华兴资本

CHINA RENAISSANCE HOLDINGS LIMITED
華興資本控股有限公司
(Incorporated in the Cayman Islands with limited liability)

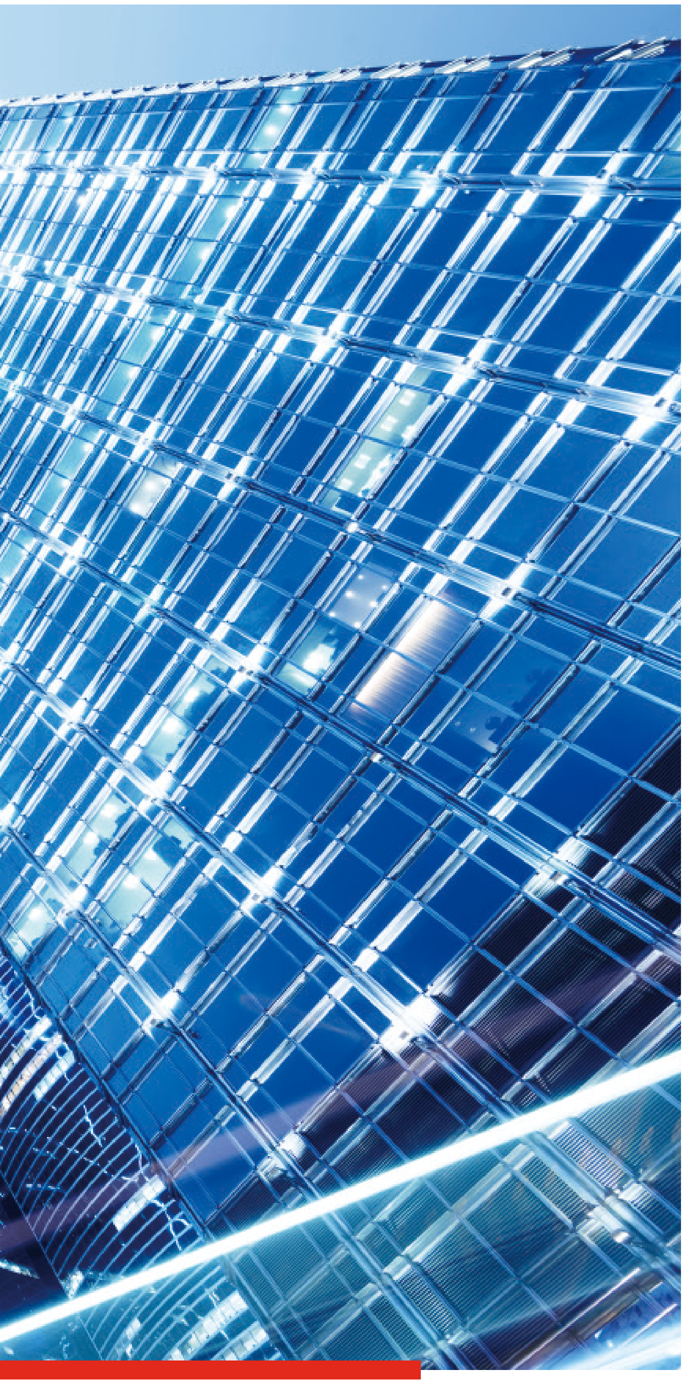
Stock code: **1911**

2019
ANNUAL REPORT

华兴资本

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

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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
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181 Queen's Road Central
Hong Kong

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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

Silicon Valley Bank
UBS AG, Singapore
China Merchants Bank
China Minsheng Bank
Bank of Communications
Bank of China

STOCK CODE

1911

COMPANY WEBSITE

http://www.huaxing.com/

CHAIRMAN'S STATEMENT

In 2019, China celebrated its 70th anniversary, drawing an enthusiastic chorus from across the globe lauding China's remarkable achievements. The Chinese nation has come a long way embarking on the path of realizing national rejuvenation, achieving prosperity and progress.

2019 also marks our 15th year of development, reform and progress. In fact, this explains our company name, why we are called "China Renaissance" — we take great pride in our identity as a privately-owned financial institution in China, and we endeavor to lead by example in rejuvenating China's financial industry.

We have been making assertive efforts in optimizing our business model, in order to capitalize the tremendous potential in China's investment management and wealth management. Our new economy investment banking offers trusted access to wealth management client base, and leads to investment management deal flows. Our investment management business provides products for wealth management, and brings capital to investment banking referred clients. Our wealth management clients could become LPs in investment management funds, and wealth management's high touch service is conducive to better client coverage for investment banking. These multi-faceted interlinks embed synergies in our operations.

It delights us to see that investment management segment has become an increasingly important and steady revenue and profit contributor. It is our goal to evolve into the greatest alternative investment manager in China. Since the launch of our investment management business, our total AUM has exceeded RMB34.0 billion, yielding decent returns with multiple on invested capital of 2.1x for mature funds as of end 2019. As I write this letter in late March 2020, capital markets around the world are experiencing unprecedented volatilities. But great investment windows typically surface during turbulent times. Dry powders from our Growth Capital Fund RMB III and USD III stood at RMB7.2 billion as of the end of 2019, all set and ready for pouncing on suitable projects arising from the market in 2020.

Succeeding the past decades of fast growth, China's economy has become a vast prism through which all participants could bask in its reflected glory. We are all products of our time. We uphold our longstanding vision that China's new economy is a long-term secular trend, driving economic growth and wealth creation for decades. The upside potential of new economy super-cycles and financial industry reform stands intact, and the opportunity arising from the intersection of both, i.e. new economy finance, is still a force to be reckoned with. Even amid the heart-wrenching challenges at the beginning of 2020, many new economy firms have stood out playing their parts in the fight against the epidemic, with new technologies and new operating models creating lasting commercial and social value.

Understandably ensuring many years of accelerated growth a slowdown is inevitable, although not at all incorrigible. In 2019, private placement transaction activities were more subdued, and the era merely riding on the sheer scale of Chinese population and extravagance of resources and capital may have come to an end. Entering 2020, the situation was further exacerbated by the coronavirus epidemic. However, these turbulent times tend to morph into serendipitous opportunities to engage clients. It is particularly during these critical moments that clients need more guidance from their trusted advisors, and we need to fulfill our role as a champion for our clients. Satisfying as making profit is during a booming market, it is just as important to gain market share and decimate competitors when the entire market appears depressed. We saw extraordinary companies in China pulling through the last financial crisis period and shaping themselves into next generation stars. We expect to see the same happen again for a new batch of entrepreneurial firms, and we will be there for them this time as well.

We have been investing into the further development of our businesses, mainly in equities, Huajing, wealth management and investment management platforms, so that our business segments could be increasingly complementary and synergistic, for the sake of better profitability in the longer term. Our commitment to Huajing Securities has turned out more fruitful than expected, achieving profitability in 2019. Categorically centered around new economy, Huajing Securities is the go-to investment bank for entrepreneurs in China. Traditional financial institutions may find them mismatched at providing services to entrepreneurial and high-growth companies, where we could bridge the gap that traditional financial institutions have left open in new economy realm.

Amid uncertainties on the industry and economic backdrop, we understand that share price performance at times could be negatively affected. In the spirit of enhancing returns for our shareholders, the Board decided on a dividend payment for the year ended December 31, 2019. Confident in our company's intrinsic value, we have also been actively engaging in share buyback. In the meanwhile, we will further enhance our EPS and longer-term ROE, fