availability of dividends received from subsidiaries and associates in light of statutory and regulatory restrictions on the payment of dividends.

The Board will continue to review and amend the Dividend Policy as appropriate from time to time.

BOARD COMMITTEES (CONTINUED)

Nomination Policy

The Company has adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and procedures to nominate board candidates. The Nomination Policy aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

Pursuant to the Nomination Policy, the Nomination Committee shall identify suitable board candidates and make recommendation to the Board, after accessing a number of factors of a proposed candidate, including, but not limited to, reputation, professional skills, independence of proposed independent non-executive Directors and diversity in all aspect. The Board shall have the final decision in relation to its nomination of any candidates to stand for election at a general meeting.

The Nomination Committee will review the Nomination Policy, as appropriate, and recommend revision to the Board for consideration and approval.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board would review the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the CG Code and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company may from time to time and as the circumstances require provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Company acknowledges the importance of directors participating in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant internally-facilitated briefings for directors have been arranged and reading material on relevant topics would be issued to directors where appropriate. They are encouraged to attend relevant training course at the Company's expenses.

During the year ended December 31, 2018 and prior to the Listing, all of the Directors, namely, Mr. Bao Fan, Mr. Xie Yi Jing, Mr. Du Yongbo, Mr. Neil Nanpeng Shen, Mr. Li Shujun, Mr. Li Eric Xun, Ms. Yao Jue, Mr. Ye Junying, and Mr. Zhao Yue participated in a training session on directors' duties, responsibilities and obligations under the Listing Rules and the SFO.

In addition, the Company arranges regular trainings to provide Directors with updates on the latest developments and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

AUDITORS' RESPONSIBILITY AND REMUNERATION

The Company appointed Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong ("**Deloitte**") as the external auditor for the year ended December 31, 2018. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditors' Report on pages 97 to 102.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte for the year ended December 31, 2018 are set out in the table below:

Services rendered for the Company	Fees paid/payable US$ '000
Audit services:	
Audit services	758
Non-audit services:	
Tax advisory services	4
Financial due diligence services	58
TOTAL	820

RISK MANAGEMENT AND INTERNAL CONTROLS

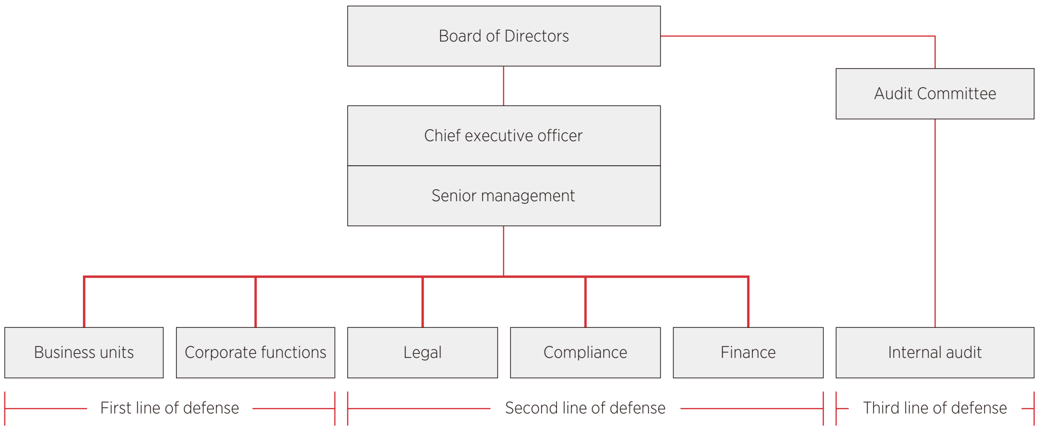
The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board had conducted a review of the effectiveness of the risk management internal control system of the Company in respect of the year ended December 31, 2018 and considered the system effective and adequate.

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.

To further enhance our controls on significant risks, an operating committee was set up on December 31, 2018. The operating committee is chaired by the Chief Executive Officer and comprises of the heads of relevant risk and control functions. It is responsible for determining daily operational matters, enhancing our operational infrastructure, formulating internal policies and procedures, allocating resources, leading major internal projects and IT infrastructure development. The operating committee reports directly to the executive committee on matters with a significant impact on our business.

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:

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)



If any risks are identified by our front office business units or corporate functions, they will first escalate within the chain of command in the unit or function, ultimately reaching the head of the unit or function. If the head, 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 operating committee and then executive committee. Our risk control departments, including legal, compliance and finance departments, support and advise our business units and corporate functions, as well as the Executive Committee, on the management and resolution of the risks and issues identified.

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 in preparation for our Listing, we engaged an independent internal control consultant to conduct a review of our internal control system. The consultant conducted review procedures on our internal control system in certain aspects, including revenue, purchase, fixed assets management, human resources, financial management and information technology, and immediately before the Listing, there were no material internal control findings on the Company.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

The Board considers there being no material changes to the Company's risk management and internal control systems since the Listing and is of the view that the systems are effective and adequate throughout the year ended December 31, 2018.

Regarding inside information concerning the Company itself, the Company has adopted its Inside Information Disclosure Policy which sets out the statutory obligations of disclosure of inside information, guidance on protection of inside information, procedures and formats of disclosures, and relevant roles and responsibilities. Additionally, an Information Barrier Policy is also adopted for our employees to follow. Information barrier 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. 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.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings ("EGM") by Shareholders

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an EGM. General meetings shall also be convened on the written requisition of any one or more Shareholders 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 requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

General meetings may also be convened on the written requisition of a Shareholder which is a recognized clearing house (or its nominee(s)) 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, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does 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 Board 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 Board shall be reimbursed to them by the Company.

SHAREHOLDERS' RIGHTS (CONTINUED)

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Units 8107-08, Level 81, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

Telephone: +852 2287 1600

Fax: +852 2287 1609

Email: ir@chinarenaissance.com

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming annual general meeting, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Articles of Association has been amended and restated with effect form the Listing Date. Save as disclosed above, during the year ended December 31, 2018, the Company did not make any significant changes to its constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

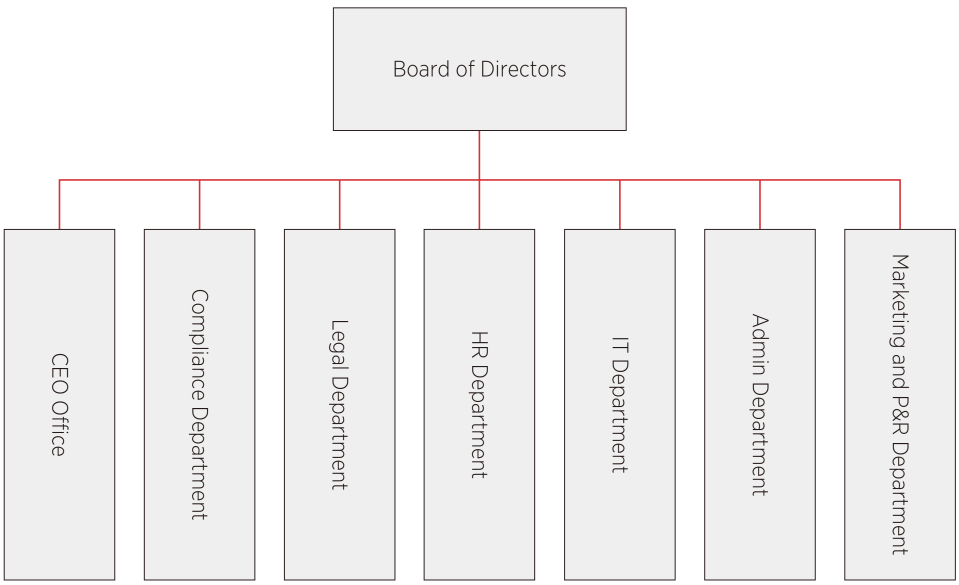
1. ABOUT THE REPORT

This report has been prepared in accordance with the *Environmental, Social and Governance Reporting Guide* ("**ESG Reporting Guide**"), Appendix 27 to the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong* ("**HKEX**") to present the performance of China Renaissance Holdings Limited ("**China Renaissance**", "**the Company**" or "**We**") regarding environmental, social and governance issues in 2018. Unless otherwise stated, the scope of this report only covers the businesses of China Renaissance. This report should be read in conjunction with the "Corporate Governance" section in the 2018 Annual Report of the Company to better understand our ESG performance.

2. ESG CONCEPT AND MANAGEMENT

China Renaissance is committed to be the platform of choice connecting best-in-class new economy businesses with diversified sources of global capital. We abide by the core values of "goodness, partnership, entrepreneurship and excellence", and actively undertake ESG responsibilities based on our own business characteristics and advantages, responding to stakeholders' expectations with practical actions and promoting the sustainable development of the Company.

To effectively manage and undertake ESG responsibilities, the Company has established an ESG management system. The Board of Directors is responsible for developing ESG strategic objectives and reviewing the Company's ESG performance. Several functional departments form an ESG working group, which is responsible for specific ESG tasks.



2. ESG CONCEPT AND MANAGEMENT (CONTINUED)

The Company has identified key stakeholders based on its actual business operations and understood their main ESG concerns through various communication channels, actively responding to their appeals. The key stakeholders identified, their main ESG topics of concern and the respective communication channels are listed in the table below.

Main stakeholders	Main ESG topics	Main communication channels
Shareholders and investors	Employment, product responsibility, anti-corruption	Shareholders' meetings, regular announcements and official website
Governments and supervisory institutions	Employment, supply chain management, product responsibility, anti-corruption and community investments	Policy consultations, incident reporting, information disclosures and participation in governmental meetings
Clients	Product responsibility	Customer visits, social media and information disclosures
Employees	Employment, health and safety, development and training and labour standards	Employee activities, employee trainings, communication meetings and social media
Suppliers	Supply chain management and anti-corruption	Supplier inspections and communication meetings
Media and non-governmental organisations	Emissions, resource utilisation, environment and natural resources, employment, supply chain management and product responsibility	Social media, official website, press conferences, interactive meetings
Community	Emissions, use of resources, environment and natural resources and community investments	Public welfare activities, interactions with the community, social media and poverty alleviation projects

In 2018, the Company continued to communicate with our stakeholders and, with the Company's strategic and operational focus in mind, we conducted a substantive analysis of the 11 ESG topics listed in the ESG Reporting Guide as reference for our actions and reporting.

Material aspects identified include "product responsibility", "employment", "development and training" and "anti-corruption", while relevant aspects include "emissions", "use of resources", "environment and natural resources", "community investment", "supply chain management", "health and safety" and "labour standards". We will discuss these aspects in this report.

3. PRODUCT RESPONSIBILITY

As a leading investment banking and investment management firm dedicated to China's new economy businesses, China Renaissance is all along committed to providing China's new economic entrepreneurs and investors with one-stop financial services in the mainland of China, Hong Kong and the United States. As we provide our services, we adhere to the business principle of "creating value for clients", take business compliance management seriously, strictly regulate business operations and continuously provide high-quality services to clients.

3.1 Quality Service

China Renaissance is the leading investment banking and investment management company in the new economy sectors in China, and has always adhered to the business principle of "creating value for clients", providing clients with quality financial services. Our business aims at identifying outstanding entrepreneurs and quality businesses, and providing high-quality consulting, investment and capital market services throughout the development of our clients.

With a high-quality new economic platform, a strong data-driven sustainable platform, and solid expertise in new economy, the Company has built a collaborative platform of highly complementary business lines and a comprehensive product and service system, allowing us to provide multiple opportunities throughout whole business cycle of our clients. Meanwhile, the Company values the pivotal role of technology in future development planning, and utilises new technologies to capture and analyse growing market data for the purpose of upgrading our consulting services, providing a basis for our investment management decisions and directing our business developments.

In addition, we have established an entrepreneur-centric business model and kept close contact with entrepreneurs to actively collect information feedback, so as to fully guarantee the quality of service. Entrepreneurs are engaged in interactions with us in multiple identities as clients, opinion leaders and investors to help us with the establishment of a mutual recommendation network, consolidation of our project reserve base and improvement of our quality of service, which in turn help us develop a sustainable business cycle. The Company has been widely recognised by peer companies and the society as we continuously create values for our clients.

3. PRODUCT RESPONSIBILITY (CONTINUED)

3.1 Quality Service (Continued)

China Renaissance's Key Awards Received in 2018

Awarded by	Awards
The Asset	"Top IPOs in China" "Top Domestic M&As in China"
Annual Meeting of Investment Community	"2018 Top 12 Private Equity Firms in China" "2018 Top 30 Investment Institutions in Internet/ Mobile Internet Industry in China"
Asia Finance	"2018 M&A Award"
36Kr 2018 King of New Economy	"Top 1 Most Influential New Investment Bank in China"
China M&A Awards held by Mergermarket	"TMT M&A Awards" "TMT M&A Adviser of the Year"
Caixin Insight	"2017 Caixin Capital Market Achievement Award – Top Advisers for Private Equity/Venture Capital M&A Investment Activities in China"
BayHelix	2018 Healthcare Awards — "Deal of the Year"
36Kr 2018 King of New Economy	"Top 10 Most Influential Private Equity Firms in China"
The 7th Golden Financing Awards	"Top 10 Elite Investment Institutions"
The 12th ChinaVenture Awards	"Top 10 Private Equity Firms Most Concerned by LP in China"
Chinese Venture 2018 Top Venture Capital Firms in China	"2017-2018 Top 20 Venture Capital Firms in Internet/ Mobile Internet Industry in China" "2017-2018 Top 10 Venture Capitalists in Internet/ Mobile Internet Industry in China" "2017-2018 Top 10 Investment Cases in Internet/ Mobile Internet Industry in China"

3. PRODUCT RESPONSIBILITY (CONTINUED)

3.2 Compliance of Business Operations

As a diversified financial institution in mainland China, Hong Kong and the United States, China Renaissance actively identifies and strictly abides by relevant local laws and regulations. We strictly abide by the *Securities Investment Fund Law of the People's Republic of China*, the *Securities Law of the People's Republic of China*, the *Regulations on the Supervision and Administration of Securities Companies*, the CSRC *Guidelines for the Internal Controls of the Investment Banking Business of Securities Companies*, the CSRC *Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies*, the AMAC *Interim Measures for Supervision and Administration of Privately Offered Investment Funds*, the *Securities and Futures Ordinance* of Hong Kong, the laws and regulations governing securities business and other relevant local laws and regulations in the US, and have formulated a series of internal rules and regulations such as the *Code of Business Conduct and Ethics*, the *Anti-Money Laundering and Counter-Financing Terrorism Policy*, the *Information Barrier Procedures*, the *Personal Account Investment Management Policy*, the *Conflict of Interest Policy*, the *Anti-Money Laundering Manual* and the *Anti-Money Laundering Guide*, which have set compliance standards and requirements applicable to business operations. All local compliance teams have also developed their own compliance policies, procedures or guidelines, based on their specific business scope and contents, in accordance with the Company's group policy and local laws and regulations.

For example, Huajing Securities has formulated its own supplementary rules for compliance management on the basis of strict compliance with relevant laws and regulations as well as the Company's policies, including the *Compliance Management Rules*, the *Measures for Compliance Review Management*, the *Measures for Compliance Monitoring Management*, the *Measures for Compliance Complaints and Reports Management*, the *Implementation Measures for Compliance Management Effectiveness Evaluation*, the *Measures for Compliance Assessment Management*, the *Information Barrier Procedures*, the *Compliance Accountability Management Measures*, the *Rules and Regulations Management Measures*, the *Compliance Inspection Management Measures*, etc., which stipulate the requirements on various subjects such as organisation structure for compliance management and responsibilities thereof, compliance review, compliance inspection, compliance reporting and compliance assessment, ensuring the comprehensiveness of compliance management. In addition, Huajing Securities conducts compliance effectiveness assessments every year and submits compliance management reports to regulators on a regular basis.

A core part of our regulatory risk management control is our Compliance Division which is highly involved in many aspects of the Company's business operations. Its duties include: providing regulatory advice, identifying and continuously monitoring updates to regulatory requirements, assessing regulatory risks, developing compliance policies, providing compliance trainings, managing regulatory inspections, escalating and addressing identified issues, and enhancing internal compliance policies and procedures.

To improve compliance management capability and efficiency, the Company has also built a compliance system to facilitate conflict of interest management, maintenance of information barrier (including the Watch List and Restricted List), maintenance of wall-crossed employees list, and maintenance and monitoring of employee personal account trading and private financial investments. In addition, the Company provides employees with compliance training on a regular basis to help them better understand their compliance responsibilities and obligations and promote effective implementation of relevant compliance requirements.

3. PRODUCT RESPONSIBILITY (CONTINUED)

3.3 Client's Privacy Protection

China Renaissance attaches great importance to the protection of client information and privacy, and has taken measures to protect confidential customer information. The Company always adheres to the principle of "focus on prevention and continuously enhance" when it comes to information security and strictly abides by relevant laws and regulations such as the *Cybersecurity Law of the People's Republic of China*, the *Contract Law of the People's Republic of China*, the *Rules for Governance of Securities Companies*, and the *Implementation Guidelines for the Suitability Management of Investors in Securities Trading Institutions*. The Company has formulated its own rules and regulations, including the *Information Technology Security Management Rules*, the *Internet Security Access Management Measures, System Security Configuration Technical Specifications*, the *Information Technology Project Management Rules* and the *System O&M Management Rules*, to implement information security measures and ensure client information security.

The Company has also established an information security and risk prevention and control system. We adopt various proactive preventive measures, continuously improve our emergency response mechanism, optimise technical control measures, enhance safety awareness among all employees and strengthen internal security inspections, thereby achieving an overall improvement of the information security level. In 2018, the Company's main business information system passed the filing and evaluation for Grade II Classified Protection of Information Security.

- In terms of technology, the Company uses developed products and solutions provided by professional security companies to control terminals and network security, ensuring data security and improving information security management.

- With regard to monitoring, the Company monitors key systems in real time around the clock to ensure that problems are discovered and corresponding procedures implemented timely upon occurrence of any risk events.

- For detection, the Company conducts penetration testing and vulnerability scanning on a regular basis to timely identify and fix any problems in our information system.

- As for permissions, the Company has configured different account permissions for employees of different levels in the design of internal systems, following the principle of minimisation in the assignment of permissions so as to ensure information security of the Company and clients.

In addition, the Company has developed internal rules and regulations, such as the *Code of Business Conduct and Ethics and the Brokerage Business Management Measures*, which require all employees to keep client information confidential and restrict the inappropriate sharing of client information.

3. PRODUCT RESPONSIBILITY (CONTINUED)

3.4 Intellectual Property Protection

China Renaissance respects intellectual property rights and innovative achievements. The Company follows relevant laws and regulations such as the *Advertisement Law of the People's Republic of China* , *Anti-Unfair Competition Law of the People's Republic of China*, the *Trademark Law of the People's Republic of China* and other relevant laws and regulations to protect all intellectual property rights and trademarks.

4. EMPLOYEE CARE

Talent is the primary productive force for an enterprise's development. China Renaissance has always believed that an excellent financial firm should serve as a platform to encourage employees' entrepreneurship, provide scenarios for learning, develop interactive training, conduct data-based talent management, and activate new shared cultures. The Company pays close attention to the trends, grasps the essence, works consistently with the mindset of a product manager, and perfects its tasks with the spirit of a craftsman. It insists on cultivating outstanding talents and keeps exploring and practising to achieve organisational missions, employee growth and work happiness.

4.1 Employment

Talent is the Company's most important asset, and the Company attaches great importance to protecting employees' rights and interests. For employee management, the Company has established human resources policies to ensure compliance with the *Labour Law of the People's Republic of China*, the *Labour Contract Law of the People's Republic of China*, the *Provisions on the Prohibition of Using Child Labour*, the *Regulation on Work-Related Injury the Insurance* and *Special Rules on the Labour Protection of Female Employees*, the *Employment Ordinance* of Hong Kong and other relevant laws and regulations, and has developed a series of our own rules for employee management such as the *Recruitment Management Rules*, the *Employee Manual*, the *Training Management Rules*, the *Position Management Measures* and the *Internal Position Adjusting Management Rules*, which provide procedures on matters such as recruitment, employment, vacation management, compensation and benefits, performance management, promotion and development and employee benefits to effectively protect employees' rights and interests.

"Starry Sky Talk"

4. EMPLOYEE CARE (CONTINUED)

4.1 Employment (Continued)

All of the Company's recruitment processes are conducted in a fair and open manner in accordance with the Company's policies. All candidates are treated equally in the recruitment process and there is no discrimination based on gender, race, religion or any other aspect. The HR Division strictly verifies personal information of the recruits and will not engage in the employment of child labour or forced labour.

4.2 Development of Employees

China Renaissance attaches great importance to the career development of employees. The Company has formulated the *Position Management Measures* and other rules to help employees continuously improve and progress in their work, so as to achieve the common development of the Company and employees.

The Company provides employees with a compensation package that is competitive in the industry and has set up for them a fair and multi-channel promotion path. Considering the varying nature of different business lines, we have developed five position systems and designed for each system a unique promotion and development path. Each business line is provided with both professional path and management path for development, which gives employees a broad platform and vast opportunities for career development. The Company conducts performance appraisal and promotion selection every year to provide outstanding employees with fair promotion opportunities and encourage employees to fully develop their personal abilities, innovate actively and contribute to the Company while achieving personal development. Furthermore, the Company has launched a "Clear Spring Scheme" that allows unconstrained job transfers for qualified employees within the Company and facilitates multi-path developments.

4.3. Employee Training

China Renaissance adheres to the "people come first" concept and has built a comprehensive employee training system and a series of training rules based on employees' needs. It carries out full-cycle management on training courses, which mainly consist of demand analysis, training planning, course design, course implementation and performance evaluation, and improves the management continuously based on the actual development needs of the Company.

According to the varying development needs of different positions, the Company provides generic training and trainings on various subjects including business, compliance, management, etc. We have established a talent training system with "employee growth training ladder" at the core for different divisions and career development paths, designed learning plans for employees of all levels, and organised a series of targeted face-to-face trainings, online learning and online exams to effectively improve employees' learning efficiency and promote their skill learning and career growth.

4. EMPLOYEE CARE (CONTINUED)

4.3. Employee Training (Continued)

- Management courses, designed for all types of management personnel and high-potential talents to improve their leadership ability and style, are mainly conducted in forms of seminar, leadership training, etc.

- Business courses, designed for professional staff to acquire professional knowledge and professional skills to meet the needs of professional posts, are mainly conducted in forms of basic business course, business sharing meeting, etc.

- General courses, designed for all types of employees, are mainly conducted in forms of new employee training, corporate culture training, general skills training, professional quality training, etc.

- Compliance training, designed for all types of employees, are conducted regularly for employees as required by latest regulatory provisions to help them understand their legal and regulatory responsibilities and obligations.

The Company also helps employees improve their business competence by actively organising courses on regulatory trends, completing the follow-up education and training required by the Securities Association of China ("**SAC**") and the Asset Management Association of China ("**AMAC**") on time and actively participating in the business and compliance trainings organised by such associations, various regulators and peer companies.

Our training courses are designed pursuant to the principles of effectiveness, pertinence and co-creation so as to guarantee the positive outcome and improve the pertinence and innovativeness of the courses.

- Effectiveness: the effectiveness of training is guaranteed by conducting training in a planned way after an in-depth analysis of the training needs with the Company's strategy, culture and business needs taken into consideration.

- Pertinence: the pertinence of training is guaranteed by understanding the abilities and development needs of different groups of people and designing the training contents and methods accordingly.

- Co-creation: a user-oriented learning ecological scene is developed to encourage all members to study and grow by sharing and co-creating, thus building an open and sharing culture and shaping a learning organisation.

4. EMPLOYEE CARE (CONTINUED)

4.3. Employee Training (Continued)

In addition to the diversified contents of trainings, China Renaissance has also implemented an in-house developed online learning platform that allows employees to take part in trainings anywhere and anytime. Furthermore, the Company has also designed various activities for training purposes such as "Fuelling Station", "Sharing Session", "Masters' Talk", "Big Lecture", "Journey of Elite Qualities", "Journey of Helping New Employees Fit In", "Journey of Leadership" and "Assignment Training" to achieve the goals of talents cultivation, business promotion, culture-inheriting and knowledge-sharing.

Help new employees fit in — culture inheriting

Fuelling Station — business promotion

Sharing Session — knowledge sharing

4. EMPLOYEE CARE (CONTINUED)

4.4 Employee Health and Safety

China Renaissance cares for the health and safety of employees and is committed to providing employees with a safe and healthy working environment. The Company strictly abides by the *Labour Law of the People's Republic of China*, the *Regulation on Work-Related Injury Insurance*, the *Fire Protection Law of the People's Republic of China* and other relevant laws and regulations and industrial standards, and gradually establishes a safety management and supervision mechanism to ensure the health and safety of employees. The Company attaches great importance to the fire safety of its offices. We organise fire drills and training on fire protection for our employees so as to improve their ability to respond to emergencies. In addition, we implement enhanced safety protection measures and inspect fire equipment on a regular basis.

China Renaissance believes that the physical and mental well-being of employees is key to their happiness and work efficiency. We provide free annual physical examination for all employees and also supplementary medical insurance, on top of basic social insurance. We also arrange medical massages and consultations for employees to help them relax and be alert to any diseases at an early stage. Furthermore, we take air pollution control measures, conduct insecticidal treatment on a regular basis and clean air conditioners from time to time in our offices to provide employees with a healthy and comfortable working environment.

The Company actively listens to and adopts employees' suggestions for improvement of the working environment. We use safe and healthy environment-friendly materials for the decoration and maintenance of offices and have established an intelligent visitor system to bring convenience to employees in their daily external communications. In addition, the Company provides employees with fresh fruits every day and installs partly-hidden storage space for their convenience. Besides, the Company also has baby care rooms to provide working mothers with a favourable environment, which have been used 145 times within a year or so, providing employees in need with heart-warming facilities and showing our sincere care for their work and life. China Renaissance's working environment has also been unanimously recognised by the peers and the Company won the "Humanised Office Space Award" in the 2018 Corporate Administrative Annual Meeting and New Economy Administrative Annual Awards Ceremony.

4. EMPLOYEE CARE (CONTINUED)

4.5 Happiness Project

The Company always believes that happiness is the essential requirement for the overall development of employees and the main basis for the Company's core competitiveness. Improving employee happiness is a necessary means and condition for the implementation of the people-oriented principle and the further improvement of enterprises' core competitiveness. To create a relaxing and harmonious working environment, enrich employees' after-work life, promote interactions between employees and enhance corporate cohesion and employee well-being, the Company has planned a series of employee care activities — "Happiness Project", which mainly includes three activities, namely "A Happy Journey to Public Welfare", "Happiness Lecture" and "Sports Club". Events of various themes such as Women's Day, Mother's Day, Family Day and Happiness Lecture were organised, and sports clubs on different subjects such as basketball, football and yoga were established to improve employees' happiness index, achieve common development of both the Company and employees and contribute to the building of a harmonious company and society.

Activity 1: Happiness Project — Women's Day Event

China Renaissance cares about female employees' feelings and development in the Company. We hold celebrations for female employees every year on the Women's Day. On 8 March 2018, the Company organised an flower-themed event and invited all female employees to join the sea of flowers and allow themselves to bloom.

Women's Day Event — "Lovely Office Ladies, Proud China Renaissance"

4. EMPLOYEE CARE (CONTINUED)

4.5 Happiness Project (Continued)

Activity 2: Happiness Project — Family Day Activity

China Renaissance attaches great importance to the family well-being of employees. In 2018, in an effort to tighten the bond between colleagues and their families, the Company launched a Family Day event — "Happiness Project — China Renaissance Babies' Party". During the mysterious treasure hunting activity, babies were guided through key areas such as the forest of trophies, conference rooms, corporate culture walls, etc. to catch a sight of the place where their parents work every day and provide the employees a different experience on Children's Day.

Family Day Event — "China Renaissance Babies' Party"

Activity 3: China Renaissance Annual Meeting

The annual meeting represents the Company's most grand annual event for all employees to get together in celebration of the achievements accomplished by the Company and themselves. The cultural values of "Goodness, Partnership, Entrepreneurship and Excellence" are advocated throughout the annual meeting. A number of awards will be granted, including the "Goodness Award", "Excellence Award" and "Entrepreneurship Award" for individuals, deepening the Company's cultural values in the hearts of employees.

5. INTEGRITY

5.1 Anti-money Laundering

China Renaissance proactively fulfils its anti-money laundering responsibilities as a financial institution by complying with laws and regulations such as the *Anti-Money Laundering Law of the People's Republic of China*, the *Rules for Governance of Securities Companies* issued by the CSRC, the *Guidelines on the Administration of Investor Suitability for Securities Operators* issued by the SAC, the *Anti-Money Laundering and Counter-Terrorist Financing Ordinance* of Hong Kong, as well as the *USA Patriot Act* and the *Bank Secrecy Act* of the United States.

The Company continues to improve its internal control by establishing policies and procedures for anti-money laundering and counter-terrorist financing and formulating the *Policies for Anti-Money Laundering and Counter-Terrorist Financing of China Renaissance Holdings Limited* so as to provide anti-money laundering principles and guidelines for each operating entity of China Renaissance. Each operating entity prepares relevant policies, procedures or guidelines in accordance with local regulatory requirements. For example, CRSHK formulated the *Anti-Money Laundering Manual*, the *Anti-Money Laundering Guidelines* and the *Suspicious Transaction Reporting Guidelines* while China Renaissance Securities (US) Inc., ("CRSUS") issued the *Anti-money Laundering Procedures* to specify anti-money laundering policies.

CRSHK and CRSUS carry out due diligence investigations on clients in a strict manner, verify their identities and conduct risk assessment for the purposes of assessing their risk profile and carrying out the corresponding due diligence management procedures for clients at different levels. CRSHK and CRSUS review high-risk clients annually upon establishment of relationship with clients. In the course of transaction surveillance and supervision, the background and true purpose of transactions would be reviewed if such transactions are abnormal or fail to imply significant economic or legal purposes. Where suspicious transactions are identified, a review would be conducted by the Compliance Division. In addition, control measures would also be reinforced to mitigate the identified risks after reporting.

Besides, for the purposes of timely informing employees and the management of screening procedures and regulation results and improving employees' attention and skills for anti-money laundering in a comprehensive way, CRSHK and CRSUS, on a regular basis, carry out compliance inspections and trainings relevant to anti-money laundering and report work progress to the management. In addition, CRSHK and CRSUS vigorously cooperate with regulators and relevant national departments to conduct anti-money laundering inspections and investigations.

5. INTEGRITY (CONTINUED)

5.1 Anti-money Laundering (Continued)

Huajing Securities strictly abides by laws and regulations such as the *Anti-Money Laundering Law of the People's Republic of China*, the *Provisions on Anti-money Laundering through Financial Institutions*, and the *Measures for the Anti-money Laundering Work in the Securities and Futures Sectors*, and strengthens its construction of the internal anti-money laundering system by formulating such rules and regulations as the *Measures for the Administration of Anti-Money Laundering Work*, the *Detailed Rules of High-Value Transactions and Suspicious Transactions* and the *Detailed Rules of Self-assessment for Money Laundering Risks*. Huajing Securities has established three lines of defence against anti-money laundering in terms of business, compliance risk control and audit, and clearly defined requirements on client identification, client money laundering risk grading, high-value transaction and suspicious transaction monitoring reports, anti-money laundering trainings and publicity, information confidentiality, and self-assessment for corporate laundering risks. Huajing Securities conducts special audit on anti-money laundering annually, with an annual anti-money laundering report concluded, carries out self-assessment for anti-money laundering risk grading as required by the People's Bank of China, and continuously monitors and timely reports high-value and suspicious transactions.

5.2 Anti-fraud and anti-corruption

China Renaissance has attached great importance to anti-fraud and anti-corruption management. The Company has strictly complied with relevant laws and regulations of nation and jurisdictions on anti-corruption and bribery and anti-unfair competition, and formulated rules and regulations such as the *Measures for Reporting Management of China Renaissance Holdings Limited*. In this case, employees can report issues identified during their daily work on site, or via letters, phones, and emails on a strictly confidential basis. The Company will conduct an independent review, with a report to senior management including the CEO, and seek such independent advices as appropriate to determine the next course of action. The identity of the reporting employee will be kept in strict confidence to ensure that the person is protected.

Meanwhile, the Company requires all employees fulfil their duties with a high sense of integrity. The *Employee Manual of China Renaissance Holdings Limited* has specified that all employees shall be fully aware of and adhere to the Company's code of conduct and ethics rules and comply with anti-commercial bribery provisions. Upon on-boarding, new employees are required to sign the *Employment Declaration and Guarantee* and abide by the provisions on integrity and self-discipline and the duties of loyalty in a strict manner. With integrity and trustworthiness, they shall fully perform the contractual duties and job responsibilities, comply with various rules and regulations and safeguard the Company's legitimate rights and interests. In addition, the Company conducts publicity events and trainings on anti-fraud and anti-corruption from time to time to raise employees' awareness of integrity.

6. ENVIRONMENTAL PROTECTION

China Renaissance advocates the concept of "energy-saving operations" and proactively responds to the national eco-civilisation development strategy, complying with laws and regulations such as the *Environmental Protection Law of People's Republic of China* and the *Energy Conservation Law of the People's Republic of China*, and promoting low-carbon and environment-friendly business patterns and working styles. It also encourages employees to cultivate energy-saving and environment-friendly behaviours, so as to protect the environment as well as reduce pollution to the maximum extent.

As a financial institution, the major impact factors on the environment by China Renaissance include water and power consumption and office consumables used during its daily operations. We understand the environmental responsibilities borne by the Company and have developed a series of measures in the daily operations to reduce resource consumption and emissions.

In order to save power, the Company adopts energy-saving luminaires in all offices. The Company, in a scientific and reasonable way, sets the air-conditioning temperature in public office areas to save energy and establishes a system of on-demand air-conditioning at weekends to control energy consumption. Security personnel patrol the offices before going off duty and turn off unnecessary air conditioners and lights to avoid wastage. The Company selects hyper-converged servers with high density during server procurement to reduce energy consumption.

The Company calls for water conservation by prioritising the procurement of water-saving appliances and applying sensitive faucets in washrooms to reduce wastage of water resources. For the purposes of reducing paper consumption in all offices, the Company purchases environment-friendly paper for printing. Printers are set to print on both sides by default and a special area for recycling printed papers is reserved next to printers. In addition, the office building of the Company has been certified by the US Green Building Council, with all air conditioners in the office being water-cooled and fluoride-free, reducing environmental impacts.

6. ENVIRONMENTAL PROTECTION (CONTINUED)

Environmental Performance

The statistical scope of environmental data in the Report includes: Beijing Office and Shanghai Office of China Renaissance, and Beijing Office and Shanghai Office of Huajing Securities.

1. Emissions

Indicator	2018
Total GHG emissions (tonnes)	**432.41**
Total GHG emissions per floor area (tonnes per square metre)	0.048
Hazardous waste (tonnes)	**0.017**
Hazardous waste per employee (tonnes per employee)	0.000034
Non-hazardous waste (tonnes)	**0.22**
Non-hazardous waste per employee (tonnes per employee)	0.00043

Notes:

1 Due to its business nature, the major emissions of China Renaissance represent GHG emissions, arising mainly from electricity derived from fossil fuels.

2 Calculation for GHG emissions from China Renaissance mainly includes carbon dioxide, methane and nitrous oxide. GHG emissions is presented in carbon dioxide equivalence and calculated based on the *2015 Baseline Emission Factors for Regional Power Grids in China* issued by the National Development and Reform Commission and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories* issued by the Intergovernmental Panel on Climate Change (IPCC).

3 Hazardous waste arising from the daily operation of China Renaissance mainly includes used toner cartridges and ink boxes. Used toner cartridges, ink boxes and other hazardous waste are recycled by qualified vendors.

4 Non-hazardous waste arising from the daily operation of China Renaissance mainly includes displaced electronic equipment. The displaced electronic equipment is recycled upon approval for disposal.

6. ENVIRONMENTAL PROTECTION (CONTINUED)

Environmental Performance (Continued)

2. Energy and Resource Consumption

Indicator	2018
Total energy consumption (MWh)	**575.36**
Energy consumption per floor area (MWh per square meter)	0.064
Paper consumption (tonnes)	**5.4**
Paper consumption per employee (tonnes/employee)	0.011
Running water consumption (tonnes)	**610**
Running water consumption per employee (cubic meters per employee)	1.2

Notes:

1 Consolidated energy consumption is calculated on the basis of the consumption of power and petroleum and the conversion factor set out in the China's National Standard *General Principles of Consolidated Energy Consumption Calculation* (GB/T 2589-2008).

2 The running water consumption mainly arises from water consumed by offices in Beijing with no issue in sourcing water. As water fees incurred in other districts are included in the property fees, the corresponding water consumption cannot be separately calculated. Such water consumption will be calculated based on the practical situation in future.

3 The packaging data is not applicable to the Company.

7. SUPPLY CHAIN MANAGEMENT

The Company focuses on enhancing the normative and scientific management of suppliers and formulates relevant rules and regulations, such as the *Measures for Supplier Management of China Renaissance Holdings Limited*, based on its own business features, to define specific standards for supplier management regarding access, daily management, annual review and supervision and inspection. The Company sets up the Procurement Committee to achieve unified and standardised management pursuant to the procurement principle of being "transparent, fair and impartial".

In the course of screening suppliers, the Company establishes a strict access mechanism by reviewing such basic information as registered capital, establishment period, company qualification, and legal compliance. In the process of cooperation with suppliers, the Company urges suppliers to fulfil their corporate social responsibilities by means of quality tests and annual assessments. The Procurement Committee are responsible for overseeing the entire procurement process, and the Internal Audit Team conducts a sample inspection of procurement on a regular basis to prevent violations of laws and regulations as well as corruption. In addition, we emphasise green procurement when purchasing servers, computers and finishing materials, taking green development and energy conservation into full consideration.

8. COMMUNITY CONTRIBUTION

We contribute to our community through the following initiatives:

Public Travel with Love

In April 2018, China Renaissance held a public event — "Love in Ya'an, Enjoy Reading". On the 5th anniversary of the Ya'an earthquake, the Medical and Life Science Team of China Renaissance visited the Central Primary School of Wangyu Village, Yucheng District, Ya'an City, Sichuan Province and participated in the "School Class with A Book Corner" campaign initiated by the "Shoulder Action", sending a selection of books to children and spending some unforgettable time with them.

Relief for Syrian Children

Due to wars in Syria, 5.82 million Syrian children were affected to varying degrees. Among them, 100,000 children became permanently disabled in the wars due to multiple causes such as economic and medical restrictions, with no prosthetics being available to some of them. To assist children in the war areas and mitigate the impact of wars on children, China Renaissance has established a relief project for Syrian Children, "The Belt and Road Initiative, Growth with Hopes", which was jointly launched by the China Social Welfare Foundation, the senior management of China Renaissance and the BeltWay Group Limited. The project aims at converging the strength of Chinese people to jointly impel "the Belt and Road Initiative", a great undertaking benefitting all peoples and with epoch-making significance, by responding to the national strategy through humanistic care. Funds raised by the Project will be used for relieving Syrian children, providing prosthetic limbs for those in the war areas and helping those who have suffered from diseases and disabilities on account of wars in the Syrian humanitarian crisis.

The Project has caught wide attention and acquired energetic support from all walks of life. Over RMB4 million was raised from more than 640 persons in just three days.

Poverty Alleviation

On 25 June 2018, Huajing Securities participated in the Promotion Meeting of Shanghai-Wenshan Collaborative Project for Poverty Alleviation organised by the Shanghai Poverty Alleviation Office and Wenshan Zhuang-Miao Autonomous Prefecture in Yunnan Province, donated funds of RMB800,000 for social assistance to the Prefecture, entered into partner assistance agreements with four impoverished counties of Qiubei County, Xichou County, Maguan County and Funing County in the Whenshan Prefecture, as well as provided successive assistance to the four counties in terms of funds, materials, information, technologies and manpower.

As an effort to assist the poor in Wenshan Prefecture on their practical problems such as marketing difficulties for agricultural local products and low selling prices, at the end of September 2018, Huajing Securities took the lead in purchasing agricultural and side-line products like Yunnan scented tea, a special local product of Wenshan Prefecture, and offered to receive relevant product lists from each county, helping to boost sales of local special products and supporting local economic development.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at December 31, 2018, the interests and short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

(i) Interest in Shares and underlying Shares

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding (1)
Mr. Bao (2)	Interest in a controlled corporation	245,407,500	45.12%
	Settlor of a trust who can influence how the trustee exercises the voting power of its shares	31,064,000	5.71%
	Beneficial owner	17,292,600	3.18%
	Other	27,044,532	4.97%
Mr. Xie Yi Jing (3)	Beneficial owner	400,000	0.07%
Mr. Du Yongbo (4)	Beneficial owner	400,000	0.07%
Mr. Li Shujun (5)	Interest in a controlled corporation	35,652,172	6.56%
Mr. Neil Nanpeng Shen (6)	Interest in a controlled corporation	34,565,216	6.36%

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS (CONTINUED)

(i) Interest in Shares and underlying Shares (Continued)

Notes:

1. The calculation is based on the total number of 543,863,412 Shares in issue as at December 31, 2018.

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, Mr. Bao's spouse, 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 245,407,500 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 directly holds 892,600 Shares and is entitled to receive 16,400,000 Shares pursuant to the exercise of his options granted under the ESOP. Separately, pursuant to a series of agreements (not being agreements under section 317), CR Partners Limited is entitled to exercise the voting rights in respect of 27,044,532 Shares. Under the SFO, Mr. Bao is also deemed to be interested in the 27,044,532 Shares entitled by CR Partners Limited.

3. Mr. Xie Yi Jing is entitled to receive 400,000 Shares pursuant to the exercise of his options granted under the ESOP.

4. Mr. Du Yongbo 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 Ltd. 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 Ltd.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS (CONTINUED)

(ii) Interest in associated corporations

Name of Shareholder	Name of member of the Group	Capacity / Nature of interest	Amount of registered capital (RMB)	Approximate percentage of holding
Mr. Bao	Tianjin Huajie	Interests held as a limited partner	5,000,000	10%
	Tianjin Huahuang	Interests held as a limited partner	4,500,000	30%
	Huaxing Associates, L.P.	Interests held as a limited partner through controlled corporation (1)	Not applicable	Not applicable
	Huaxing Associates II, L.P.	Interests held as a limited partner through controlled corporation (1)	Not applicable	Not applicable
	Huaxing Associates III, L.P.	Interests held as a limited partner through controlled corporation (1)	Not applicable (3)	Not applicable (3)
Mr. Du Yongbo	Dazi Huafeng	Nominee shareholder whose shareholder's rights are subject to contractual arrangements	50,000	50%
	Dazi Hualing	Nominee shareholder whose shareholder's rights are subject to contractual arrangements	50,000	50%
	Dazi Huashi	Nominee shareholder whose shareholder's rights are subject to contractual arrangements	500,000	50%
	Shanghai Quanyuan	Nominee shareholder whose shareholder's rights are subject to contractual arrangements	50,000	50%
	Dazi Huafeng Venture Capital Partnership L.P.	Interests held as a limited partner	50,000,000	10%
	Ningbo Xinshou	Interests held as a limited partner	20,000,000	25%
	Huasheng Xinhang	Interests held as a limited partner	38,727,980	20%
	Huaxing Associates II, L.P.	Interest held as a limited partner through controlled corporation (2)	Not applicable	Not applicable
	Huaxing Associates III. L.P.	Interest held as a limited partner through controlled corporation (2)	Not applicable (4)	Not applicable (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.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS (CONTINUED)

(ii) Interest in associated corporations (Continued)

Save as disclosed above, as at December 31, 2018, so far as is known to any Director or the chief executive of the Company, none of the Directors nor the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2018, so far as the Directors are aware, the following persons (other than our Directors or chief executives of our Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Interest in our Company

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]
CR Partners [2]	Beneficial owner	245,407,500	45.12%
	Other	27,044,532	4.97%
FBH Partners [2]	Interest in a controlled corporation	245,407,500	45.12%
	Other	27,044,532	4.97%
Mr. Bao [2]	Interest in a controlled corporation	245,407,500	45.12%
	Settlor of a trust who can influence how the trustee exercises the voting power of its shares	31,064,000	5.71%
	Beneficial owner	17,292,600	3.18%
	Other	27,044,532	4.97%
Renaissance Greenhouse HK Limited [3]	Beneficial interest	47,722,084	8.77%
CW Renaissance Holdings Limited [3]	Interest in a controlled corporation	47,722,084	8.77%
Chengwei Capital HK Limited [3]	Interest in a controlled corporation	47,722,084	8.77%
Chengwei Evergreen Capital, LP [3]	Interest in a controlled corporation	47,722,084	8.77%
Chengwei Evergreen Management, LLC [3]	Interest in a controlled corporation	47,722,084	8.77%
Bamboo Green, Ltd. [4]	Beneficial owner	34,565,216	6.36%
Sequoia Capital China Growth Fund III, L.P. [4]	Interest in a controlled corporation	34,565,216	6.36%
SC China Growth III Management, L.P. [4]	Interest in a controlled corporation	34,565,216	6.36%
SC China Holding Limited [4]	Interest in a controlled corporation	34,565,216	6.36%
SNP China Enterprises Limited [4]	Interest in a controlled corporation	34,565,216	6.36%
Mr. Neil Nanpeng Shen [4]	Interest in a controlled corporation	34,565,216	6.36%
Mr. Li Shujun [5]	Interest in a controlled corporation	35,652,172	6.56%
Sky Allies Development Limited [6]	Nominee for another person (other than a trustee)	31,064,000	5.71%
Infiniti Trust (Hong Kong) Limited [6]	Trustee	31,064,000	5.71%

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Interest in our Company (Continued)

Notes:

1. The calculation is based on the total number of 543,863,412 Shares in issue as at December 31, 2018.

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, Mr. Bao's spouse, 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 245,407,500 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 directly holds 892,600 Shares and is entitled to receive 16,400,000 Shares pursuant to the exercise of his options granted under the ESOP. Separately, pursuant to a series agreements (not being agreements under section 317), CR Partners Limited is entitled to exercise the voting rights in respect of 27,044,532 shares. Under the SFO, Mr. Bao is also deemed to be interested in the 27,044,532 Shares entitled by CR Partners Limited.

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, which is controlled by Chengwei Evergreen Management, LLC. Under the SFO, each of CW Renaissance Holdings Limited, Chengwei Capital HK Limited, Chengwei Evergreen Capital LP and Chengwei Evergreen Management, LLC is interested in the 47,722,084 Shares held by Renaissance Greenhouse HK Limited.

4. Bamboo Green, Ltd. 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, Ltd.

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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (CONTINUED)

Save as disclosed above, as at December 31, 2018, no other persons (other than our Directors or chief executives of our Company) had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEMES

1. Employee's Share Option Plan

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.

As at December 31, 2018, (a) our Directors were holding unexercised options under the ESOP to subscribe for a total of 17,200,000 Shares, representing 3.16% of the issued share capital of our Company, and (b) other grantees were holding unexercised options under the ESOP to subscribe for a total of 39,582,000 Shares, representing approximately 7.28% of the issued share capital of our Company, details of which are as follows:

					Number of options			
Name or category of grantee	Date of grant	Vesting period	The period during which options are exercisable	Exercise price	Outstanding as at the Listing Date	Exercised during the Relevant Period	Cancelled / Lapsed during the Relevant Period	Outstanding as at December 31,2018
	Director							
Bao Fan	April 1, 2017	5 years from the date of grant	10 years from the date of grant	US$0.625	16,000,000	–	–	16,000,000
	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US$0.75	400,000	–	–	400,000
Xie Yi Jing	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US$0.75	400,000	–	–	400,000
Du Yongbo	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US$0.75	400,000	–	–	400,000
	Other grantees							
In aggregate	Between Nov 5, 2012 and April 1, 2018	5 years from the date of grant or specific date	10 years from the date of grant	Between US$0.25 and US$0.75	40,262,000	–	680,000	39,582,000
Total					57,462,000	–	680,000	56,782,000

SHARE OPTION SCHEMES (CONTINUED)

1. Employee's Share Option Plan (Continued)

Details of the movements during the Relevant Period of the options granted under the ESOP (apart from a director of the Company) are as follows:

Date of grant	Number of share options: As at the Listing Date	Granted during the Relevant Period	Exercised during the Relevant Period	Lapsed during the Relevant Period	As at December 31, 2018	Exercise price	Exercise period
2014/1/1	300,000	–	–	300,000	–	US$0.25	–
2017/4/1	300,000	–	–	300,000	–	US$0.625	–
2018/4/1	80,000	–	–	80,000	–	US$0.75	–

2. RSU Plan

The RSU Plan was approved by the Board on June 15, 2018.

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.

As at December 31, 2018, the Company had not granted any RSUs to any grantee.

Further details of the ESOP and the RSU Plan are set out in the section headed "Statutory and General Information" on Appendix IV of the Prospectus and note 36 to the consolidated financial statements for the year ended December 31, 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company was incorporated in the Cayman Islands on July 13, 2011 with limited liability, and the shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date.

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders.

The Company has adopted the principles and code provisions of the CG Code set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

Save for code provisions A.2.1 and A.5.2, the Company has complied with all the code provisions set out in the CG Code throughout the Reporting Period.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (CONTINUED)

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Bao Fan is the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in Mr. Bao Fan has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. Furthermore, the Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of Chairman and Chief Executive Officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Code provision A.5.2 of the CG Code stipulates that Nomination Committee meetings should be held at least annually. As the Company was only listed on September 27, 2018, no Nomination Committee meeting was held during the Relevant Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors' dealings in the securities of the Company. The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company since the Listing Date.

Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code throughout the period of the Relevant Period.

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

During the year ended December 31, 2018, the Company repurchased 4,680,800 shares on the Stock Exchange for an aggregate consideration of approximately HK$92.6 million including expenses. The repurchased shares were subsequently cancelled. The repurchase was effected because the Board considered that the then trading price of the Shares did not reflect their intrinsic value and business prospects as perceived by investors and that it presented a good opportunity for the Company to repurchase Shares.

Details of the shares repurchased are as follows:

Month of repurchase	No. of shares repurchased	Highest price paid per share (HK$)	Lowest price paid per share (HK$)	Aggregate Consideration (HK$'000)
October	1,095,100	15.92	14.80	16,902
November	3,357,000	23.65	15.86	71,038
December	228,700	21.75	19.28	4,614
Total	4,680,800			92,554

Save as disclosed above, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's shares during the Relevant Period.

USE OF NET PROCEEDS FROM LISTING

With the Shares of the Company listed on the Stock Exchange on September 27, 2018, the net proceeds from the initial public offering were approximately HK$2,517.6 million after deducting underwriting commissions and other expenses paid and payable by us in the initial public offering, which will be utilized for the purposes as set out in the Prospectus. The following table sets forth the status of use of proceeds from the Company's initial public offering as of December 31, 2018.

	% of use of proceeds	Net proceeds from the initial public offering HKD million	Actual usage up to December 31, 2018 HKD million	Unutilized net proceeds as of December 31, 2018 HKD million
Expand our investment banking business	40%	1,007.0	47.8	959.2
Expand our investment management business	20%	503.5	24.1	479.4
Develop private wealth management business	20%	503.5	–	503.5
Invest in technology across all our business lines	10%	251.8	10.1	241.7
General corporate purposes	10%	251.8	–	251.8
Total		2,517.6	82.0	2,435.6

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

We have established an Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code 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 is the chairman of the Audit Committee.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2018 and has met with the Auditor. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

The annual financial report of the Group for the year ended December 31, 2018 has been reviewed by the Audit Committee.

OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Company has also established a Nomination Committee, a Remuneration Committee, an executive committee and an operating committee.

Up to the date of this Annual Report, the executive committee comprises Mr. Bao Fan (Chief Executive Officer), Mr. Xie Yi Jing (managing director, healthcare), Mr. Du Yongbo (managing director, Huaxing Growth Capital), Mr. Wang Xinwei (Co-Chief Financial Officer), Mr. Cui Qiang (Co-Chief Financial Officer), Mr. Xiang Wei (Chief Operating Officer), Ms. Zou Juan (Chief Human Resources Officer), Mr. Wang Lixing (managing director, head of advisory) and Mr. Lam Ka Cheong Jason (president of CR International).

On December 31, 2018, the Company further established an operating committee, comprising of Mr. Bao Fan, Mr. Wang Xinwei, Mr. Cui Qiang, Mr. Xiang Wei, Ms. Zou Juan, Mr. Yee Ming Cheung Lawrence (Chief Compliance Officer) and Mr. Wang Bin (Head of Information Technology).

IMPORTANT EVENTS AFTER THE REPORTING DATE

Effective as of January 15, 2019, the Company cancelled the total number of shares which it had repurchased on the open market from December 12, 2018 to January 07, 2019, pursuant to a Share Repurchase Plan announced on October 26, 2018, from its issued share capital.

On January 31, 2019, in order to meet investor requests and to allow the continued expansion of the Group's investment management business, the Company entered into a series of connected transactions in relation to: (1) a loan agreement; (2) an increase in the registered capital of Shanghai Quanyuan; (3) new contractual arrangements in relation to Shanghai Quanyuan; (4) an equity structure adjustment framework agreement to adjust the registered capital of Hongzhi and Lingyun; and (5) the Xinshou Limited Partnership Agreement, the details of which were contained in a Company's announcement made on the same date.

Save as disclosed above, no important events affecting the Company occurred since the Listing Date and up to the date of this Annual Report.

Deloitte. 德勤

To the Shareholders of China Renaissance Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Renaissance Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 103 to 231, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the IASB. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Fair value of level 3 financial instruments	
As at December 31, 2018, the carrying amount of the Group's financial assets and financial liabilities measured at fair value that are classified as level 3 totaled US$134.7 million and US$11.6 million, respectively. Among the level 3 financial assets, approximately US$120.0 million are unlisted fund investments and investments in fund accounted for as associates measured at fair value while the remaining US$14.7 million are derivatives. Level 3 financial liabilities mainly relate to payables to interest holders of consolidated structured entities. Details are included in note 42.6 to the consolidated financial statements. The valuation of these financial instruments is based on a combination of valuation techniques and key unobservable inputs. Estimates of unobservable inputs that need to be developed can involve significant management and external valuation specialist's judgment. We identified assessing the fair value of level 3 financial instruments as a key audit matter because of the degree of complexity involved in valuing these financial instruments and because of the significant degree of judgment exercised by management and external valuation specialist in determining the valuation techniques and inputs used.	Our audit procedures in relation to assessing the fair value of level 3 financial instruments included the following: • understanding the process of monitoring and reviewing the fair value of these level 3 financial instruments implemented by management; • reading the agreements for these financial instruments entered into during the current year to understand the relevant terms and evaluate any conditions that might affect the valuation of these financial instruments; • using internal valuation specialist to review and challenge the appropriateness of valuation model and key inputs used by the Group for its derivatives; • reviewing the Group's valuation of its level 3 financial instruments other than derivatives; comparing the valuation with our knowledge of current and emerging practice; testing the inputs used and checking the fair value calculations; • reviewing and checking the sensitivity analysis on the key inputs used in the valuation; ensuring proper disclosures of these sensitivity analyses; and • assessing the disclosure in the consolidated financial statements in relation to the fair value of level 3 financial instruments with reference to the requirements of the prevailing accounting standards.

Key audit matter	How our audit addressed the key audit matter
Consolidation of structured entities managed by the Group	
The Group acquires or retains an ownership interest in, or act as a sponsor of, structured entities. Structured entities are generally created to achieve narrow and well-defined objectives with restrictions around their ongoing activities. As at December 31, 2018, the carrying amount of structured entities that were consolidated totaled US$47.4 million. Details of the structured entities are included in note 40 to the consolidated financial statements. In determining whether a structured entity is required to be consolidated by the Group, management is required to consider the power that the Group is able to exercise over the entity, the Group's exposures to variable returns from its involvement with the entity and its ability to affect those returns through its power over the entity. In making these assessments, management needs to consider both qualitative and quantitative factors. We identified the consolidation of structured entities managed by the Group as a key audit matter as it involves significant management judgment in determining whether these entities should be consolidated and the impact of consolidating these entities could be significant.	Our audit procedures in relation to assessing the consolidation of structured entities managed by the Group included the following: • understanding and assessing management process relating to the consolidation of structured entities; • inspecting documents prepared by management relating to the judgment process over whether a structured entity is consolidated or not; • selecting significant structured entities and performing the following procedures for each entity selected: — inspecting the related contracts and establishment documents to understand the purpose of the establishment of the structured entity and the involvement the Group has with the structured entity and assessing management's judgment over whether the Group has the ability to exercise power over the structured entity; — reviewing the risk and reward structure of the structured entity and assessing management's judgment as to the exposure or rights to the variable returns from the Group's involvement in such entity; — reviewing management's analysis of the structured entity including qualitative analyzes and calculations of the magnitude and variability associated with the Group's economic interests in the structured entity and assessing management's judgment over the Group's ability to influence its own returns from the structured entity; and — evaluating management's judgment over whether the structured entity should be consolidated or not; • assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Shi Chung Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 19, 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2018

	Notes	Year ended December 31, 2018 US$'000	2017 US$'000 (restated)
Revenue			
Transaction and advisory fees		**152,431**	106,770
Management fees		**47,328**	28,349
Interest income		**11,104**	4,295
Total revenue	6	**210,863**	139,414
Net investment gains or losses	7	**9,498**	(275)
Total revenue and net investment gains or losses		**220,361**	139,139
Compensation and benefit expenses		**(131,203)**	(101,366)
Other operating expenses	8	**(48,969)**	(44,206)
Total operating expenses		**(180,172)**	(145,572)
Operating profit (loss)		**40,189**	(6,433)
Other income, gains or losses	9	**837**	808
Interest expense		**(11,430)**	(1,399)
Impairment losses on assets	10	**(632)**	(967)
Investment income		**24,426**	18,182
Share of results of associates	20	**336**	125
Change in fair value of convertible notes	31	**—**	(504)
Change in fair value of convertible redeemable preferred shares	32	**(292,345)**	(25,730)
Change in fair value of call option	22	**14,100**	—
Listing expenses		**(9,710)**	—
Loss before tax		**(234,229)**	(15,918)
Income tax expense	11	**(14,721)**	2,412
Loss for the year	12	**(248,950)**	(13,506)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the year ended December 31, 2018

	Notes	Year ended December 31, 2018 US$'000	2017 US$'000 (restated)
Other comprehensive (expense) income	13		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		**(24,737)**	12,875
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		**454**	—
Other comprehensive (expense) income for the year		**(24,283)**	12,711
Total comprehensive expense for the year		**(273,233)**	(795)
(Loss) profit for the year attributable to:			
— Owners of the Company		**(244,112)**	32
— Non-controlling interests		**(4,838)**	(13,538)
		(248,950)	(13,506)
Total comprehensive (expense) income for the year attributable to:			
— Owners of the Company		**(258,156)**	8,650
— Non-controlling interests		**(15,077)**	(9,445)
		(273,233)	(795)
(LOSS) EARNINGS PER SHARE			
Basic	15	**US$(0.78)**	US$0.00
Diluted	15	**US$(0.78)**	US$0.00

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2018

	Notes	As at December 31, 2018 US$'000	2017 US$'000
Non-current assets			
Furniture and equipment	17	**7,672**	10,104
Intangible assets	18	**4,443**	4,403
Deferred tax assets	19	**15,507**	14,336
Investments in associates	20	**77,101**	43,532
Available-for-sale financial assets	21	**—**	36,596
Financial assets at fair value through profit or loss	22	**93,107**	53,024
Financial assets at fair value through other comprehensive income	23	**51,833**	—
Loans to third parties	24	**13,497**	5,050
		263,160	167,045
Current assets			
Accounts and other receivables	25	**93,926**	52,225
Loans to third parties	24	**3,855**	—
Loans to related parties	39	**197**	2,219
Amounts due from related parties	39	**5,199**	4,979
Financial assets at fair value through profit or loss	22	**345,397**	65,111
Term deposits	26	**289,747**	7,363
Cash and cash equivalents	27	**64,458**	442,969
		802,779	574,866
TOTAL ASSETS		**1,065,939**	741,911

Consolidated Statement of Financial Position (Continued)

At December 31, 2018

	Notes	As at December 31, 2018 US$'000	2017 US$'000
Current liabilities			
Accounts and other payables	28	**117,682**	76,845
Amounts due to related parties	39	**—**	15
Contract liabilities	29	**4,150**	3,324
Income tax payables		**8,652**	5,159
		130,484	85,343
Net current assets		**672,295**	489,523
TOTAL ASSETS LESS CURRENT LIABILITIES		**935,455**	656,568
Non-current liabilities			
Bank borrowing	30	**—**	150,000
Accounts and other payables	28	**—**	367
Contract liabilities	29	**2,743**	3,865
Deferred tax liabilities	19	**1,115**	650
Convertible redeemable preferred shares	32	**—**	262,651
		3,858	417,533
NET ASSETS		**931,597**	239,035
Capital and reserves			
Share capital	34	**14**	6
Reserves		**724,552**	15,273
Equity attributable to owners of the Company		**724,566**	15,279
Non-controlling interests	35	**207,031**	223,756
		931,597	239,035

The consolidated financial statements on pages 103 to 231 were approved and authorized for issue by the board of directors on March 19, 2019 and are signed on its behalf by:

Bao Fan	**Xie Yi Jing**
Chairman and Chief Executive Officer	*Executive Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2018

		Attributable to owners of the Company									
	Notes	Share capital US$'000	Treasury stock US$'000	Share premium US$'000	Other reserves US$'000 *(note)*	Surplus reserve US$'000	Accumulated losses US$'000	Reserves Sub-total US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total equity US$'000
At December 31, 2017		6	–	7,960	18,358	1,501	(12,546)	15,273	15,279	223,756	239,035
Adjustments *(see note 2)*		–	–	–	12	–	1,439	1,451	1,451	–	1,451
At January 1, 2018 (restated)		6	–	7,960	18,370	1,501	(11,107)	16,724	16,730	223,756	240,486
Loss for the year		–	–	–	–	–	(244,112)	(244,112)	(244,112)	(4,838)	(248,950)
Other comprehensive expense for the year		–	–	–	(14,044)	–	–	(14,044)	(14,044)	(10,239)	(24,283)
Appropriation to statutory surplus reserve		–	–	–	–	22	(22)	–	–	–	–
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	151	151
Acquisition of additional equity interest from non-controlling shareholders		–	–	(161)	–	–	–	(161)	(161)	(2)	(163)
Recognition of equity-settled share-based payment expense	36	–	–	–	11,562	–	–	11,562	11,562	–	11,562
Share options exercised		–	–	13,940	(7,853)	–	–	6,087	6,087	–	6,087
Disposal of a subsidiary		–	–	–	–	–	–	–	–	(101)	(101)
Shares issued to the Trusts *(as defined in note 36)*	34	1	(1)	–	–	–	–	(1)	–	–	–
Issuance of ordinary shares relating to initial public offering	34	2	–	344,591	–	–	–	344,591	344,593	–	344,593
Share issue costs	34	–	–	(12,220)	–	–	–	(12,220)	(12,220)	–	(12,220)
Conversion of convertible redeemable preferred shares into ordinary shares	34	4	–	554,992	–	–	–	554,992	554,996	–	554,996
Recognition of equity component of convertible notes	31	–	–	–	4,000	–	–	4,000	4,000	–	4,000
Conversion of convertible notes into ordinary shares	34	1	–	88,394	(4,000)	–	–	84,394	84,395	–	84,395
Shares repurchased but not yet cancelled	34	–	–	–	(265)	–	–	(265)	(265)	–	(265)
Shares repurchased and cancelled		–	–	(11,582)	–	–	–	(11,582)	(11,582)	–	(11,582)
Dividends to shareholders and non-controlling shareholders	16	–	–	–	–	–	(15,413)	(15,413)	(15,413)	(1,696)	(17,109)
At December 31, 2018		14	(1)	985,914	7,770	1,523	(270,654)	724,552	724,566	207,031	931,597

Consolidated Statement of Changes in Equity (Continued)

For the year ended December 31, 2018

		Attributable to owners of the Company								
	Notes	Share capital US$'000	Share premium US$'000	Other reserves US$'000 *(note)*	Surplus reserve US$'000	Accumulated losses US$'000	Reserves Sub-total US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total equity US$'000
At January 1, 2017		6	8,236	1,537	1,501	(8,428)	2,846	2,852	74,204	77,056
Profit (loss) for the year		–	–	–	–	32	32	32	(13,538)	(13,506)
Other comprehensive income for the year		–	–	8,618	–	–	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)	(276)	(82)	(358)
Recognition of equity-settled share-based payment expense	36	–	–	8,203	–	–	8,203	8,203	–	8,203
Dividends to shareholders and non-controlling shareholders	16	–	–	–	–	(4,150)	(4,150)	(4,150)	(1,164)	(5,314)
At December 31, 2017		6	7,960	18,358	1,501	(12,546)	15,273	15,279	223,756	239,035

Note: Other reserves include (1) translation reserve; (2) investment revaluation reserve; (3) equity-settled share-based payment reserve; and (4) share repurchase reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2018

	Year ended December 31, 2018 US$'000	2017 US$'000 (restated)
Cash flows from operating activities		
Loss before tax	**(234,229)**	(15,918)
Adjustments for:		
Depreciation of furniture and equipment	**3,505**	3,026
Amortization of intangible assets	**1,286**	753
Losses on disposal of furniture and equipment	**14**	54
Interest income	**(14,945)**	(5,022)
Interest expense	**11,430**	1,399
Change in fair value of convertible notes	**—**	504
Change in fair value of convertible redeemable preferred shares	**292,345**	25,730
Change in fair value of call option	**(14,100)**	—
Net investment gains or losses	**(9,498)**	275
Investment income	**(24,426)**	(18,182)
Investment gain attributable to other holders of consolidated structured entities	**1,752**	1,085
Impairment losses on assets	**632**	967
Share of results of associates	**(336)**	(125)
Share-based payment expense	**11,562**	8,203
Operating cash flows before movements in working capital	**24,992**	2,749
Increase in accounts and other receivables	**(44,158)**	(24,985)
Decrease (increase) in amounts due from related parties	**485**	(747)
(Decrease) increase in amounts due to related parties	**(15)**	1,780
Increase in accounts and other payables	**20,136**	22,397
(Decrease) increase in contract liabilities	**(296)**	602
Increase in financial assets at fair value through profit or loss	**(240,095)**	(2,015)
Cash generated from operations	**(238,951)**	(219)
Interest received	**10,743**	2,246
Income taxes paid	**(12,864)**	(10,073)
Net cash used in operating activities	**(241,072)**	(8,046)

Consolidated Statement of Cash Flows (Continued)

For the year ended December 31, 2018

	Year ended December 31, 2018 US$'000	2017 US$'000 (restated)
Cash flows from investing activities		
Withdrawal of pledged bank deposits	**—**	835
Bank and loans interest received	**3,428**	640
Purchases of furniture and equipment	**(2,011)**	(4,558)
Proceeds from disposal of furniture and equipment	**—**	2
Purchases of intangible assets	**(1,124)**	(2,442)
Purchases of financial assets at fair value through profit or loss	**(474,033)**	(535,461)
Proceeds from disposal of financial assets at fair value through profit or loss	**418,094**	521,495
Purchases of financial assets at fair value through other comprehensive income	**(45,683)**	—
Proceeds from disposal of financial assets at fair value through other comprehensive income	**25,861**	—
Investments in associates	**(30,764)**	(5,487)
Purchases of available-for-sale financial assets	**—**	(32,487)
Advance to related parties	**(3)**	(7)
Repayment from related parties	**5**	—
Placement of term deposits	**(790,315)**	(65,410)
Proceeds from term deposits	**508,654**	73,420
Origination of loan receivables	**(12,562)**	(7,269)
Repayment of loan receivables	**2,219**	721
Net cash used in investing activities	**(398,234)**	(56,008)

For the year ended December 31, 2018

	Note	Year ended December 31, 2018 US$'000	2017 US$'000
Cash flows from financing activities			
Issuance of shares		**344,593**	–
Share issuing costs	33	**(12,152)**	–
Payment on repurchase of shares		**(11,847)**	–
Proceeds from issuance of convertible redeemable preferred shares	33	**–**	10,000
Proceeds from issuance of convertible notes	33	**86,000**	–
Proceeds from bank borrowings	33	**–**	151,928
Repayment of bank borrowings	33	**(150,000)**	(1,928)
Interest paid	33	**(10,432)**	(2)
Capital contribution from non-controlling shareholders		**151**	160,243
Acquisition of additional equity interest from non-controlling shareholders		**(163)**	(358)
Distribution to non-controlling shareholders	33	**(1,696)**	(1,164)
Proceeds from issuance of ordinary shares for share option exercised		**6,087**	–
Cash injection by third-party holders to consolidated structured entities	33	**61,501**	432
Cash repayment to third-party holders to consolidated structured entities	33	**(41,190)**	(205)
Dividends paid to shareholders	33	**(4,543)**	(4,150)
Net cash generated from financing activities		**266,309**	314,796
Net (decrease) increase in cash and cash equivalents		**(372,997)**	250,742
Cash and cash equivalents at January 1		**442,969**	186,620
Effect of foreign exchange rate changes		**(5,514)**	5,607
Cash and cash equivalents at December 31		**64,458**	442,969

1. GENERAL

China Renaissance Holdings Limited (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 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate controlling party is Mr. Bao Fan, who is also the Chairman and executive Director of the Company. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The shares of the Company have been listed on the Stock Exchange with effect from September 27, 2018.

The principal activities of the Company and its subsidiaries (the "Group") are the provision of investment banking and investment management services.

The consolidated financial statements are presented in the United States Dollars ("US$"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 9	Financial Instruments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The Group had early applied IFRS 15 *Revenue from Contracts with Customers* in prior year which are mandatorily effective for the Group for the annual periods beginning on January 1, 2018.

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

2.1 IFRS 9 Financial Instruments and the related amendments

In the current year, the Group has applied IFRS 9 Financial Instruments, Amendments to IFRS 9 "Prepayment Features with Negative Compensation" and the related consequential amendments to other IFRSs. IFRS 9 introduced new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECL") for financial assets.

The Group has applied IFRS 9 in accordance with the transition provision set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that had not been derecognized as at January 1, 2018 (date of initial application) and has not applied the requirements to instruments that had already been derecognized as at January 1, 2018. The difference between carrying amounts as at December 31, 2017 and the carrying amounts as at January 1, 2018 are recognized in the opening accumulated losses and other components of equity, without restating the comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "Financial Instruments: Recognition and Measurement."

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, January 1, 2018.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

2.1 IFRS 9 Financial Instruments and the related amendments (continued)

Summary of effects arising from initial application of IFRS 9 (continued)

	Notes	Available-for-sale ("AFS") US$'000	Financial assets designated at fair value through profit or loss ("FVTPL") US$'000	Financial assets at FVTPL required by IAS 39/ IFRS 9 US$'000	Financial assets at fair value through other comprehensive income ("FVTOCI") US$'000	Amortized cost (previously classified as loans and receivables) US$'000	Financial liabilities at amortized cost US$'000	Financial liabilities at FVTPL US$'000	Other reserves US$'000	Accumulated losses US$'000
Closing balance at December 31, 2017 – IAS 39		36,596	116,781	1,354	–	508,286	173,450	267,925	(18,358)	12,546
Effect arising from initial application of IFRS 9										
Reclassification										
From AFS	(a)	(36,596)	–	4,279	32,317	–	–	–	–	–
From designated at FVTPL	(b)	–	(116,781)	116,781	–	–	–	–	–	–
Remeasurement										
Impairment under ECL model	(c)	–	–	–	–	(486)	–	–	(12)	498
From cost less impairment to fair value	(a)	–	–	1,937	–	–	–	–	–	(1,937)
Opening balance at January 1, 2018 – IFRS		–	–	124,351	32,317	507,800	173,450	267,925	(18,370)	11,107

(a) *Available-for-sale ("AFS") financial assets*

From AFS financial assets to FVTPL

At the date of initial application of IFRS 9, the Group's equity investments of US$4,279,000 were reclassified from available-for-sale financial assets to financial assets at FVTPL. The fair value gains of US$1,937,000 relating to these equity investments previously carried at cost less impairment were adjusted to financial assets at FVTPL and accumulated losses as at January 1, 2018.

From AFS debt investments to FVTOCI

Listed financial bonds with a fair value of US$32,317,000 were reclassified from available-for-sale financial assets to debt instruments at FVTOCI, as these investments were held within a business model whose objective is achieved by both collecting contractual cash flows and selling of these assets and the contractual cash flows of these investments are solely payments of principal and interest on the principal amount outstanding. Related fair value losses of US$170,000 continued to be accumulated in the investment revaluation reserve as at January 1, 2018.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

2.1 IFRS 9 Financial Instruments and the related amendments (continued)

Summary of effects arising from initial application of IFRS 9 (continued)

(b) *Financial assets at FVTPL and/or designated at FVTPL*

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the cash management products ("wealth management products purchased from banks"), unlisted investment funds at fair value and investments in the preferred shares of unlisted companies which were managed and their performance was evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under IFRS 9. As a result, the fair value of these investments of US$116,781,000 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

(c) *Impairment under ECL model*

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all accounts receivables and amounts due from related parties of trade nature. 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.

ECL for other financial assets at amortized cost mainly comprise other receivables, loans to third parties and related parties, and are measured on a 12-month ECL ("12m ECL") basis and there had been no significant increase in credit risk since initial recognition.

All of the Group's debt instruments at FVTOCI are listed financial bonds that are graded in the top credit rating among rating agencies. Therefore, these investments are considered to be low credit risk investments and the loss allowance is measured on a 12m ECL basis.

As at January 1, 2018, additional credit loss allowance of US$486,000 has been recognized, against accumulated losses. The additional loss allowance is charged against the respective asset, except for the debt instruments which are measured at FVTOCI, the loss allowance of US$12,000 for which is recognized against the other reserves.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

2.1 IFRS 9 Financial Instruments and the related amendments (continued)

Summary of effects arising from initial application of IFRS 9 (continued)

(c) *Impairment under ECL model (CONTINUED)*

All loss allowances for financial assets including accounts and other receivables, other financial assets at amortized cost and debt instruments at FVTOCI as at December 31, 2017 reconciled to the opening loss allowances as at January 1, 2018 are as follows:

	Accounts and other receivables US$'000	Other financial assets at amortized cost US$'000	Debt instruments at FVTOCI US$'000
At December 31, 2017 — IAS 39	—	—	—
Reclassification			
Amounts remeasured through opening accumulated losses	(249)	(237)	—
Amounts remeasured through opening other reserves	—	—	(12)
At January 1, 2018 — IFRS 9	(249)	(237)	(12)

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

2.2 Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies stated above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognized for each of the line items affected. Line items that were not affected by the changes have not been included.

	December 31, 2017 (Audited) US$'000	IFRS 9 Adjustments US$'000	January 1, 2018 (Restated) US$'000
Non-current assets	—	—	**—**
Loans to third parties	5,050	(101)	**4,949**
Available-for-sale financial assets	36,596	(36,596)	**—**
Financial assets at fair value through profit or loss	53,024	6,216	**59,240**
Financial assets at fair value through other comprehensive income	—	32,317	**32,317**
Current assets			
Accounts and other receivables	52,225	(249)	**51,976**
Loans to related parties	2,219	(44)	**2,175**
Amounts due from related parties	4,979	(92)	**4,887**
Net Current Assets	489,523	(385)	**489,138**
Total Assets less Current Liabilities	656,568	1,451	**658,019**
Capital and reserves			
Reserves	15,273	1,451	**16,724**

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

2.3 New and amendments to IFRSs in issue but not yet effective

The Group has not early adopted the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features 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 1 and IAS 8	Definition of Material[5]
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 Cycle[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
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period on or after January 1, 2020
5 Effective for annual periods beginning on or after January 1, 2020

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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 asset 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.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (CONTINUED)

2.3 New and amendments to IFRSs in issue but not yet effective (continued)

IFRS 16 Leases (continued)

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 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 and operating cash flows respectively by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at December 31, 2018, the Group has non-cancellable operating lease commitments of US$19,407,000 as disclosed in note 41. A preliminary assessment indicates that these arrangements will meet the definition of a lease under 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.

In addition, the Group currently considers refundable rental deposits paid of US$2,152,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, 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. Adjustment to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standard to contract that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are or contain a lease which already existed prior to the date of initial application. The Group intends to apply a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment). Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognize the cumulative effect of initial application to opening accumulated loss without restating the comparative information.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

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.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in 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, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9/IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate.

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.

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 following 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 and those that do not.

The results and assets and liabilities of associates other than those held through venture capital organization are incorporated in the consolidated financial statements 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 statement 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. Changes in net assets of the associates other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (continued)

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, 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 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.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9/IAS 39, 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. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant 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) upon disposal/partial disposal of the relevant associate.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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 consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

Under IFRS 15, the Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (continued)

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- 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.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurement of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (continued)

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

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. In particular, revenue is recognized as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (continued)

Principal versus agent (continued)

(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 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 can be reliably measured.

(c) *Income from Carried Interest*

Income from carried interest earned based on the performance of the managed funds ("Carried Interest") is a form of variable consideration in their contracts with customers to provide investment management services. 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 (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 is 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

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

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as expenses in the periods in which they are incurred.

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 recognized 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 consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. US$) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of other reserve.

Borrowing costs

All borrowing costs are recognized in profit or loss in the period in which they are incurred.

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 recognized in profit or loss in the period in which they become receivable.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Short-term and other long-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

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 36.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions 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 reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the other reserves.

When share options are exercised, the amount previously recognized in other reserves will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in other reserves will continue to be held in other reserves.

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. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and 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 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 deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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 difference 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognized in 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Furniture and equipment

Furniture and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Furniture and equipment (continued)

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:

Category	Useful lives	Residual value rates	Annual depreciation rates
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%	N/A

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 the disposal or retirement of an item of furniture and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

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 recognized 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 effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

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 are estimated to have a useful life of 10 years and will expire from 2025 to 2026. The management of the Group 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.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognized when the asset is derecognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment losses of furniture and equipment and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible, intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, 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 (or a cash-generating unit) 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 recognized immediately in profit or loss.

Where 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 recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. 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 timeframe established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments through expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payment of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset, the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in Other Comprehensive Income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition, it is a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (CONTINUED)

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognized in profit or loss. All other changes in the carrying amount of these debt instruments are recognized in OCI and accumulated under the heading of other reserve. Impairment allowances are recognized in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these debt instruments receivables had been measured at amortized cost. When these debt instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the “net investment gains” or “investment income” line items.

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

The Group recognizes a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including bank balance, term deposits, accounts and other receivables, amounts due from related parties, loans to third parties, loans to related parties and debt instruments at FVTOCI). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (CONTINUED)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for accounts receivables and amounts due from related parties of trade nature. 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.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk 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.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- 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, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- 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;

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (CONTINUED)

(i) Significant increase in credit risk (continued)

- 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 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 aforegoing, 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.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (CONTINUED)

(iii) Credit-impaired financial assets (continued)

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) 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, for example, 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. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the below basis:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2) (CONTINUED)

(v) Measurement and recognition of ECL (continued)

- Nature of financial instruments (i.e. the Group's accounts and other receivables, and amounts due from related parties of trade nature are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognizes an impairment gain or loss in profit or loss for all financial instruments through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognized in OCI and accumulated in other reserves without reducing the carrying amount of these debt instruments.

Derecognition of financial assets

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 measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in other reserves is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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 Company are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in 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/IAS 39 permits the entire combined contract to be designated as at FVTPL.

Upon application of IFRS 9, for 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 other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities at FVTPL (CONTINUED)

For financial liabilities that contain embedded derivatives, such as convertible notes, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Because the Group's convertible redeemable preferred shares contained multiple embedded derivatives, the convertible redeemable preferred shares are designated as at FVTPL and are measured at fair value. The changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability.

Financial liabilities at amortized cost

Financial liabilities including bank borrowing, accounts and other payables and amounts due to related parties are subsequently measured at amortized cost, using the effective interest method.

Convertible notes

The component parts of the convertible notes are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortized over the period of the convertible notes using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Embedded derivatives (upon application of IFRS 9 in accordance with transitions in note 2)

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled 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.

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, the directors of the Company are required to make judgements, 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 on-going 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 critical judgements, 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 consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgments in applying accounting policies (continued)

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 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 to 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 (ie. 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.

Consolidation of China Renaissance securities (china) Co., Ltd ("Huajing Securities")

The Group has effective control over the board of directors of Huajing Securities, which is the decision maker of Huajing Securities' daily operation. In addition, the Group can effectively control the shareholders meeting's resolutions related to daily operations. The directors of the Company believe that the Group has a control over Huajing Securities as at December 31, 2018.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Critical judgments in applying accounting policies (continued)

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;

(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.

The Group reassesses whether or not it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in note 3. The judgments the Group used in determining whether or not it has control over the structured entities are detailed in note 40.

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 and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (continued)

Deferred taxation

As at 31 December 2018, a deferred tax asset of US$11,222,000 (31 December 2017: US$10,486,000) in relation to unused tax losses has been recognized in the Group's consolidated statement of financial position. No deferred tax asset has been recognized on the tax losses of US$25,043,000 (31 December 2017: US$16,433,000) due to the unpredictability of future profit streams. The realizability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary difference will be available in the future. In cases where the actual taxable profits generated are less or more than expected, or changes in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or future recognition of deferred tax assets may arise, which would be recognized in profit or loss for the period in which such a reversal or future recognition takes place.

No deferred tax liability in connection with dividend was recognized since no distribution from operations in the People's Republic China ("PRC") is expected by the management of the Group.

Fair value measurements and valuation process of financial instruments

Certain of the Group's financial assets, such as unlisted equity investments and associates, and financial liabilities are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further disclosures are detailed in note 42.6.

Provision of ECL for accounts receivable

The Group uses provision matrix to calculate ECL for the accounts receivable. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At each reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, accounts receivable with significant balances and credit-impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable are disclosed in notes 42.3 and 25.

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, mergers and acquisitions advisory inside and outside mainland China, equity underwriting, sales, trading, and brokerage, and research in Hong Kong and the United States of America (the "USA");

(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; and

(iii) Huajing comprises the Group's recently established investment banking and asset management businesses in the 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.

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

	Year ended December 31, 2018				
	Investment banking US$'000	Investment management US$'000	Huajing US$'000	Consolidation adjustments and reconciling items US$'000	Total US$'000
Revenue					
Transaction and advisory fees	147,712	–	4,719	–	152,431
Management fees	–	47,328	–	–	47,328
Interest income	–	–	11,104	–	11,104
Income from Carried Interest *(note)*	–	67,851	–	(67,851)	–
Total revenue	147,712	115,179	15,823	(67,851)	210,863
Net investment gains	–	–	9,498	–	9,498
Total revenue and net investment gains	147,712	115,179	25,321	(67,851)	220,361
Compensation and benefit expenses	(85,772)	(18,575)	(26,856)	–	(131,203)
Carried Interest to management team and other parties *(note)*	–	(48,640)	–	48,640	–
Other operating expenses	(24,602)	(13,847)	(10,520)	–	(48,969)
Operating profit (loss)	37,338	34,117	(12,055)	(19,211)	40,189
Other income, gains or losses					837
Interest expense					(11,430)
Impairment losses on assets					(632)
Investment income					24,426
Share of results of associates					336
Change in fair value of convertible redeemable preferred shares					(292,345)
Change in fair value of call option					14,100
Listing expenses					(9,710)
Loss before tax					(234,229)
Income tax expense					(14,721)
Loss for the year					(248,950)

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	Year ended December 31, 2017 (restated)				
	Investment banking US$'000	Investment management US$'000	Huajing US$'000	Consolidation adjustments and reconciling items US$'000	Total US$'000
Revenue					
Transaction and advisory fees	98,864	–	7,906	–	106,770
Management fees	–	28,349	–	–	28,349
Interest income	–	–	4,295	–	4,295
Income from Carried Interest *(note)*	–	73,036	–	(73,036)	–
Total revenue	98,864	101,385	12,201	(73,036)	139,414
Net investment losses	–	–	(275)	–	(275)
Total revenue and net investment losses	98,864	101,385	11,926	(73,036)	139,139
Compensation and benefit expenses	(61,989)	(9,785)	(29,592)	–	(101,366)
Carried Interest to management team and other parties *(note)*	–	(49,402)	–	49,402	–
Other operating expenses	(23,588)	(9,056)	(11,562)	–	(44,206)
Operating profit (loss)	13,287	33,142	(29,228)	(23,634)	(6,433)
Other income, gains or losses					808
Interest expense					(1,399)
Impairment losses on assets					(967)
Investment income					18,182
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 expense					2,412
Loss for the year					(13,506)

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

Note:

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. The associated expense adjustments represent the proportion of unrealized Carried Interest that would be payable to fund management teams and other third parties. The accumulated 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 vary among reporting periods, it is necessary to 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 consolidated financial statements 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."

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.

5. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the mainland China and Hong Kong. The geographical information of the total revenues and non-current assets is as follows:

	Revenue Year ended December 31,		Non-current assets *(note)* At December 31,	
	2018	2017	**2018**	2017
	US$'000	US$'000	**US$'000**	US$'000
Mainland China	**150,030**	114,043	**87,963**	56,843
Hong Kong	**55,336**	22,547	**844**	697
USA	**5,497**	2,824	**409**	499
	210,863	139,414	**89,216**	58,039

Note: Non-current assets excluded the deferred tax assets and the financial instruments.

Other segment information

	Year ended December 31, 2018				
	Investment banking	**Investment management**	**Huajing**	**Consolidation adjustments and reconciling items**	**Total**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Amounts included in the measure of segment profit or loss:					
Depreciation and amortization	**1,511**	**243**	**3,037**	**–**	**4,791**
Losses on disposal of furniture and equipment	**14**	**–**	**–**	**–**	**14**

	Year ended December 31, 2017				
	Investment banking	Investment management	Huajing	Consolidation adjustments and reconciling items	Total
	US$'000	US$'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

5. SEGMENT INFORMATION (CONTINUED)

Information about major customers

Customers that contribute over 10% of the total revenue of the Group are as follows:

		Year ended December 31, 2018 US$'000	2017 US$'000
Customer A	Investment banking	**33,702**	*
Customer B	Investment management	*	15,193

Note:

* Revenue from these major customers were less than 10% in the relevant year 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 Securities.

The Group receives management fees associated with the management services for the funds that it manages, at a fixed percentage of the commitment under management. The transaction price allocated to the performance obligations in relation to the management fees that were unsatisfied as at December 31, 2018 and 2017 will be recognized as revenue on a straight-line basis over the subscription period as follows:

	As at December 31, 2018 US$'000	2017 US$'000
Within one year	**3,224**	3,324
More than one year but not more than two years	**1,422**	3,308
More than two years but not more than three years	**891**	557
More than three years	**430**	—
	5,967	7,189

The transaction price allocated to the performance obligations in relation to transaction and advisory fees that were unaccomplished amounted to US$926,000 as at December 31, 2018 (nil as at December 31, 2017), and the performance obligations are part of contracts that have an original expected duration of one year or less.

7. NET INVESTMENT GAINS OR LOSSES

	Year ended December 31,	
	2018	2017
	US$'000	US$'000
Realized and unrealized gains or losses from		
– financial assets at FVTPL	**7,923**	(275)
– financial assets at FVTOCI	**(95)**	—
– financial liabilities at FVTPL	**261**	—
Dividend income from		
– financial assets at FVTPL	**1,409**	—
	9,498	(275)

Net investment gains or losses arise from Huajing Securities, a subsidiary of the Group, that engaged in securities investment business.

8. OTHER OPERATING EXPENSES

	Year ended December 31,	
	2018	2017
	US$'000	US$'000
Professional service fees	**13,050**	12,372
Project related and business development expenses	**12,274**	9,972
Operating lease charges *(note)*	**6,317**	7,166
Office expenses	**4,137**	3,630
Technology expenses	**4,326**	4,087
Depreciation and amortization	**4,791**	3,779
Auditor's remuneration	**758**	302
Others	**3,316**	2,898
	48,969	44,206

Note:

In December 2018, the Group received rental fee incentive awards granted by local government authorities in Shanghai and Beijing, the PRC, amounting to US$907,000, and are deducted from operating lease charges.

9. OTHER INCOME, GAINS OR LOSSES

	Year ended December 31, 2018 US$'000	2017 US$'000
Government grants (a)	**2,703**	1,556
Bank and loans interest income (b)	**3,841**	727
Net exchange loss	**(1,961)**	(1,504)
Others (c)	**(3,746)**	29
	837	808

Notes:

(a) The government grants were mainly incentives provided by local government authorities, which primarily included 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.

(b) Bank and loans interest income arises from cash equivalents, term deposits and loans to related parties and third parties.

(c) Others mainly included:

- An aggregated amount of US$860,000 paid to ICBCI Investment Management in consideration for their agreement to waive and consent to certain conditions in the borrowing agreement that enabled the Company to, amongst other things, issue the convertible notes in May 2018.

- An aggregated amount of US$1,143,000 charitable donations were made by the Group during the year ended December 31, 2018 (2017: nil).

- An aggregated amount of US$1,752,000 dividend distributed to interest holders of consolidated structured entities for the year ended December 31, 2018 (2017: US$1,085,000).

10. IMPAIRMENT LOSSES ON ASSETS

	Year ended December 31, 2018 US$'000	2017 US$'000
Available-for-sale financial assets	**—**	949
Accounts and other receivables	**451**	18
Loans to third parties	**252**	—
Loans to related parties	**(40)**	—
Amounts due from related parties	**(27)**	—
Financial assets at FVTOCI	**(4)**	—
	632	967

11. INCOME TAX EXPENSE

	Year ended December 31, 2018 US$'000	2017 US$'000
Current tax:		
Mainland China	**12,064**	4,893
Hong Kong	**4,293**	485
USA	**—**	672
	16,357	6,050
Deferred tax *(note 19)*:		
Current year	**(1,636)**	(8,462)
Total income tax expense	**14,721**	(2,412)

Mainland China

The applicable tax rate of group entities incorporated in the mainland China is 25%. Certain group entities incorporated in Tibet Autonomous Region are subject to a tax rate of 15% in 2018 according to the local preferential tax policies (Year ended December 31, 2017: special local preferential tax rate at 9%).

Hong Kong

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue Amendment (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the April 1, 2018, the Hong Kong profits tax is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million (Year ended December 31, 2017: 16.5% flat rate).

USA

The group entity incorporated in the USA is subject to the federal tax rate at 34% for the year ended December 31, 2017, and state income tax rate at 6.5% for the years ended December 31, 2017 and 2018. On December 22, 2017, the 2017 Tax Cuts and Jobs Act was enacted, which reduced the federal corporate tax rate to 21% from 34% and was effective on January 1, 2018.

Cayman Islands and British Virgin Islands ("BVI")

The Company and other group entities incorporated in the Cayman Islands are subject to income tax rate at 0%. 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.

11. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended December 31, 2018 US$'000	2017 US$'000
Loss before tax	**(234,229)**	(15,918)
Income tax expense calculated at 25%	**(58,557)**	(3,980)
Effect of expenses that are not deductible	**1,031**	1,222
Effect of share of results of associates	**(84)**	(31)
Effect of income that are not taxable	**(1,179)**	(1,684)
Effect of tax losses not recognized	**1,914**	2,500
Effect of different tax rates of subsidiaries or entities in other jurisdictions	**71,596**	(439)
Income tax expense	**14,721**	(2,412)

12. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Year ended December 31, 2018 US$'000	2017 US$'000
Directors' remuneration:		
– Fees	**244**	281
– Salaries, bonus and other allowances	**2,713**	1,076
– Retirement benefit scheme contributions	**28**	18
– Equity-settled share-based payments expenses	**3,951**	4,116
Other staff costs:		
– Salaries, bonus and other allowances	**112,523**	88,282
– Retirement benefit scheme contributions	**4,133**	3,506
– Equity-settled share-based payments expenses	**7,611**	4,087
Total staff costs	**131,203**	101,366
Depreciation of furniture and equipment	**3,505**	3,026
Amortization of intangible assets	**1,286**	753
Losses on disposal of furniture and equipment	**14**	54
Auditor's remuneration	**758**	302

13. OTHER COMPREHENSIVE (EXPENSE) INCOME

	Year ended December 31, 2018 US$'000	2017 US$'000
Other comprehensive (expense) income includes:		
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of financial statements of foreign operation:		
Exchange (losses) gains arising during the year	**(24,737)**	12,875
	(24,737)	12,875
Available-for-sale financial assets:		
Fair value losses arising during the year	**–**	(219)
Income tax that may be reclassified subsequently	**–**	55
	–	(164)
Debt instruments measured at FVTOCI		
Fair value gains during the year	**514**	–
Reclassification adjustments for losses included in profit or loss	**95**	–
Recognition of expected credit losses	**(4)**	–
Income tax that may be reclassified subsequently	**(151)**	–
	454	–
Other comprehensive (expense) income, net of income tax	**(24,283)**	12,711

Income tax effect relating to other comprehensive income

	Year ended December 31, 2018 Before-tax amount US$'000	Tax expense US$'000	Net-of-income tax amount US$'000	Year ended December 31, 2017 Before-tax amount US$'000	Tax credit US$'000	Net-of-income tax amount US$'000
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	(24,737)	–	(24,737)	12,875	–	12,875
Fair value gain (loss) on:						
– available-for-sale financial assets	–	–	–	(219)	55	(164)
– debt instruments measured at FVTOCI	605	(151)	454	–	–	–
	(24,132)	(151)	(24,283)	12,656	55	12,711

14. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of remunerations paid to directors and the Chief Executive Officer of the Company are as follows:

For the year ended December 31, 2018:

	Fees US$'000	Salaries, bonus and other allowances US$'000	Retirement benefit scheme contributions US$'000	Equity-settled share-based payments expenses US$'000	Total US$'000
Executive directors					
Bao Fan *(note 1)*	67	1,354	17	3,521	4,959
Xie Yi Jing	120	475	5	140	740
Du Yongbo	–	655	4	140	799
Wang Xinwei *(note 2)*	–	229	2	150	381
Sub-total	187	2,713	28	3,951	6,879
Non-executive directors					
Shen Neil Nanpeng *(note 3)*	–	–	–	–	–
Li Eric Xun	–	–	–	–	–
Li Shujun *(note 3)*	–	–	–	–	–
Lin Ning *(note 4)*	–	–	–	–	–
Zhang Lianqing *(note 4)*	–	–	–	–	–
Sub-total	–	–	–	–	–
Independent non-executive directors					
Yao Jue *(note 5)*	19	–	–	–	19
Ye Junying *(note 5)*	19	–	–	–	19
Zhao Yue *(note 5)*	19	–	–	–	19
Sub-total	57	–	–	–	57
Total	244	2,713	28	3,951	6,936

14. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

For the year ended December 31, 2017:

	Fees US$'000	Salaries, bonus and other allowances US$'000	Retirement benefit scheme contributions US$'000	Equity-settled share-based payments expenses US$'000	Total US$'000
Executive directors					
Bao Fan	101	311	8	3,889	4,309
Xie Yi Jing	180	15	–	–	195
Du Yongbo	–	423	5	–	428
Wang Xinwei	–	327	5	227	559
Sub-total	281	1,076	18	4,116	5,491
Non-executive directors					
Lin Ning	–	–	–	–	–
Li Eric Xun	–	–	–	–	–
Zhang Lianqing	–	–	–	–	–
Sub-total	–	–	–	–	–
Total	281	1,076	18	4,116	5,491

Note 1: Appointed as chairman of the board of directors on July 13, 2011, Mr. Bao Fan was also the Chief Executive Officer of the Company and his remunerations disclosed above include those for services rendered by him as the Chief Executive Officer.

Note 2: Mr. Wang Xinwei resigned as executive director on June 15, 2018.

Note 3: Appointed as non-executive director on June 15, 2018.

Note 4: Resigned as non-executive director on June 15, 2018.

Note 5: Appointed as independent non-executive director on September 14, 2018.

The executive directors' remunerations disclosed above were for their services in connection with the management affairs of the Company and the Group.

The non-executive and independent non-executive directors' remunerations shown above were mainly for their services as directors of the Company.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 36.

14. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

The five highest paid individuals of the Group during the year included one director (2017: one director), details of whose remuneration are set out as above. Details of the remuneration for the year of the remaining four (2017: four) highest paid employees who are neither director nor chief executive of the Company are as follows:

	Year ended December 31,	
	2018	2017
	US$'000	US$'000
Salaries and other benefits	**3,890**	4,261
Equity-settled share-based payments expenses	**1,388**	470
Retirement benefit scheme contributions	**—**	55
	5,278	4,786

The number of the highest paid employees who are not directors nor chief executive of the Company whose remunerations fell within the following bands is as follows:

	Number of employees	
	2018	2017
HK$7,500,001 to HK$8,000,000	**—**	2
HK$9,500,001 to HK$10,000,000	**2**	1
HK$10,500,001 to HK$11,000,000	**2**	—
HK$11,500,001 to HK$12,000,000	**—**	1
	4	4

During the year, certain non-director and non-chief executive highest paid employees were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 36 to the Group's consolidated financial statements.

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 years ended December 31, 2018 and 2017.

15. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to the owners of the Company is based on the following data:

	Year ended December 31, 2018 US$'000	2017 US$'000
(Loss) Earnings for the purpose of calculating basic and diluted (loss) earnings per share:		
(Loss) profits for the year attributable to owners of the Company	**(244,112)**	32
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share	**314,747,027**	240,000,000
Effect of dilutive potential ordinary shares:		
Share options of the Group	**–**	30,234,414
Weighted average number of ordinary shares for the purpose of calculating diluted (loss) earnings per share	**314,747,027**	270,234,414
Basic (loss) earnings per share (US$)	**(0.78)**	0.00
Diluted (loss) earnings per share (US$)	**(0.78)**	0.00

The calculation of basic and diluted (loss) earnings per share was based on the (loss) profit for the year attributable to the owners of the Company.

The weighted average number of shares for the purpose of basic and diluted (loss) earnings per share for the years ended December 31, 2018 and 2017 is calculated based on the assumption that the share subdivision as disclosed in note 34 have been adjusted retrospectively.

For the year ended December 31, 2017, the share options granted by the Company have potential dilutive effect on the earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from share options granted by the Company. No adjustment is made to earnings.

The computation of diluted loss per share for the year ended December 31, 2018 has not considered the effect of the share options given that the effect is anti-dilutive.

The computation of diluted loss per share for the year ended December 31, 2018 has not considered the effect of the over-allotment option given that the effect is anti-dilutive.

The computation of diluted (loss) earnings per share for the years ended December 31, 2018 and 2017 has not considered the effect of the convertible redeemable preferred shares and convertible notes given that the effect is anti-dilutive.

16. DIVIDENDS

	Year ended December 31, 2018 US$'000	2017 US$'000
Dividends to the shareholders of the Company	**15,413**	4,150

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.

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 year ended December 31, 2018.

A special dividend of US$10,870,000 was approved at shareholders' meeting held on May 30, 2018. Based on the special dividend arrangement, the Company transferred several overseas investments with fair value amounting to US$10,870,000 to its shareholders as a dividend distribution during the year ended December 31, 2018. Such distribution was a major non-cash transaction during the year ended December 31, 2018.

In addition, a special cash dividend of US$944,000 was approved at shareholders' meeting held on May 30, 2018. The Company declared and paid cash dividend to its shareholders during the year ended December 31, 2018 for its shareholders to purchase several domestic investments held by the Group with fair value amounting to US$944,000 in total. The transfer of abovementioned investments held by the Group has been completed by December 31, 2018 and corresponding remaining receivables amounting to US$772,000 from these shareholders were recognized.

17. FURNITURE AND EQUIPMENT

	Furniture and fixtures US$'000	Electronic equipment US$'000	Leasehold improvements US$'000	Construction in progress US$'000	Total US$'000
COST					
At January 1, 2017	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	100	688	954	269	2,011
Disposal	–	(130)	–	(229)	(359)
Transfers to intangible assets	–	–	–	(333)	(333)
Exchange adjustments	(7)	(225)	(371)	(30)	(633)
At December 31, 2018	623	5,654	9,130	483	15,890
DEPRECIATION					
At January 1, 2017	(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 year	(135)	(1,524)	(1,846)	–	(3,505)
Eliminated on disposal	–	116	–	–	116
Exchange adjustments	1	116	154	–	271
At December 31, 2018	(382)	(3,431)	(4,405)	–	(8,218)
NET BOOK VALUES					
At January 1, 2017	120	3,213	4,741	635	8,709
At December 31, 2017	282	3,182	5,834	806	10,104
At December 31, 2018	241	2,223	4,725	483	7,672

18. INTANGIBLE ASSETS

	Domain name US$'000	Office software US$'000	Licenses US$'000	Total US$'000
COST				
At January 1, 2017	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	—	1,124	—	1,124
Transfer from construction in progress	—	333	—	333
Exchange adjustments	(3)	(214)	(9)	(226)
At December 31, 2018	64	5,287	1,366	6,717
ACCUMULATED AMORTIZATION				
At January 1, 2017	(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 year	(6)	(1,280)	—	(1,286)
Exchange adjustments	2	93	—	95
At December 31, 2018	(48)	(2,226)	—	(2,274)
NET CARRYING VALUES				
At January 1, 2017	27	630	1,366	2,023
At December 31, 2017	23	3,005	1,375	4,403
At December 31, 2018	16	3,061	1,366	4,443

18. INTANGIBLE ASSETS (CONTINUED)

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 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 five-year period ranging from 60% to 10%, and the cash flows beyond the five-year period were extrapolated using the estimated annual growth rates of 3%. When estimate of the annual revenue growth rate was applied, management considered that such CGU currently operates in the growth stage with a low revenue base. Discount rate of 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 test, the estimated recoverable amount was approximately US$2.4 million as at December 31, 2018 (December 31, 2017: US$2.4 million), exceeding the licenses' carrying value by US$1.0 million (December 31, 2017: US$1.0 million) as at December 31, 2018. As the recoverable amount was above the carrying value, no impairment was identified as at December 31, 2018 and 2017. 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 rate during the forecast period been 1% higher/lower, the recoverable amount would be decreased/increased by US$0.1 million as at December 31, 2018 (December 31, 2017: US$0.1 million), which is still greater than the carrying amount. Reasonably possible changes in key assumptions would not lead to impairment as of December 31, 2018 and 2017. During the years ended December 31, 2018 and 2017, there was no impairment of licenses recognized.

19. DEFERRED TAX ASSETS/LIABILITIES

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at December 31, 2018 US$'000	2017 US$'000
Deferred tax assets	**15,507**	14,336
Deferred tax liabilities	**(1,115)**	(650)
	14,392	13,686

The following are the major deferred tax assets and liabilities recognized and movements thereon during the current and prior years:

	Impairment losses on assets US$'000	Tax loss US$'000	Accrued bonus US$'000	Subtotal US$'000	Changes in fair value of financial instruments US$'000	Total US$'000
At January 1, 2017	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	158	1,451	373	1,982	(346)	1,636
Charge to other comprehensive income	–	–	–	–	(151)	(151)
Exchange adjustments	(16)	(715)	(80)	(811)	32	(779)
At December 31, 2018	478	11,222	3,807	15,507	(1,115)	14,392

No deferred tax liability on withholding tax in connection with dividend was recognized since no distribution from operations in the PRC is expected by the management of the Group.

As at December 31, 2018, the Group had unused tax losses amounting to US$72,215,000 (December 31, 2017: US$57,801,000), available for offset against future profits. As at December 31, 2018, deferred tax assets have been recognized in respect of tax losses of US$47,172,000 (December 31, 2017: US$41,368,000). As at December 31, 2018, no deferred tax asset has been recognized for the remaining tax losses of US$25,043,000 (December 31, 2017: US$16,433,000), due to the unpredictability of future profit streams. These unrecognized tax losses will expire in 2022 and 2023, respectively.

20. INVESTMENTS IN ASSOCIATES

	As at December 31, 2018 US$'000	2017 US$'000
Investments in unlisted companies (a)	**2,938**	4,972
Investments in funds (b)	**74,163**	38,560
	77,101	43,532

(a) Investments in unlisted companies

Name of entity	Place of registration	Principal place of business	Proportion of ownership interest held by the Group At December 31, 2018	2017	Proportion of voting rights held by the Group At December 31, 2018	2017	Principal activity
Shanghai Genus Information Technology Limited ("Genus") *(Note 1)*	Shanghai, PRC	PRC	4.98%	4.98%	4.98%	4.98%	Technology development
Fountainhead Partners Holding Company Limited ("Fountainhead") *(Note 2)*	Cayman Islands	Cayman Islands	11.80%	11.80%	11.80%	11.80%	Wealth management
Shanghai Fan Run Technology Co., Ltd ("SHFR") *(Note 3)*	Shanghai, PRC	PRC	N/A	30.00%	N/A	30.00%	Technology development
Guangzhou Zhan Ze Investment Management Limited ("GZZZ")	Guangzhou, PRC	PRC	20.00%	N/A	20.00%	N/A	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.

3) In the prior year, the Group held a 30% interest in SHFR and accounted for the investment as an associate. On May 22, 2018, the Group entered into a series of agreements to dispose of its 30% equity interest in SHFR to third parties to exchange for equity interests in Sumscope Inc. (Note 22). The transaction was completed on July 2, 2018. The fair value of investment in SHFR at disposal date was US$3,023,000, which exceeded the net carrying amount of US$2,331,000, and the gain from the disposal amounting to US$692,000 was recognized in investment income.

None of above associates is individually material to the Group.

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) Investments in unlisted companies (continued)

Aggregate information of investments in unlisted companies that are not individually material

	As at December 31, 2018 US$'000	2017 US$'000
Cost of unlisted investments in associates	**2,031**	5,101
Share of post-acquisition profit or loss and other comprehensive income	**907**	(129)
	2,938	4,972

The unlisted associates of the Group operate in promising industries, including financing technology development, wealth management and investment management, and have experienced management teams in these industries. The management of the Group considered these unlisted associates were at the start-up stage and there were no significant and adverse changes in the operation in these companies during the years ended December 31, 2018 and 2017, or in the technological, market, economic or legal environment in which these companies operate in the near future. Therefore, no impairment losses on investment in associates were recognized during the years ended December 31, 2018 and 2017.

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Investments in funds

The Group invested in associates that are investment funds it manages and measured at fair value, the Group elected to measure investments in these associates at fair value. Details of such investment funds are summarized as follows:

	As at December 31, 2018 US$'000	2017 US$'000
Cost of investments in funds	**60,793**	24,251
Fair value change in funds *(note)*	**14,065**	13,908
Exchange adjustments	**(695)**	401
	74,163	38,560

Note: The changes in fair value of funds of each period were recorded in investment income in the consolidated statement of profit or loss and other comprehensive income.

	Place of incorporation	Ownership interest held As at December 31, 2018	2017
Material Funds			
Shanghai Huasheng Lingshi Venture Capital Partnership (Limited Partnership)	Shanghai, PRC	**1.94%**	1.94%
Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership)	Shanghai, PRC	**1.02%**	1.02%
Huaxing Capital Partners, L.P	Cayman Islands	**9.13%**	9.13%
Huaxing Capital Partners, II L.P	Cayman Islands	**3.17%**	3.17%
East Image Limited	BVI	**20.50%**	N/A

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 funds under the constitutional document of above funds.

20. INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Investments in funds (continued)

Summarized financial information of material fund investments

	As at December 31, 2018 US$'000	2017 US$'000
Funds		
Shanghai Huasheng Lingshi Venture Capital Partnership (Limited Partnership)		
Net asset value	**263,469**	279,832
Total comprehensive income for the year	**8,493**	43,040
Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership)		
Net asset value	**1,211,054**	1,060,210
Total comprehensive income for the year	**212,842**	191,627
Huaxing Capital Partners, L.P.		
Net asset value	**134,483**	156,595
Total comprehensive income for the year	**917**	41,767
Huaxing Capital Partners, II L.P.		
Net asset value	**249,554**	164,221
Total comprehensive income for the year	**57,423**	17,972
East Image Limited		
Net asset value	**89,094**	—
Total comprehensive expense for the year	**(10,906)**	—

Aggregate information of fund investments that are not individually material

	As at December 31, 2018 US$'000	2017 US$'000
The Group's fair value change in funds	**(91)**	79
Carrying amount of the Group's investments in funds	**13,964**	3,647

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets comprise:

	At December 31, 2017 US$'000
Measured at fair value:	
Listed financial bonds *(note i)*	32,317
Measured at cost:	
Unlisted equity investment *(note ii)*	4,279
	36,596

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 statement of profit or loss and other comprehensive income.

   On January 1, 2018, the Group adopted IFRS 9 "Financial Instruments". As these 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, they were subsequently measured at FVTOCI which are included in note 23.

ii. As at December 31, 2017, the above equity investments were measured at cost less impairment at the end of the 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.

   Management of the Group reviewed the investments and performed impairment test at the end of the year 2017. The impairment losses amounting to US$949,000 were recognized for the year ended December 31, 2017.

   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 22. The fair value of above equity investment on January 1, 2018 amounted to US$6,216,000.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Derivative

	At December 31, 2017 US$'000
Non-current	
Interest rate cap *(Note i, viii)*	1,354
	1,354

(b) Financial assets designated at FVTPL

	At December 31, 2017 US$'000
Current	
Unlisted cash management products *(Note ii, viii)*	65,111
	65,111

	At December 31, 2017 US$'000
Non-current	
Unlisted investment funds at fair value *(Note iii, viii)*	36,962
Unlisted debt security investments *(Note iv, viii)*	14,708
	51,670

(c) Investments mandatorily measured at fair value through profit or loss

	At December 31, 2018 US$'000
Current	
Unlisted cash management products *(Note ii, viii)*	**317,988**
Money market funds *(Note v)*	**27,399**
Listed financial bonds *(Note vi)*	**10**
	345,397

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

(c) Investments mandatorily measured at fair value through profit or loss (continued)

	At December 31, 2018 US$'000
Non-current	
Unlisted investment funds at fair value *(Note iii, viii)*	**45,881**
Unlisted debt security investments *(Note iv, viii)*	**25,344**
Unlisted equity investments *(Note vii)*	**6,912**
Warrant arising from investment in Sumscope *(Note ix)*	**570**
Restricted shares arising from investment in Sumscope *(Note ix)*	**300**
Call option for obtaining non-controlling interests *(Note x)*	**14,100**
	93,107

Note i: As disclosed in note 30, the Group 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 the related interest rate risk, the Group 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 was US$1,354,000, with the change in fair value recorded in the investment income in the consolidated statement of profit or loss and other comprehensive income. The borrowing was repaid on September 28, 2018, accordingly, the Group disposed of the interest rate cap at a consideration of US$2,300,000 on October 9, 2018, with a gain of US$946,000 recognized in the investment income in the consolidated statement of profit or loss and other comprehensive income.

Note ii: The Group purchased cash management products and managed and evaluated the performance of them on a fair value basis, in accordance with the Group's risk management and investment strategy, and thus designated them at FVTPL. The expected rates of return of these investments ranged from 3.60% to 4.40% per annum for the year ended December 31, 2018 (2017: 2.93% to 5.30%). The fair values were estimated based on future cash flows discounted at the expected rate of return based on management judgement and are under 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 these investments on a fair value basis, in accordance with the Group's risk management and investment strategy, and thus designated them at FVTPL. The fair value changes are recorded in the investment income in the consolidated statement of profit or loss and other comprehensive income.

Note iv: These investments represent investments in the preferred shares of unlisted companies. The Group managed and evaluated the performance of these investments on a fair value basis, in accordance with the Group's risk management and investment strategy, and thus designated them at FVTPL. The fair value changes are recorded in the investment income in the consolidated statement of profit or loss and other comprehensive income.

Note v: The Group invested in money market funds through its consolidated assets management products. As these money market funds held by the Group were managed within a business model whose objective is to sell these investments and the contractual terms do not give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding, they were subsequently measured at FVTPL.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Note vi: The Group invested in financial bonds through its consolidated assets management products. 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. As these financial bonds held by the Group were managed within a business model whose objective is to sell the debt instruments, they were subsequently measured at FVTPL.

Note vii: Upon the adoption of IFRS 9 "Financial Instruments" on January 1, 2018, the equity investments recorded as "available-for-sale financial assets" that were measured at cost less impairment 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 statement of profit or loss and other comprehensive income.

Note viii: Upon the adoption of IFRS 9 "Financial Instruments" on January 1, 2018, these investments were mandatorily measured at FVTPL.

Note ix: On May 22, 2018, the Group entered into a series of agreements to (i) subscribe for preferred shares in Sumscope Inc. for an aggregate consideration of approximately US$10 million, (ii) subscribe for a warrant to acquire additional preferred shares in Sumscope Inc. for up to a total investment amount of US$14 million, and (iii) subscribe for restricted ordinary shares, which shall be vested in accordance with a vesting schedule of four years, twenty-five percent of which shall vest annually in equal instalments over four years as of the execution of the agreements. On the same date, the Group entered into a series of agreements to dispose of its 30% equity interest in SHFR (note 20) to exchange for equity interest in Sumscope Inc. The investments in preferred shares, warrant and restricted shares are measured at fair value, and changes in fair value are recognized in profit or loss. The investment in preferred shares are included in "unlisted debt security investments" at FVTPL.

Note x: The Group holds a call option to obtain any non-controlling interests from the non-controlling shareholders of a subsidiary of the Group, Huajing Securities, at the book value of the non-controlling interests exercisable at any time after its establishment. This call option is mandatorily measured at FVTPL as a derivative, however it was not substantially exercisable in prior years as governed by laws and regulations and hence the fair value was insignificant. Pursuant to the Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition), which was promulgated on June 28, 2018, the ownership percentage cap for foreign investors in a securities company was raised from 49% to 51%, part of the call option becomes substantially exercisable as at December 31, 2018. The fair value as at December 31, 2018 amounted to US$14,100,000 (nil as at December 31, 2017), with the change in fair value recorded in the consolidated statement of profit or loss and other comprehensive income. The call option is not traded in an active market and the respective fair value is determined by using valuation technique. The fair values has been determined in accordance with Black Scholes model based on fair value of underlying net assets of Huajing Securities by reference to the recent transaction price.

23. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	At December 31, 2018 US$'000
Current	
Listed financial bonds	51,833

The total cost of the financial bonds as of December 31, 2018 was US$49,998,000 and the fair value as of December 31, 2018 was US$51,833,000 and with changes in fair value recorded in other comprehensive expense in the consolidated statement of profit or loss and other comprehensive income. The expected credit losses of financial bonds amounting to US$8,400 as of December 31, 2018 was recognized in other reserves.

24. LOANS TO THIRD PARTIES

	As at December 31,	
	2018 US$'000	2017 US$'000
Current		
Shenzhen Qianhai Dadao Financial Service Co., Ltd. ("QD") *(note a)*	2,962	–
Tianjin Airuijie Enterprise Management Partnership (Limited Partnership) ("ARJ") *(note b)*	971	–
Less: Impairment loss allowance	(78)	–
	3,855	–

24. LOANS TO THIRD PARTIES (CONTINUED)

	As at December 31, 2018 US$'000	2017 US$'000
Non-current		
Ningbo Free Trade Zone YingWeiLi Management LP ("YWL") *(note c)*	**4,813**	5,050
Winsor Holdings LLC ("WH") *(note d)*	**4,435**	—
Beijing Yuanjing Mingde Management Advisory Co., Ltd. ("YJMD") *(note e)*	**4,524**	—
Less: Impairment loss allowance	**(275)**	—
	13,497	5,050

Notes:

a. In October 2018, the Group entered into a loan agreement with QD, a third party. A loan amounting to RMB20,000,000, approximately US$2,914,000 as at December 31, 2018, at an interest rate of 13% per annum was made to QD. The loan was guaranteed by one director of QD and secured by a pledge over the shares of QD. The loan will be repaid on the first anniversary of the loan withdrawal date unless otherwise agreed by the Group and QD.

b. In July 2018, the Group entered into an agreement with ARJ, a third party. A loan amounting to RMB6,500,000, approximately US$948,000 as at December 31, 2018, at an interest rate of 6% per annum was made to ARJ in July 2018. The loan was unsecured and will be repaid no later than July of 2019.

c. In December 2017, the Group entered into a loan agreement with YWL, a third party. A loan amounting to RMB33,000,000, approximately US$4,808,000 as at December 31, 2018 (December 31, 2017: approximately US$5,050,000) at an interest rate of 8% per annum was made to YWL. The loan was guaranteed by both a third party company and the controlling person of YWL. The loan was secured by a pledge over the shares of such third party company. The loan will be repaid on the third anniversary of the loan origination unless otherwise agreed by the Group and YWL.

d. In January 2018, the Group entered into an agreement with WH, a third party. Pursuant to the agreement, a loan amounting 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 unless otherwise agreed by the Group and WH.

e. In May 2018, the Group entered into a loan agreement with YJMD, a third party. A loan amounting to RMB30,991,000, approximately US$4,515,000 as at December 31, 2018, at an interest rate of 6% per annum was made to YJMD. The loan will be repaid on the third anniversary of the loan origination.

25. ACCOUNTS AND OTHER RECEIVABLES

	As at December 31,	
	2018	2017
	US$'000	US$'000
Accounts receivables		
— Accounts receivable *(Note i)*	**43,011**	24,252
— Open trade receivable *(Note ii)*	**14,492**	12,035
Advance to suppliers	**3,060**	3,844
Other receivables		
— Refundable deposits	**23,115**	4,095
— Rental and other deposits	**3,154**	3,058
— Interest receivables *(Note iii)*	**—**	1,886
— Value-added tax recoverable	**1,537**	2,675
— Others *(Note iv)*	**6,151**	380
Subtotal	**94,520**	52,225
Less: Impairment loss allowance	**(594)**	—
Total	**93,926**	52,225

As at January 1, 2017, accounts receivable amounted to US$13,572,000.

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:

Aging of accounts receivable (net of impairment loss allowance)

	As at December 31,	
	2018	2017
	US$'000	US$'000
0—30 days	**15,354**	15,872
31—60 days	**95**	611
61—90 days	**22,934**	1,684
91—180 days	**2,598**	3,319
181—360 days	**213**	—
Over 1 year	**1,406**	2,766
	42,600	24,252

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 year ended December 31, 2017, receivables of US$18,000 were impaired and written-off. The expected credit losses for accounts receivable as of December 31, 2018 amounting to US$411,000, including US$362,000 recorded in the consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2018, US$155,000 recorded as an adjustment to the accumulated loss as at January 1, 2018, and US$106,000 written-off during the year ended December 31, 2018.

25. ACCOUNTS AND OTHER RECEIVABLES (CONTINUED)

Aging of accounts receivable which are past due but not impaired

	At December 31, 2017 US$'000
Days overdue	
0—30 days	—
31—60 days	—
61—90 days	—
91—180 days	—
181—360 days	2,766
Over 1 year	—
	2,766

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.

Note iii: As at December 31, 2018, the interests accrued on debt instruments of the Group are included in the carrying amounts of the corresponding financial assets.

Note iv: An aggregated amount of US$5,873,000 relating to advance to a third party for its investment capital in a fund as at December 31, 2018, and was repaid by the third party in January 2019.

26. TERM DEPOSITS

Term deposits represent short-term bank deposits at effective interest rates ranging from 2.25% to 3.24% as at December 31, 2018 (from 0.30% to 1.50% as at December 31, 2017).

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and bank balances held by the Group with original maturity within three months and accrued interest at prevailing market interest rates ranging from 0.30% to 1.85% per annum.

28. ACCOUNTS AND OTHER PAYABLES

	As at December 31, 2018 US$'000	2017 US$'000
Salaries, bonus and other benefit payables	**65,258**	49,477
Payables to interest holders of consolidated structured entities	**26,937**	5,274
Open trade payable	**14,492**	12,035
Other payables	**4,520**	4,469
Interest payables *(note)*	**—**	1,397
Consultancy fee payables	**2,604**	1,460
Other tax payables	**2,195**	1,663
Accrued listing expenses and issue costs	**1,115**	—
Accrued expenses	**561**	1,437
	117,682	77,212
Less: non-current portion	**—**	(367)
	117,682	76,845

Note: As at December 31, 2018, the interests accrued on debt instruments of the Group are included in the carrying amounts of the corresponding financial liabilities.

29. CONTRACT LIABILITIES

	As at December 31, 2018 US$'000	2017 US$'000
Prepaid management fees	**5,696**	4,552
Advance from related parties *(note 39)*	**271**	2,637
Advance from customers	**926**	—
	6,893	7,189
Less: non-current portion	**(2,743)**	(3,865)
	4,150	3,324

As at January 1, 2017, the contract liabilities amounted to US$6,587,000.

29. CONTRACT LIABILITIES (CONTINUED)

The following table shows how much of the revenue recognized in the current year relates to carried-forward contract liabilities.

	As at December 31, 2018 US$'000	2017 US$'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	**3,324**	2,334

30. BANK BORROWING

	As at December 31, 2018 US$'000	2017 US$'000
Secured bank borrowing at floating rate	**–**	150,000

The amount due is based on scheduled repayment date set out in the borrowing agreement. As at December 31, 2017, the bank borrowing did not contain any repayment on demand clause.

On May 8, 2017, the Group entered into a borrowing agreement with Bank of Hangzhou for a total amount of RMB13,000,000 (approximately US$1,928,000) at a fixed rate of 3.99%. The Group repaid the principal 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 had the option to extend the final repayment date by 12 months after the third and fourth anniversary of the First Utilization Date, respectively. The contractual interest rate of such loan was 7.62% per annum from November 17, 2017 to May 16, 2018 and 8.49% per annum from May 17, 2018 to September 28, 2018.

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 ICBCI Loan.

Pursuant to the borrowing agreement, upon the completion of an 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. Upon the completion of the Company's IPO, all outstanding borrowings, together with accrued interest thereon and all other amounts outstanding were repaid on September 28, 2018.

31. CONVERTIBLE NOTES

(1) Convertible notes issued in 2018

On May 8, 2018, the Company issued convertible notes with an aggregate principal amount of US$86,000,000 to certain persons and entities. The convertible notes are denominated in United States dollars. Interest is accrued at a coupon rate of 5% per annum, from the issuance date to the date that is twenty-four months following the issuance date ("Original Maturity Date") or when any of the default events occurs. In the event that the Original Maturity Date is extended, interest is then accrued at a coupon rate of 8% per annum from the Original Maturity Date to the extended maturity date or when any of the default events occurs, provided that no interest shall accrue if the convertible notes are converted into ordinary shares pursuant to the agreement.

Conversion

Immediately prior to the completion of the Company's IPO on September 27, 2018, these convertible notes were automatically converted into 23,783,664 ordinary shares at the conversion price of US$3.6159 per share adjusted after the Share Subdivision (as defined in note 34).

At initial recognition, the equity component of convertible notes was separated from the liability component. The convertible notes equity reserve of US$4,000,000 represented equity component (conversion right) of convertible notes issued by the Company. Items included in convertible notes equity reserve were not reclassified subsequently to profit of loss. In addition, when the convertible notes were automatically converted, the balance recognized in equity was transferred to share premium. No gain or loss was recognized in profit or loss upon conversion.

The effective interest rate of the liability component is 6.89%.

The movement of the liability component of convertible notes is set out below:

	US$'000
Carrying amount at January 1, 2018	—
Issuance of convertible notes	82,000
Interest charge up to September 27, 2018	2,395
Conversion of convertible notes into ordinary shares	(84,395)
As at December 31, 2018	—

31. CONVERTIBLE NOTES (CONTINUED)

(2) Convertible notes issued in 2016

The Company issued convertible notes with an aggregate principal amount of US$20,000,000 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 with par value of US$0.0001 at a conversion price of US$6.13333. 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 had not been converted, they would be redeemed on June 15, 2017 at par value and interest of 8% would 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 32) 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, 2017	22,600
Changes in fair value up to April 26, 2017	504
Conversion of convertible notes into Series B convertible redeemable preferred shares	(23,104)
At December 31, 2017	—

32. 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.

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

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 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 31, the convertible notes were fully converted into 3,260,868 Series B Preferred Shares.

Major 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-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.

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.

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

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 issue 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 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, consolidations or mergers of ordinary shares. After the Share Subdivision (as defined in note 34) on August 10, 2018, the conversion price was adjusted to US$0.5 and US$1.5325 per share, respectively.

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

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.

Lockup period

Series A Preferred Shares and Series B Preferred Shares are subject to a lockup period of up to 180 days upon conversion after the effective date of the closing of a qualified initial public offering on a recognized stock exchange.

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 statement 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.

Upon the completion of the Company's IPO on September 27, 2018, the Series A Preferred Shares and Series B Preferred Shares were automatically converted into 60,000,000 and 84,369,948 ordinary shares at the conversion price of US$0.5 and US$1.5325 per share adjusted after the Share Subdivision (as defined in note 34), respectively.

The movement of the convertible redeemable preferred shares is set out below:

	US$'000
At January 1, 2017	203,817
Issuance of Series B Preferred Shares	10,000
Conversion of convertible notes into Series B Preferred Shares	23,104
Changes in fair value	25,730
At December 31, 2017	262,651
Changes in fair value up to September 27, 2018	292,345
Conversion of Series A Preferred Shares into ordinary shares	(230,655)
Conversion of Series B Preferred Shares into ordinary shares	(324,341)
At December 31, 2018	–

The Group used share offering price of HK$31.80 and discount for lack of marketability ("DLOM") of 5.11% to determine the fair value of the convertible redeemable preferred shares as at September 27, 2018, as the shareholders cannot dispose of any of the shares they owned at any time during the lockup period of 180 days from the September 27, 2018.

32. CONVERTIBLE REDEEMABLE PREFERRED SHARES (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 as at December 31, 2017. The valuation was performed by an independent qualified professional valuer not connected with the Group.

Key assumptions used to determine the fair value of convertible redeemable preferred shares as at December 31, 2017 were as follows:

Discount rate	17.00%
Risk-free interest rate	2.84%
Expected volatility	33.00%
DLOM	20.00%

Discount rate was estimated by weighted average cost of capital as of December 31, 2017. 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 privately 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 benchmarking companies' shares. Probability weight under each of the redemption feature and liquidation preference 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 December 31, 2017.

The management of the Group considered that fair value changes in the convertible redeemable preferred shares that are attributable to changes in the Company's credit risk of these liabilities are not significant.

33. 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 US$'000	Convertible redeemable preferred shares US$'000	Convertible notes US$'000	Interest payable US$'000	Dividend payable US$'000	Payables to interest holders of consolidated structured entities US$'000	Accrued issue costs US$'000	Total US$'000
Liabilities from financing activities at January 1, 2018	150,000	262,651	–	1,397	–	5,274	–	419,322
Financing cash flows	(159,035)	–	82,000	(1,397)	(6,239)	20,311	(12,152)	(76,512)
Non-cash changes:								
Accrued interest expense	9,035	–	2,395	–	–	–	–	11,430
Accrued issue costs	–	–	–	–	–	–	12,220	12,220
Fair value changes of convertible redeemable preferred shares	–	292,345	–	–	–	–	–	292,345
Conversion of convertible redeemable preferred shares to ordinary shares	–	(554,996)	–	–	–	–	–	(554,996)
Conversion of convertible notes to ordinary shares	–	–	(84,395)	–	–	–	–	(84,395)
Dividends declared to shareholders and non-controlling shareholders	–	–	–	–	6,239	–	–	6,239
Investment gain attributable to other holders of consolidated structured entities	–	–	–	–	–	1,491	–	1,491
Effect of exchange rate change	–	–	–	–	–	(139)	–	(139)
Liabilities from financing activities at December 31, 2018	–	–	–	–	–	26,937	68	27,005

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Bank borrowing US$'000	Convertible redeemable preferred shares US$'000	Convertible notes US$'000	Interest payable US$'000	Dividend payable US$'000	Payables to interest holders of consolidated structured entities US$'000	Total US$'000
Liabilities from financing activities at January 1, 2017	–	203,817	22,600	–	–	4,006	230,423
Financing cash flows	150,000	10,000	–	(2)	(5,314)	227	154,911
Non-cash changes:							
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 and non-controlling shareholders	–	–	–	–	5,314	–	5,314
Investment gain attributable to other holders of consolidated structured entities	–	–	–	–	–	1,085	1,085
Effect of exchange rate change	–	–	–	–	–	(44)	(44)
Liabilities from financing activities at December 31, 2017	150,000	262,651	–	1,397	–	5,274	419,322

Note: The cash flows from bank borrowing, convertible redeemable preferred shares, convertible notes, interest payable, dividend payable, payables to interest holders of consolidated structured entities and accrued listing expenses and issue costs make up the net amount of proceeds and repayments in the consolidated statement of cash flows.

34. SHARE CAPITAL

As of January 1, 2017 and December 31, 2017, the authorized share capital of the Company was 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.

On August 10, 2018, the Company conducted a share subdivision pursuant to which each authorized issued and unissued share with a par value of US$0.0001 in the Company was subdivided into 4 shares with 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 was 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 September 27, 2018, the Company listed its shares on the Stock Exchange and issued 85,008,000 ordinary shares at the offer price of HK$31.80 per share. The net proceeds from IPO were approximately HK$2,607.4 million (equivalent to approximately US$332,373,000), after deducting all capitalized listing related expenses. Out of the net proceeds from IPO, US$332,371,000 was credited to the Company's share premium account.

34. SHARE CAPITAL (CONTINUED)

Details of the movement of share capital of the Company are as follows:

	Number of shares	Nominal value per share US$	Share capital US$
Authorized			
At January 1, 2017 and December 31, 2017	500,000,000	0.0001	50,000
Share Subdivision	1,500,000,000		—
At December 31, 2018	2,000,000,000	0.000025	50,000
Issued			
At January 1, 2017 and December 31, 2017	60,000,000	0.0001	6,000
Shares issued to the Trusts *(note 36)*	10,000,000	0.0001	1,000
Exercise of share options before the Share Subdivision *(note 36)*	3,819,500	0.0001	382
Subtotal	73,819,500	0.0001	7,382
Share Subdivision	221,458,500		—
After Share Subdivision	295,278,000	0.000025	7,382
Issuance of ordinary shares	85,008,000	0.000025	2,125
Conversion of convertible notes into ordinary shares *(note 31)*	23,783,664	0.000025	595
Conversion of Series A Preferred Shares into ordinary shares *(note 32)*	60,000,000	0.000025	1,500
Conversion of Series B Preferred Shares into ordinary shares *(note 32)*	84,369,948	0.000025	2,109
Shares repurchased and cancelled *(note)*	(4,576,200)	0.000025	(114)
At December 31, 2018	543,863,412	0.000025	13,597

	As at December 31, 2018 US$'000	2017 US$'000
Presented as	**14**	6

34. SHARE CAPITAL (CONTINUED)

Note:

The Company repurchased its own shares through the Stock Exchange as follows:

Month of repurchases	No. of ordinary shares	Price paid per share		Aggregate consideration paid (including expenses)
		Highest US$ Equivalent	Lowest US$ Equivalent	US$'000
October 2018	1,095,100	2.03	1.89	2,154
November 2018	3,357,000	3.02	2.03	9,083
December 2018	228,700	2.78	2.46	610
	4,680,800			11,847

During the period from October 26, 2018 to December 31, 2018, 4,680,800 ordinary shares of the Company were repurchased at an aggregate cost of HK$92,554,000 (equivalent to approximately US$11,847,000). As of December 31, 2018, out of 4,680,800 ordinary shares repurchased, 4,576,200 shares were cancelled during the year ended December 31, 2018 while the remaining 104,600 ordinary shares were cancelled in January 2019.

35. NON-CONTROLLING INTERESTS

	2018 US$'000	2017 US$'000
Balance at beginning of the year	**223,756**	74,204
Total comprehensive expense for the year	**(15,077)**	(9,445)
Acquisition of additional equity interests from non-controlling interests	**(2)**	(82)
Capital contribution from non-controlling interests	**151**	160,243
Disposal of a subsidiary	**(101)**	—
Dividend distribution	**(1,696)**	(1,164)
Balance at end of the year	**207,031**	223,756

36. 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 December 31, 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. After the Share Subdivision on August 10, 2018, the maximum number was adjusted to 91,304,348 ordinary shares.

Details of specific categories of options are as follows:

	Number of shares	Exercise price (before Share Subdivision)
Date of grant		
01.01.2013	575,000	US$1.0
29.03.2013	150,000	US$1.0
13.05.2013	750,000	US$1.0
01.01.2014	1,375,000	US$1.0
Subtotal	2,850,000	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
01.04.2018	3,195,000	US$3.0

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 statement 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.

36. 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 directors of the Group and movements in such holdings:

Date of grant	Exercise price per share before Share Subdivision US$	Exercise price per share after Share Subdivision US$	Number of share options Outstanding at 01.01.2018	Granted during 2018 *(Note)*	Exercised during 2018 *(Note)*	Forfeited before Share Subdivision during 2018	Forfeited after Share Subdivision during 2018	Cancelled during 2018 *(Note)*	Reclassification *(Note)*	Effect of Share Subdivision	Outstanding at 31.12.2018
Employees:											
01.01.2013	1.0	0.25	575,000	–	(140,000)	–	–	–	–	1,305,000	1,740,000
29.03.2013	1.0	0.25	150,000	–	(150,000)	–	–	–	–	–	–
13.05.2013	1.0	0.25	375,000	–	(300,000)	–	–	–	–	225,000	300,000
01.01.2014	1.0	0.25	1,225,000	–	(500,000)	–	(300,000)	–	–	2,175,000	2,600,000
01.01.2015	1.0	0.25	3,775,000	–	(1,180,000)	(100,000)	–	–	–	7,485,000	9,980,000
01.10.2015	1.0	0.25	50,000	–	–	–	–	–	–	150,000	200,000
01.01.2016	1.0	0.25	125,000	–	(37,500)	–	–	–	–	262,500	350,000
01.01.2016	2.5	0.625	1,375,000	–	(130,000)	–	–	–	–	3,735,000	4,980,000
01.07.2016	2.5	0.625	250,000	–	–	–	–	(40,000)	–	630,000	840,000
01.01.2017	2.5	0.625	350,000	–	–	(300,000)	–	–	–	150,000	200,000

36. SHARE-BASED PAYMENTS (CONTINUED)

(a) Details of the employee share option scheme of the Company (continued)

			Number of share options								
Date of grant	Exercise price per share before Share Subdivision US$	Exercise price per share after Share Subdivision US$	Outstanding at 01.01.2018	Granted during 2018 *(Note)*	Exercised during 2018 *(Note)*	Forfeited before Share Subdivision during 2018	Forfeited after Share Subdivision during 2018	Cancelled during 2018 *(Note)*	Reclassification *(Note)*	Effect of Share Subdivision	Outstanding at 31.12.2018
Executive directors:											
Bao Fan	2.5	0.625	5,000,000	–	(1,000,000)	–	–	–	–	12,000,000	16,000,000
Wang Xinwei	2.5	0.625	300,000	–	(60,000)	–	–	–	(240,000)	–	–
			5,300,000	–	(1,060,000)	–	–	–	(240,000)	12,000,000	16,000,000
Employees	2.5	0.625	2,480,000	–	(322,000)	–	(300,000)	(800,000)	240,000	4,794,000	6,092,000
01.04.2017	2.5	0.625	7,780,000	–	(1,382,000)	–	(300,000)	(800,000)	–	16,794,000	22,092,000
Employees:											
01.10.2017	2.5	0.625	200,000	–	–	–	–	–	–	600,000	800,000
Executive directors:											
Bao Fan	3.0	0.75	–	100,000	–	–	–	–	–	300,000	400,000
Wang Xinwei	3.0	0.75	–	100,000	–	–	–	–	(100,000)	–	–
Du Yongbo	3.0	0.75	–	100,000	–	–	–	–	–	300,000	400,000
Xie Yi Jing	3.0	0.75	–	100,000	–	–	–	–	–	300,000	400,000
			–	400,000	–	–	–	–	(100,000)	900,000	1,200,000
Employees	3.0	0.75	–	2,795,000	–	–	(80,000)	–	100,000	8,685,000	11,500,000
01.04.2018	3.0	0.75	–	3,195,000	–	–	(80,000)	–	–	9,585,000	12,700,000
			16,230,000	3,195,000	(3,819,500)	(400,000)	(680,000)	(840,000)	–	43,096,500	56,782,000
Exercisable at the end of the year											13,382,666
Weighted average exercise price			US$1.92	US$3.00	US$1.59	US$2.13	US$0.47	US$2.50			US$0.55

Note: All of the movements occurred before the Share Subdivision.

36. SHARE-BASED PAYMENTS (CONTINUED)

(a) Details of the employee share option scheme of the Company (continued)

		Number of share options				
Date of grant	Exercise price per share US$	Outstanding at 01.01.2017	Granted during 2017	Exercised during 2017	Forfeited during 2017	Outstanding at 31.12.2017
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	–	–	(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:						
Bao Fan	2.5	–	5,000,000	–	–	5,000,000
Wang Xinwei	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
		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

36. SHARE-BASED PAYMENTS (CONTINUED)

(b) Fair value of share options granted

The valuation of the share option was performed by an independent qualified professional valuer not connected with the Group. 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.

The inputs used in the model are as follows:

Date of grant	01.04.2018	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 before Share Subdivision	US$8.49	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 before Share Subdivision	US$3.00	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	39.00%	37.00%	38.00%	38.00%	40.00%	40.00%	40.00%	40.0%	40.00%	40.00%	40.00%
Expected life (years)	10	10	10	10	10	10	10	10	10	10	10
Risk-free interest rate	1.91%	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%	0.00%

The weighted average remaining contractual life of share options outstanding as at December 31, 2018 was 8.17 years (2017: 8.45 years).

A share-based compensation expenses of US$11,562,000 has been recognized in profit or loss for the year ended December 31, 2018. (2017: US$8,203,000)

(c) Details of the employee restricted share scheme of the Company

The 2018 Restricted Share Unit ("RSU") Plan of the Company was adopted pursuant to a resolution passed on June 15, 2018 for the primary purpose of providing incentives to eligible employees, directors and consultants. 10,000,000 shares (adjusted as 40,000,000 after Share Subdivision) have been issued to Honor Equity Limited and Sky Allies Development Limited (the "Trusts") for distribution of shares corresponding to RSUs. The Company has control over the Trusts and waived the consideration for shares issued. No RSUs have been granted during the current year.

37. 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 employees of the Group in mainland China 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 authorities 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 the USA, pursuant to Section 401(k) of the Internal Revenue Code, for eligible participants to make voluntary contributions of a portion of their annual compensation to the retirement plan, 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 are disclosed in note 12.

38. MAJOR NON-CASH TRANSACTIONS

On May 22, 2018, the Group entered into a series of agreements to dispose of its 30% equity interest in SHFR to third parties to exchange for equity interests in Sumscope Inc. The transaction was completed on July 2, 2018. The fair value of investment in SHFR at disposal date was US$3,023,000, which exceeded the net carrying amount of US$2,331,000, and the gain from the disposal of US$692,000 was recognized.

A special dividend of US$10,870,000 was approved at shareholders' meeting held on May 30, 2018. Based on the special dividend arrangement, the Company transferred several overseas investments with fair value amounting to US$10,870,000 to its shareholders as a dividend distribution during the year ended December 31, 2018. Such distribution was also a major non-cash transaction during the year ended December 31, 2018.

39. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group include major shareholders of the Group and entities/partnerships under their control, associates of the Group, entities/partnerships controlled by members of the board of directors and close family members of such individuals.

(a) Loans to related parties

	Notes	As at December 31, 2018 US$'000	2017 US$'000
Genus	i	**—**	689
Shenzhen Huasheng Lingzhi Equity Investment Partnership (Limited Partnership) ("HSLZ")	ii	**—**	1,530
Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership) ("HSLF")	iii	**201**	—
Less: Impairment loss allowance		**(4)**	—
		197	2,219

(b) Amounts due from related parties

Amounts due from related parties — trade nature

	As at December 31, 2018 US$'000	2017 US$'000
Huaxing Yihui LLC	**338**	—
Huaxing Capital Partners, L.P.	**902**	885
Huaxing Capital Partners II, L.P.	**2,885**	4,049
Green Galaxy LLC	**127**	—
CR HB XI Venture Feeder, L.P.	**—**	38
Glory Galaxy LLC	**8**	—
Huaxing Growth Capital III, L.P.	**227**	—
Less: Impairment loss allowance	**(45)**	—
	4,442	4,972

These are funds managed by the Group in 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.

39. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Amounts due from related parties (continued)

Amounts due from related parties — trade nature (continued)

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:

	As at December 31, 2018 US$'000	2017 US$'000
0—30 days	**640**	269
31—60 days	**406**	395
61—90 days	**404**	455
91—180 days	**1,218**	1,187
181—360 days	**1,774**	2,666
	4,442	4,972

Aging of amounts due from related parties-trade nature that are past due but not impaired are as follows:

	As at December 31, 2017 US$'000
0—30 days	273
31—60 days	396
61—90 days	396
91—180 days	1,601
	2,666

39. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Amounts due from related parties (continued)

Amounts due from related parties — non-trade nature

	Notes	As at December 31, **2018** **US$'000**	2017 US$'000
Huaxing Yihui LLC	iv	**—**	5
Huaxing Capital Partners II, L.P.	iv	**2**	2
Dazi Huashun Investment Consulting Co., Ltd.	v	**3**	—
Dazi Chonghua Enterprise Management Co., Ltd.	vi	**772**	—
Less: Impairment loss allowance		**(20)**	—
		757	7

(c) Amounts due to related parties

Amounts due to related parties — trade nature

	Note	As at December 31, **2018** **US$'000**	2017 US$'000
SHFR	vii	**—**	15
		—	15

The credit period granted by the related parties ranges from 30 to 180 days. Aging of amounts due to related parties-trade nature are as follows:

	As at December 31, **2018** **US$'000**	2017 US$'000
0—30 days	**—**	—
91—180 days	**—**	15
	—	15

39. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Amounts due to related parties (continued)

Advance from related parties

	As at December 31, 2018 US$'000	2017 US$'000
Shanghai Huasheng Lingshi Venture Investment Partnership (Limited Partnership)	**43**	23
Shenzhen Huasheng Lingfu Equity Investment Partnership (Limited Partnership)	**–**	2,614
Ningbo Meishan Bonded Port Area Huahao Investment Management Partnership (Limited Partnership)	**104**	–
Shanghai Peixi Investment Management Partnership (Limited Partnership)	**124**	–
	271	2,637

These are funds managed by the Group in which the Group has significant influence and the balances represent advance payment of management fee from related parties in relation to the fund management services provided by the Group.

(d) Transactions conducted with related parties during the year are listed out below:

	Note	Year ended December 31, 2018 US$'000	2017 US$'000
IT technology service from:			
SHFR	vii	**–**	564

	Note	Year ended December 31, 2018 US$'000	2017 US$'000
Fund raising commission to:			
Dazi Huasheng Venture Investment Partnership (Limited Partnership)	viii	**126**	127

39. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Transactions conducted with related parties during the year are listed out below: (continued)

	Notes	Year ended December 31, 2018 US$'000	2017 US$'000
Due diligent service to:			
Genus	i	**158**	—
Shenzhen Huasheng Lingfeng Equity Investment Partnership (Limited Partnership)	ix	**—**	11

	Year ended December 31, 2018 US$'000	2017 US$'000
Management fees from:		
Huaxing Capital Partners L.P.	**1,032**	1,032
Huaxing Capital Partners II, L.P.	**3,180**	3,024
Shenzhen Huasheng Lingxiang Equity Investment Partnership (Limited Partnership)	**—**	442
Shanghai Huasheng Lingshi Venture Investment Partnership (Limited Partnership)	**2,913**	2,954
Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership)	**15,431**	15,193
Huajie (Tianjin) Health Investment Partnership (Limited Partnership)	**3,070**	2,013
Shenzhen Huasheng Lingfu Equity Investment Partnership (Limited Partnership)	**—**	265
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)	**12,849**	1,143
Ningbo Meishan Bonded Port Area Huaxing Linghong Equity Investment Partnership (Limited Partnership)	**2,903**	39
Shenzhen Huasheng Lingyou Equity Investment Partnership (Limited Partnership)	**—**	2,218
Green Galaxy LLC	**127**	—
Huaxing Yihui LLC	**339**	—
Glory Galaxy LLC	**8**	—
Huaxing Growth Capital III, L.P.	**376**	—
Shanghai Peixi Investment Management Partnership (Limited Partnership)	**127**	—
CR HB XI Venture Feeder, L.P.	**52**	26
Ningbo Meishan Bonded Port Area Huahao Investment Management Partnership (Limited Partnership)	**156**	—
Shanghai Huasheng Lingjin Equity Investment Partnership (Limited Partnership)	**89**	—
	42,652	28,349

39. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Transactions conducted with related parties during the year are listed out below: (continued)

These are funds managed by the Group in which the Group has significant influence. Management fees are received or receivable from the funds relating to the management service provided by the Group.

Notes:

i. a. In June 2017, the Group entered into an agreement with Genus, the Group's associate as described in note 20. A loan amounted to RMB4,500,000 (approximately US$689,000) at an interest rate of 8% per annum was made to Genus. The principal together with relevant interests were repaid by Genus in February 2018.

b. The Group provided due diligent service to Genus during the year ended December 31, 2018.

ii. In December 2017, the Group entered into an agreement with 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 is interest-free, unsecured and repayable on demand. In January 2018, the loan was repaid.

iii. In December 2018, the Group entered into an agreement with HSLF, a fund managed by the Group. Pursuant to the agreement, a loan of RMB1,385,000 (approximately US$201,000) was made to HSLF in December 2018. The interest rate of the loan is 6% per annum. The loan is unsecured and due in December 2019.

iv. Funds managed by the Group in which the Group has significant influence and the balances are all unsecured, interest free and repayable on demand.

v. An entity controlled by shareholders of the Group, and the balances are all unsecured, interest free and repayable on demand.

vi. An entity controlled by shareholders of the Group, and the balance represents amount due from the entity in relation to certain investments disposed by the Group.

vii. SHFR, the Group's associate before July 2, 2018, provides design, installation, commissioning and maintenance of computer system integration and related technical consulting services to the Group in the year of 2017.

viii. An entity managed by the Group in which the Group has significant influence, provided fund raising services to the Group.

ix. 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.

39. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(e) Compensation of key management personnel

The remunerations of the key management during the year were as follows:

	Year ended December 31, 2018 US$'000	2017 US$'000
Salaries, bonus and other allowance	**5,601**	5,242
Retirement benefit scheme contributions	**71**	38
Equity-settled share-based payments expenses	**6,011**	4,956
	11,683	10,236

The remunerations of the key management are determined by the Remuneration Committee having regard to the performance of individuals and market trends.

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 and the pledged was removed on September 28, 2018 (note 30).

Mr. Bao Fan is the Chief Executive Officer of the Company. A close member of Mr. Bao Fan's family has significant influence over Pengyang Asset Management Co., Ltd ("Pengyang"). During the year ended December 31, 2018, the Group purchased cash management products at market price from Pengyang. The cash management products held by the Group amounted to US$112,969,000 as of December 31, 2018 (December 31, 2017: nil).

40. STRUCTURED ENTITIES

40.1 Consolidated structured entities

The consolidated structured entities of the Group mainly included general partners of investment funds and asset management plans where the Group involves as manager. As at December 31, 2018, the aggregate net assets of the consolidated structured entities amounted to US$47,389,000 (December 31, 2017: US$22,000,000).

As being the general partner and manager of these structured entities and have majority interests in these structured entities, the Group considers it has control over such structured entities and those structured entities should be consolidated by the Group.

40. STRUCTURED ENTITIES (CONTINUED)

40.2 Unconsolidated structured entities

(1) Structured entities managed by third party institutions in which the Group holds interests

The Group holds interests in these structured entities managed by third party institutions through investments in the beneficial rights or products issued relating to these structured entities. The Group does not consolidate these structured entities as the Group does not have power over them. Such structured entities include cash management products and investments in funds managed by third parties.

The following tables set out an analysis of the carrying amounts of interests held by the Group as at December 31, 2018 and 2017 in the structured entities managed by third party institutions.

	As at December 31, 2018		
	Financial assets at fair value through profit or loss	**Maximum risk exposure *(Note)***	**Type of income**
Cash management products	**317,988**	**317,988**	**Investment income/ net investment gains**
Investments in funds	**45,881**	**45,881**	**Investment income**
Money market funds	**27,399**	**27,399**	**Net investment gains**
Total	**391,268**	**391,268**	

	As at December 31, 2017		
	Financial assets at fair value through profit or loss	Maximum risk exposure *(Note)*	Type of income
Cash management products	65,111	65,111	Investment income/ net investment gains
Investments in funds	36,962	36,962	Investment income
Total	102,073	102,073	

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.

40. STRUCTURED ENTITIES (CONTINUED)

40.2 Unconsolidated structured entities (continued)

(2) Structured entities managed by the Group

The types of unconsolidated structured entities managed by the Group include funds where it acts as the general partner. The purpose of managing these structured entities is to generate fees from managing assets on behalf of the funds. Interest held by the Group includes fees charged by providing management services to these structured entities and investment income from these structured entities.

For the year ended December 31, 2018, the management fee recognized amounting to US$47,328,000 (2017: US$28,349,000).

For the year ended December 31, 2018, the investment income recognized amounting to US$2,938,000 (2017: US$5,984,000).

As at December 31, 2018, the Group's interests in these structured entities amounted to US$74,163,000 (December 31, 2017: US$38,560,000).

As at December 31, 2018, the amount of assets held by the funds managed by the Group amounted to US$3,306 million (December 31, 2017: US$2,660 million).

41. COMMITMENTS

(a) Operating lease commitments

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At December 31,	
	2018	2017
	US$'000	US$'000
Within one year	**6,196**	6,907
From the second to fifth year, inclusive	**13,211**	16,965
	19,407	23,872

Operating lease commitments represent rental payables by the Group for its office premises. Leases are negotiated for an average term of 3 years.

41. COMMITMENTS (CONTINUED)

(b) Capital commitments

At the end of the reporting period, the Group had commitments for future minimum investments in funds invested by the Group as follows:

	At December 31, 2018 US$'000	2017 US$'000
Committed investments	**33,293**	25,048

42. FINANCIAL RISK MANAGEMENT

42.1 Categories of financial instruments

	At December 31, 2018 US$'000	2017 US$'000
Financial assets		
Loan and receivables (including cash and cash equivalents)	**–**	508,286
Available-for-sale financial assets	**–**	36,596
Financial assets at amortized cost	**466,282**	–
Financial assets at FVTPL	**438,504**	118,135
Financial assets at FVTOCI	**51,833**	–
Financial liabilities		
Financial liabilities at amortized cost	**23,292**	173,450
Financial liabilities at FVTPL	**26,937**	267,925

42.2 Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, financial assets at FVTOCI, cash and cash equivalents, accounts and other receivables, term deposits, loans to third parties and related parties, amounts due from related parties, accounts and other payables, convertible notes, bank borrowing, convertible redeemable preferred shares and financial liabilities at FVTPL. 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.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk and impairment assessment

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 statement 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, amounts due from related parties of non-trade nature, and loans to third parties and related parties credit risk grading to 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, amounts due from related parties of non-trade nature, and loans to third parties and related parties comprises the following categories:

Internal credit rating	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 ECL-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 22 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

The Group invests in debt instruments at FVTOCI with low credit risk. The Group's debt instruments at FVTOCI comprise listed bonds that are graded in the top investment grade as per globally understood definitions and therefore are considered to be low credit risk investments.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk and impairment assessment (continued)

For 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.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	*Notes*	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount US$'000
Debt instruments at FVTOCI					
Investments in listed bonds	23	A+ (Standard & Poor's Ratings)	N/A	12m ECL	46,114
		A (Standard & Poor's Ratings)	N/A	12m ECL	5,719
					51,833
Financial assets at amortized costs					
Loans to third parties	24	N/A	Performing	12m ECL	17,705
Loans to related parties	39	N/A	Performing	12m ECL	201
Other receivables	25	N/A	Performing	12m ECL	33,957
Amounts due from related parties of non-trade nature	39	N/A	Performing	12m ECL	777
Accounts receivables	25	N/A	*(Note)*	Lifetime ECL (provision matrix)	57,503
Amounts due from related parties of trade nature	39	N/A	*(Note)*	Lifetime ECL (provision matrix)	4,487

Note:

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.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk and impairment assessment (continued)

The following tables detail 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$456,000 was recognized as at December 31, 2018.

As at January 1, 2018

High risk type customers	Accounts receivables and amounts due from related parties of trade nature 0–180 days	181–360 days	Over 360 days	Total
Estimated total gross carrying amount at default (US$'000)	644	—	—	644
Lifetime ECL (US$'000)	(32)	—	—	(32)
	612	—	—	612

Normal risk type customers	Accounts receivables and amounts due from related parties of trade nature 0–180 days	181–360 days	Over 360 days	Total
Estimated total gross carrying amount at default (US$'000)	14,191	1,011	1,227	16,429
Lifetime ECL (US$'000)	—	(51)	(123)	(174)
	14,191	960	1,104	16,255

Low risk type customers	Accounts receivables and amounts due from related parties of trade nature 0–180 days	181–360 days	Over 360 days	Total
Estimated total gross carrying amount at default (US$'000)	22,531	1,655	—	24,186
Lifetime ECL (US$'000)	—	(41)	—	(41)
	22,531	1,614	—	24,145

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk and impairment assessment (continued)

As at December 31, 2018

High risk type customers	Accounts receivables and amounts due from related parties of trade nature 0–180 days	181–360 days	Over 360 days	Total
Estimated total gross carrying amount at default (US$'000)	4,672	78	–	4,750
Lifetime ECL (US$'000)	(234)	(19)	–	(253)
	4,438	59	–	4,497

Normal risk type customers	Accounts receivables and amounts due from related parties of trade nature 0–180 days	181–360 days	Over 360 days	Total
Estimated total gross carrying amount at default (US$'000)	10,651	–	1,516	12,167
Lifetime ECL (US$'000)	–	–	(152)	(152)
	10,651	–	1,364	12,015

Low risk type customers	Accounts receivables and amounts due from related parties of trade nature 0–180 days	181–360 days	Over 360 days	Total
Estimated total gross carrying amount at default (US$'000)	43,052	1,977	44	45,073
Lifetime ECL (US$'000)	–	(49)	(2)	(51)
	43,052	1,928	42	45,022

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.3 Credit risk and impairment assessment (continued)

Allowance for impairment

The movement in the ECL during the current period was as follows:

	Accounts receivables and amounts due from related parties of trade nature		Loans to third parties	Loans to related parties	Other receivables and amounts due from related parties of non-trade nature	Financial assets at FVTOCI	Total
	Lifetime ECL (not-credit impaired) US$'000	Lifetime ECL (credit impaired) US$'000	12m ECL US$'000	12m ECL US$'000	12m ECL US$'000	12m ECL US$'000	US$'000
As at December 31, 2017 under IAS 39	–	–	–	–	–	–	–
Adjustment upon application of IFRS 9	247	–	101	44	94	12	498
As at January 1, 2018							
– As restated	247	–	101	44	94	12	498
Impairment losses recognized	256	106	252	–	109	–	723
Impairment losses reversal	(47)	–	–	(40)	–	(4)	(91)
Write-offs	–	(106)	–	–	–	–	(106)
As at December 31, 2018	**456**	**–**	**353**	**4**	**203**	**8**	**1,024**

Note: The changes in loss allowance are mainly due to financial instruments originated or derecognized during the reporting period.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.4 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 mainly by maintaining adequate cash and cash equivalents and continuously monitoring forecast and actual cash flows on a regular basis.

The following tables detail 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 is required to pay in accordance with agreed repayment terms.

	Weighted average effective interest rate %	On demand or within one year US$'000	Second to fifth year US$'000	Total undiscounted cash flows US$'000	Total carrying amount US$'000
At December 31, 2018					
Accounts and other payables	–	23,292	–	23,292	23,292
Payables to interest holders of consolidated structured entities	–	26,937	–	26,937	26,937
Total		50,229	–	50,229	50,229

	Weighted average effective interest rate %	On demand or within one year US$'000	Second to fifth year US$'000	Total undiscounted cash flows US$'000	Total carrying amount US$'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 borrowing	7.62	–	186,549	186,549	150,000
Convertible redeemable preferred shares	8.00	–	188,854	188,854	262,651
Payables to interest holders of consolidated structured entities	–	5,274	–	5,274	5,274
Total		28,357	375,770	404,127	441,375

Details of the description of convertible redeemable preferred shares are presented in note 32.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Market risk

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to a floating interest rate bank borrowing as disclosed in note 30 as at December 31, 2017. 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. Since the Group 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 considers the interest rate risk is insignificant.

The Group is exposed to fair value interest rate risk in relation to fixed-rate term deposits, loans to third parties and loans to related parties as disclosed in note 24, 26 and 39. Term deposits, loans to third parties and loans to related parties are excluded from sensitivity analysis as the directors of the Company consider that the exposure of fair value interest rate risk arising from fixed-rate term deposits, loans to third parties and loans to related parties is insignificant.

The Group is also exposed to cash flow interest rate risk due to the fluctuation of market rate on variable-rate bank balances as disclosed in note 27.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates risk 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 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 loss after income tax for the year ended December 31, 2018 would decrease/increase by US$242,000 (2017: US$1,661,000).

Currency risk

The transactions of the Company are denominated and settled in its functional currency, US$. The Group's subsidiaries primarily operate in mainland China and Hong Kong and are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to US$. Therefore, currency risk primarily arose from assets and liabilities in the Group's subsidiaries in mainland China and Hong Kong when receive foreign currencies from, or paying or to pay foreign currencies to business partners.

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 assets and liabilities 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 and represents management's assessment of the reasonably possible change in foreign currency.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.5 Market risk (continued)

Currency risk (continued)

Sensitivity analysis (CONTINUED)

If foreign currency rate has been 5% higher/lower and all other variables were held constant, the Group's loss after income tax and other equity for the year ended December 31, 2018 would increase/decrease by US$7,010,000 (2017: US$2,495,000), 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 through its investments in money market funds and financial bonds measured at FVTPL and FVTOCI (2017: available-for-sale investments). The price risk of these financial assets may arise due to changes in market price. The change may be caused by factors relating to the financial instrument itself or the issuer, and it may also be caused by market factors. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group has designated a team to monitor the price risk and will consider hedging the risk exposure should the need arises.

The Group is exposed to price risk in respect of financial liabilities at FVTPL held by the Group. 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

If the prices of the respective listed financial instruments had increased/decreased by 5%, the loss after income tax for the year ended December 31, 2018 would decrease/increase by approximately US$2,972,000 (2017: US$1,212,000).

Fair values of financial liabilities measured at FVTPL are affected by changes in net assets value of underlying investments of consolidated structured entities. If the net assets value of underlying investments of consolidated structured entities had increased/decreased by 5% with all other variables held constant, the loss after income tax for the year ended December 31, 2018 would increase/decrease by approximately US$1,011,000 (2017: US$198,000).

Fair value of convertible redeemable preferred shares is 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 loss after income tax for the year ended December 31, 2017 would increase/decrease by approximately US$9,850,000.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 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 instruments that are measured at fair value on a recurring basis.

	Fair value as at December 31,				
	2018 US$'000	2017 US$'000	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)
Financial assets					
Unlisted investment funds at fair value	**45,881**	36,962	Level 3	*Note (1)*	*Note (1)*
Debt security investment	**25,344**	14,708	Level 2	Recent transaction price	N/A
Interest rate cap	**–**	1,354	Level 3	*Note (2)*	*Note (2)*
Call option for obtaining non-controlling interests	**14,100**	–	Level 3	*Note (3)*	*Note (3)*
Restricted shares	**300**	–	Level 2	Recent transaction price	N/A
Warrant	**570**	–	Level 3	*Note (4)*	*Note (4)*
Financial bonds	**51,843**	32,317	Level 1	Open market transaction price	N/A
Money market funds	**27,399**	–	Level 2	Quoted price from a financial institution	N/A
Cash management products	**317,988**	65,111	Level 2	Discounted cash flow-future cash flows are estimated based on expected return, and discounted at a rate that reflects the risk of underlying investments	N/A
Unlisted equity investments	**6,912**	–	Level 2	Recent transaction price	N/A
Associates measured at fair value	**74,163**	38,560	Level 3	*Note (5)*	*Note (5)*

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 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)

	Fair value as at December 31,				
	2018 US$'000	2017 US$'000	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)
Financial liabilities					
Convertible redeemable preferred shares	**–**	262,651	Level 3	*Note (6)*	*Note (6)*
Payables to interest holders of consolidated structured entities in which the Group is the general partner of the investment funds	**11,567**	5,274	Level 3	*Note (7)*	*Note (7)*
Payables to interest holders of consolidated structured entities which are assets management plans managed by the Group	**15,370**	–	Level 2	Net assets value of the underlying investments with observable prices	N/A

There were no transfers between level 1 and 2 during the year.

(1) The Group's investments in unlisted investment funds which were classified as financial assets at FVTPL under level 3 hierarchy amounted to US$45,881,000 as at December 31, 2018 (December 31, 2017: US$36,962,000). 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$2,294,000 as at December 31, 2018 (December 31, 2017: US$1,848,000).

(2) The Group's interest rate cap classified as financial assets at FVTPL amounting to US$1,354,000 as at December 31, 2017 is under level 3 hierarchy. The fair value was determined by binomial model. The significant unobservable input to the binomial model is 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 interest rate, holding all other variables constant, would increase/decrease the carrying amount of the interest rate cap by US$230,000 as at December 31, 2017.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 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)

(3) The Group's call option to obtain non-controlling interests amounting to US$14,100,000 as at December 31, 2018 (December 31 2017: nil) is under level 3 hierarchy. The fair value was determined by Black Scholes model based on the fair value and book value of the underlying net assets' of Huajing Securities. The significant unobservable input is the fair value of Huajing Securities. The higher the fair value of net assets, the higher the fair value of the call option will be. A 5% increase/decrease in the fair value of net assets, holding all other variables constant, would increase/decrease the carrying amount of the call option by US$1,100,000 and nil as at December 31, 2018 and December 31, 2017, respectively.

(4) The Group's warrant to acquire additional preferred shares in Sumscope Inc. amounting to US$570,000 as of December 31, 2018 (December 31 2017: nil) is under level 3 hierarchy. The fair value was determined by Black Scholes model. The significant unobservable input is the expected volatility rate. The higher the expected volatility rate, the higher the fair value of the warrant will be. A 500 basis points increase/decrease in the expected volatility rate, holding all other variables constant, would increase/decrease the carrying amount of the warrant by US$130,000 as of December 31, 2018.

(5) The Group's associates measured at fair value amounting to US$74,163,000 as at December 31, 2018 (December 31, 2017: US$38,560,000) are under level 3 hierarchy. The significant unobservable input is the net assets value of the underlying investments made by the funds managed by the Group. The higher the net assets 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 by US$3,708,000 as at December 31, 2018 (December 31, 2017: US$1,928,000).

(6) The Group's convertible redeemable preferred shares amounting to US$262,651,000 as at December 31, 2017 was under level 3 fair value hierarchy. Discounted cash flow method was used to determine the underlying share value of the Company 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 32. 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 convertible redeemable preferred shares will be. A 5% increase/decrease in the estimated cash flows, holding all other variables constant, would increase/decrease the carrying amount of the convertible redeemable preferred shares by US$5,628,000 as at December 31, 2017. The higher the discount rate, the lower the fair value of the convertible redeemable preferred shares will be. A 5% increase/decrease in the discount rate, holding all other variables constant, would decrease/increase the carrying amount of the convertible redeemable preferred shares by US$7,789,000 as at December 31, 2017.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 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)

(7) The Group's payables to interest holders of consolidated structured entities in which the Group is the general partner of the investment funds amounting to US$11,567,000 as at December 31, 2018 (December 31, 2017: US$5,274,000) are under level 3 hierarchy. The significant unobservable input is the net assets value of the investment funds managed by the Group. The higher the net assets value of the investment funds managed, the higher the fair value of payables to interest holders of consolidated structured entities will be. A 5% increase/decrease in the net assets value of the investment funds managed, holding all other variables constant, would increase/decrease the carrying amount of payables to interest holders of consolidated structured entities by US$578,000 as at December 31, 2018 (December 31, 2017: US$264,000).

Reconciliation of level 3 fair value measurements of financial assets is as follows:

	Unlisted investment funds at fair value US$'000
At January 1, 2017	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	5,195
Disposal	(8,891)
Distribution	(677)
Changes in fair value	14,227
Effect of exchange rate change	(935)
Balance at December 31, 2018	45,881

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 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)

Reconciliation of level 3 fair value measurements of financial assets is as follows: (continued)

	Associates measured at fair value US$'000
At January 1, 2017	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	36,619
Distribution	(77)
Changes in fair value	157
Effect of exchange rate change	(1,096)
Balance at December 31, 2018	74,163

	Interest rate cap US$'000
At January 1, 2017	–
Purchase	1,275
Change in fair value	79
Balance at December 31, 2017	1,354
Change in fair value	946
Disposal	(2,300)
Balance at December 31, 2018	–

	Call option for obtaining non-controlling interests US$'000
At January 1, 2017 and 2018	–
Change in fair value	14,100
Balance at December 31, 2018	14,100

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 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)

Reconciliation of level 3 fair value measurements of financial assets is as follows: (continued)

	Warrant US$'000
At January 1, 2017 and 2018	—
Purchase	680
Change in fair value	(110)
Balance at December 31, 2018	570

	Payables to interest holders of consolidated structured entities in which the Group is the general partner of the investment funds US$'000
At January 1, 2017	4,006
Capital contribution	432
Distribution	(205)
Changes in fair value	1,085
Effect of exchange rate change	(44)
Balance at December 31, 2017	5,274
Capital contribution	5,248
Distribution	(568)
Changes in fair value	1,752
Effect of exchange rate change	(139)
Balance at December 31, 2018	11,567

Reconciliation of level 3 fair value measurements of convertible redeemable preferred shares are set in note 32.

42. FINANCIAL RISK MANAGEMENT (CONTINUED)

42.6 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)

Of the total gains or losses for the period included in profit or loss, US$28,374,000 relates to financial assets at FVTPL and investments in fund accounted for as associates measured at fair value held at the end of the current reporting period. Fair value gains or losses on financial assets at FVTPL and investments in fund accounted for as associates measured at fair value are included in "investment income" and "change in fair value of call option".

Included in other comprehensive income is an amount of US$514,000 gain relating to listed financial bonds classified as debt instruments at FVTOCI (2017: AFS investments) held at the end of the current reporting period and is reported as changes of "other reserves".

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group considers that the carrying amounts of financial assets and financial liabilities measured at amortized cost in the consolidated financial statements approximated their fair values at the end of each reporting period.

43. 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 and reserves.

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.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the subsidiaries directly and indirectly held by the Company at the end of reporting period are set out below:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued/registered capital	Proportion of ownership interest/voting power held by the Company At December 31, 2018	2017	Principal activities
Directly held					
China Renaissance Capital Limited	Hong Kong, PRC	HK$1	**100%**	100%	Investment holding
China Renaissance Enterprises Limited	BVI	US$1	**100%**	100%	Provision of financial advisory services
China Renaissance Securities (Hong Kong) Limited	Hong Kong, PRC	HK$1,774,400,000	**100%**	100%	Provision of financial advisory, equity underwriting, sale, trading brokerage, and research services
China Renaissance Securities (US) Inc.	USA	US$16,000,000	**100%**	100%	Provision of financial advisory, equity underwriting, sale, trading brokerage, and research services
CR Investments Corporation	BVI	US$50,000	**100%**	100%	Investment holding
China Renaissance Asset Management Limited	Hong Kong, PRC	HK$5,000,000	**100%**	100%	Provision of asset management services
CR HOLDINGS Investments Limited (k)	BVI	US$1	**100%**	N/A	Investment holding
Indirectly held					
Huaxing Capital Management LLC	Cayman Islands	US$10	**60%**	60%	Provision of management services for private equity funds
Huaxing Associate GP LLC	Cayman Islands	US$1	**70%**	70%	General partner of a subsidiary
Huaxing Associate GP II LLC	Cayman Islands	US$1	**60%**	60%	General partner of a subsidiary
CR Investments (HK) Limited	Hong Kong, PRC	HK$1	**100%**	100%	Investment holding

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation	Issued/registered capital	Proportion of ownership interest/voting power held by the Company At December 31, 2018	2017	Principal activities
Helix Capital Partners	Cayman Islands	US$50,000	**51%**	51%	Provision of management services for private equity funds
Huaxing Associate, L.P. (a)	Cayman Islands	US$1,750,000	**70%**	70%	General partner of a private equity fund
華興泛亞投資顧問(北京)有限公司 ("CRP-Fanya Investment Consultants (Beijing) Limited")	Beijing, PRC	US$2,352,941	**100%**	100%	Provision of financial advisory services
上海慧嘉投資顧問有限公司 ("Shanghai Huijia Investment Consulting Limited")	Shanghai, PRC	RMB1,000,000	**100%**	100%	Provision of financial advisory services
達孜鏵石創業投資管理有限公司 ("Dazi Huashi Venture Capital Management Limited")	Tibet, PRC	RMB1,000,000	**100%**	100%	Provision of financial advisory services
上海全源投資有限公司 ("Shanghai Quanyuan Investment Limited")	Shanghai, PRC	RMB100,000	**100%**	100%	Investment holding
China Renaissance HB XI Venture GP, LLC	Cayman Islands	US$1	**100%**	100%	General partner of a private equity fund
Huaxing Associate II, L.P. (a)	Cayman Islands	US$3,000,000	**60%**	60%	General partner of a private equity fund
Maxson Securities Limited	Hong Kong, PRC	HK$1,763,900,000	**100%**	100%	Provision of trading and brokerage services
達孜鏵峰投資顧問有限公司 ("Dazi Huafeng Investment Consultants Limited")	Tibet, PRC	RMB100,000	**100%**	100%	General partner of a subsidiary

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation	Issued/registered capital	Proportion of ownership interest/voting power held by the Company At December 31, 2018	2017	Principal activities
達孜鏵峰創業投資合夥企業(有限合夥) ("Dazi Huafeng Venture Capital Partnership (Limited Partnership)") (b)	Tibet, PRC	RMB500,000,000	**60%**	100%	General partner of private equity funds
上海華晟股權投資管理有限公司 ("Shanghai Huasheng Equity Investment Management Limited")	Shanghai, PRC	RMB1,000,000	**50%**	50%	Provision of management services for a private equity fund
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)") (c)	Shanghai, PRC	RMB17,893,005	**30%**	50.5%	General partner of a private equity fund
上海華晟優格股權投資管理有限公司 ("Shanghai Huasheng Youge Equity Investment Management")	Shanghai, PRC	RMB100,000,000	**100%**	100%	Provision of management services for private equity funds
CR High Growth GP LLC	Cayman Islands	US$1	**100%**	100%	General partner of a private equity fund
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)") (d)	Shanghai, PRC	RMB193,639,900	**25%**	86.90%	General partner of a private equity fund
北京就是逐鹿科技有限公司 ("Beijing Jiushi Zhulu Technology Limited") (e)	Beijing, PRC	RMB1,607,140	**56%**	52.89%	Provision of financial advisory services and technical services

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation	Issued/registered capital	Proportion of ownership interest/voting power held by the Company At December 31, 2018	2017	Principal activities
天津鏵峰資產管理合夥企業(有限合夥) ("Tianjin Huafeng Asset Management Partnership (Limited Partnership)") (f)	Tianjin, PRC	RMB2,000,000	**60%**	100%	General partner of a private equity fund
華菁證券有限公司 ("China Renaissance Securities (China) Co. Ltd" or "Huajing Securities") (g)	Shanghai, PRC	RMB1,404,800,000	**48.82%**	48.82%	Provision of securities brokerage securities underwriting and sponsorship, securities asset management, securities investment consultancy services
達孜鏵瓴投資顧問有限公司 ("Dazi HuaLing Investment Consultants Limited")	Tibet, PRC	RMB100,000	**100%**	100%	General partner of a subsidiary
上海微宏投資有限公司 ("Shanghai Weihong Investment Limited")	Shanghai, PRC	RMB100,000	**100%**	100%	Investment holding
鏵淦(上海)商務諮詢有限公司 ("Huagan (Shanghai) Business Consulting Limited")	Shanghai, PRC	US$10,000,000	**100%**	100%	Investment holding
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")	Ningbo, PRC	RMB1,000,000	**51%**	51%	General partner of a subsidiary
寧波梅山保稅港區鏵傑股權投資管理有限公司 ("Ningbo Meishan Bonded Port Area Huajie Investment Management Limited")	Ningbo, PRC	RMB2,500,000	**51%**	51%	Provision of management services for private equity funds

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation	Issued/registered capital	Proportion of ownership interest/voting power held by the Company At December 31, 2018	2017	Principal activities
寧波梅山保税港區领晟投資管理有限公司 ("Ningbo Meishan Bonded Port Area Lingsheng Investment Management Limited")	Ningbo, PRC	RMB3,000,000	**100%**	100%	Investment management
寧波梅山保税港區鏵清股權投資管理有限公司 ("Ningbo Meishan Bonded Port Area Huaqing Equity Investment Management Limited")	Ningbo, PRC	RMB12,000,000	**100%**	100%	General partner of a subsidiary
寧波梅山保税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)	Ningbo, PRC	RMB80,000,000	**30%**	100%	General partner of private equity funds
天津華清企業管理諮詢有限公司 ("Tianjin Huaqing Enterprise Management Consulting Limited")	Tianjin, PRC	RMB1,000,000	**51%**	51%	General partner of subsidiaries
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)") (i)	Tianjin, PRC	RMB50,000,000	**25%**	51.49%	General partner of private equity funds

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation	Issued/registered capital	Proportion of ownership interest/voting power held by the Company At December 31, 2018	2017	Principal activities
Grand Eternity Limited	BVI	US$8,252.15	**100%**	100%	Provision of management services for private equity funds
天津鏵煌企業管理諮詢合夥企業(有限合夥) ("Tianjin Huahuang Enterprise Management Consulting Partnership (Limited Partnership)") (j)(k)	Tianjin, PRC	RMB15,000,000	**30%**	N/A	General partner of private equity funds
天津鏵宇諮詢有限公司 ("Tianjin Huayu Consultants Limited") (k)	Tianjin, PRC	RMB1,000,000	**100%**	N/A	Provision of financial advisory services
天津瑞豐企業管理合夥企業(有限合夥) ("Tianjin Ruifeng Enterprise Management Partnership (Limited Partnership)") (k)	Tianjin, PRC	RMB10,000,000	**99.51%**	N/A	General partner of a private equity fund
天津瑞致企業管理合夥企業(有限合夥) ("Tianjin Ruizhi Enterprise Management Partnership (Limited Partnership)") (k)	Tianjin, PRC	RMB10,000,000	**99.51%**	N/A	General partner of a private equity fund
Huaxing Associates GP III, Ltd. (k)	Cayman Islands	US$0.01	**100%**	N/A	General partner of a subsidiary
Huaxing Associates III, L.P. (a)(k)	Cayman Islands	US$20,000,000	**100%**	N/A	General partner of a private equity fund
Huaxing Growth Capital Management, Ltd (k)	Cayman Islands	US$0.01	**100%**	N/A	Provision of management services for a private equity fund

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

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.

None of the subsidiaries had issued any debt securities at the end of the year.

(a) The amount in issued/registered capital represents the total capital commitment of partners of the limited partnership.

(b) The Group's subsidiary acts as the general partner of Dazi Huafeng Venture Capital Partnership (Limited Partnership) and can direct all relevant activities of it. The Group held 100% of equity interest as at December 31, 2017. After the capital injection from new investors in 2018, the Group's equity interest was diluted to 60% as at December 31, 2018. The directors of the Company concluded that the Group has a control over this limited partnership throughout the years ended December 31, 2018 and 2017.

(c) The Group's 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 Group held 50.5% of equity interest as at December 31, 2017. After the capital injection from new investors in 2018, the Group's equity interest was diluted to 30% as at December 31, 2018. The directors of the Company considered the power of the Group is able to exercise over the activities of this limited partnership and its exposure to and ability to influence its own returns from this limited partnership, and concluded that the Group has a control over this limited partnership throughout the years ended December 31, 2018 and 2017.

(d) The Group's subsidiary acts as the general partner of Shanghai Huasheng Xinhang Equity Investment Management Center (Limited Partnership) and can direct all relevant activities of it. The Group held 86.90% of equity interest as at December 31, 2017. After the capital injection from new investors in 2018, the Group's equity interest was diluted to 25% as at December 31, 2018. The directors of the Company considered the power of the Group is able to exercise over the activities of this limited partnership and its exposure to and ability to influence its own returns from this limited partnership, and concluded that the Group has a control over this limited partnership throughout the years ended December 31, 2018 and 2017 as the magnitude and variability associated with the Group's economic interests in this structured entity are significant.

(e) The Group has majority voting right at board meeting to direct all relevant activities of Beijing Jiushi Zhulu Technology Limited ("JSZL"). After the acquisition of non-controlling interest in June 2018, the Group's equity interest increased to 56% as at December 31, 2018. The directors of the Company concluded that the Group has a control over JSZL throughout the years ended December 31, 2018 and 2017.

(f) The Group's subsidiary acts as the general partner of Tianjin Huafeng Asset Management Partnership (Limited Partnership) and can direct all relevant activities of it. The Group held 100% of equity interest as at December 31, 2017. After the capital injection from new investors in 2018, the Group's equity interest was diluted to 60% as at December 31, 2018. The directors of the Company concluded that the Group has a control over this limited partnership throughout the years ended December 31, 2018 and 2017.

(g) The Group holds 48.82% equity interest at December 31, 2018 and 2017 in this subsidiary. The Group has effective control over the 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 in the year of 2018 and 2017.

(h) The Group's subsidiary acts as the general partner of Ningbo Meishan Bonded Port Area Huaxing Xinshou Equity Investment Management Center (Limited Partnership) and can direct all relevant activities of it. The Group held 100% of equity interest as at December 31, 2017. After the capital injection from new investors in 2018, the Group's equity interest was diluted to 30% as at December 31, 2018. The directors of the Company considered the power of the Group is able to exercise over the activities of this limited partnership and its exposure to and ability to influence its own returns from this limited partnership, and concluded that the Group has a control over this limited partnership throughout the years ended December 31, 2018 and 2017.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

(i) The Group's subsidiary acts as the general partner of Tianjin Huajie Enterprise Management Consulting Partnership (Limited Partnership) and can direct all relevant activities of it. The Group held 51.49% of equity interest as at December 31, 2017. After the capital injection from new investors in 2018, the Group's equity interest was diluted to 25% as at December 31, 2018. The directors of the Company considered the power of the Group is able to exercise over the activities of this limited partnership and its exposure to and ability to influence its own returns from this limited partnership, and concluded that the Group has a control over this limited partnership throughout the years ended December 31, 2018 and 2017 as the magnitude and variability associated with the Group's economic interests in this structured entity are significant.

(j) The Group's subsidiary acts as the general partner of Tianjin Huahuang Enterprise Management Consulting Partnership (Limited Partnership) and can direct all relevant activities of it. The Group held 30% of equity interest as at December 31, 2018. The directors of the Company considered the power of the Group is able to exercise over the activities of this limited partnership and its exposure to and ability to influence its own returns from this limited partnership, and concluded that the Group has a control over this limited partnership throughout the year ended December 31, 2018 as the magnitude and variability associated with the Group's economic interests in this structured entity are significant.

(k) These companies or partnerships are newly established by the Company in the year of 2018.

45. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group 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		Total comprehensive expense allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31, 2018 US$'000	December 31, 2017 US$'000	**2018 US$'000**	2017 US$'000	**December 31, 2018 US$'000**	December 31, 2017 US$'000
Huajing Securities	Shanghai, PRC	**51.18%**	51.18%	**(5,669)**	(12,380)	**204,561**	220,229
Individually immaterial subsidiaries with non-controlling interests						**2,470**	3,527
Total						**207,031**	223,756

Summarized financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarized financial information below represents amounts before intragroup eliminations.

45. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Huajing Securities:

	As at December 31,	
	2018	2017
	US$'000	US$'000
Current assets	**356,313**	393,370
Non-current assets	**69,269**	51,285
Current liabilities	**25,894**	14,352
Equity attributable to owners of the Company	**195,127**	210,074
Non-controlling interests	**204,561**	220,229

	Year ended December 31,	
	2018	2017
	US$'000	US$'000
Revenue	**26,828**	21,401
Expenses	**(37,904)**	(45,590)
Loss and total comprehensive expense for the year	**(11,076)**	(24,189)
Loss and total comprehensive expense attributable to owners of the Company	**(5,407)**	(11,809)
Loss and total comprehensive expense attributable to non-controlling interests	**(5,669)**	(12,380)

	Year ended December 31,	
	2018	2017
	US$'000	US$'000
Net cash outflow from operating activities	**(284,838)**	(30,134)
Net cash outflow from investing activities	**(1,912)**	(35,610)
Net cash inflow from financing activities	**14,289**	309,755
Net cash (outflow) inflow	**(272,461)**	244,011

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at December 31, 2018 US$'000	2017 US$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**297,469**	264,871
Investments in associates	**9,178**	9,604
Available-for-sale financial assets	**—**	482
Financial assets at fair value through profit or loss	**12,908**	23,979
	319,555	298,936
CURRENT ASSETS		
Accounts and other receivables	**100**	130
Amounts due from related parties	**—**	7
Financial assets at fair value through profit or loss	**20,053**	—
Term deposits	**194,026**	—
Cash and cash equivalents	**26,676**	32,414
	240,855	32,551
TOTAL ASSETS	**560,410**	331,487
CURRENT LIABILITIES		
Accounts and other payables	**1,682**	1,221
	1,682	1,221
NET CURRENT ASSETS	**239,173**	31,330
TOTAL ASSETS LESS CURRENT LIABILITIES	**558,728**	330,266
NON-CURRENT LIABILITIES		
Bank borrowing	**—**	150,000
Accounts and other payables	**—**	367
Convertible redeemable preferred shares	**—**	262,651
	—	413,018
NET ASSETS	**558,728**	(82,752)
CAPITAL AND RESERVES		
Share capital	**14**	6
Reserves	**558,714**	(82,758)
	558,728	(82,752)

46. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's reserves

	Share Premium US$'000	Other reserve US$'000	Accumulated losses US$'000	Total US$'000
Balance at January 1, 2017	2,078	8,562	(75,382)	(64,742)
Loss for the year	–	–	(22,069)	(22,069)
Recognition of equity-settled share-based payment expense	–	8,203	–	8,203
Dividends to shareholders	–	–	(4,150)	(4,150)
Balance at December 31, 2017	2,078	16,765	(101,601)	(82,758)
Adjustments arising from initial application of IFRS 9	–	–	215	215
At January 1, 2018 (restated)	2,078	16,765	(101,386)	(82,543)
Loss for the year	–	–	(324,889)	(324,889)
Recognition of equity-settled share-based payment expense	–	11,562	–	11,562
Share options exercised	13,940	(7,853)	–	6,087
Issuance of ordinary shares relating to initial public offering	344,591	–	–	344,591
Share issuing costs	(12,220)	–	–	(12,220)
Conversion of convertible redeemable preferred shares into ordinary shares	554,992	–	–	554,992
Recognition of equity component of convertible notes	–	4,000	–	4,000
Conversion of convertible notes into ordinary shares	88,394	(4,000)	–	84,394
Shares repurchased and cancelled	(11,582)	–	–	(11,582)
Shares repurchased and yet to be cancelled	–	(265)	–	(265)
Dividends to shareholders	–	–	(15,413)	(15,413)
Balance at December 31, 2018	980,193	20,209	(441,688)	558,714

47. COMPARATIVE FIGURES

The consolidated statement of profit or loss and other comprehensive income for the year ended December 31, 2017 has been reclassified to conform with the current year presentation.

DEFINITIONS

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"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
"Audit Committee"	the Audit Committee of the Board
"Auditor"	Deloitte Touche Tohmatsu
"Board"	the board of directors of our Company
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"China" or "PRC"	the People's Republic of China, and for the purpose of this report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"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
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Connected Transactions"	has the meaning ascribed to it under the Listing Rules
"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
"Controlling Shareholder(s)"	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
"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

"CRSHK"	China Renaissance Securities (Hong Kong) Limited (華興證券(香港)有限公司), a company incorporated in Hong Kong with limited liability on June 18, 2012 and a directly wholly-owned subsidiary of the Company
"Dazi Huafeng"	Dazi Huafeng Investment Consultants Co., Ltd. (達孜鏵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. (達孜鏵瓴投資顧問有限公司), 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. (達孜鏵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
"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
"Founder"	each of Mr. Bao and Mr. Xie Yi Jing
"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
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Huagan Shanghai"	Huagan (Shanghai) Business Consultants Co., Ltd. (鏵淦(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 an indirect 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, which is the general partner of Huaxing Growth Capital RMB Fund II
"ICBCI Investment Management"	ICBC International Investment Management Limited
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Date"	September 27, 2018 the date on which the Shares are listed and on which dealings in the Shares are fist 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 operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Mr. Bao"	Mr. Bao Fan (包凡), our Chairman, Chief Executive Officer and Controlling Shareholder
"Ningbo Huajie"	Ningbo Meishan Bonded Port Huajie Capital Management Co., Ltd (寧波梅山保税港區鏵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 RMB Fund I
"Ningbo Xinshou"	Ningbo Meishan Bonded Port Huaxing Xinshou Capital Management Center, L.P. (寧波梅山保税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
"PRC Legal Adviser"	Commerce & Finance Law Offices, our legal advisor on PRC law
"Prospectus"	the prospectus of the Company dated September 14, 2018
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"Relevant Period"	the period from the Listing Date to December 31, 2018
"Remuneration Committee"	the Remuneration Committee of the Board
"Reporting Period"	the year ended December 31, 2018
"RSU Plan"	the China Renaissance Holdings Limited 2018 Restricted Share Unit Plan as approved by Board on June 15, 2018
"RSUs"	restricted share units
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"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 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
"Share(s)"	ordinary share(s) in the share capital of our Company, currently with a par value of US$0.0001 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary" or "Subsidiaries"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"Substantial Shareholder"	has the meaning ascribed to it in the Listing Rules

“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 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
“United States” or “US”	the 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
“%”	per cent

Note: Unless otherwise defined in this Annual Report, capitalised terms used herein bear the same meanings as defined in the prospectus.

华兴资本

CHINA RENAISSANCE HOLDINGS LIMITED
華興資本控股有限公司

Units 8107-08, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong
+852 2287 1600
info@chinarenaissance.com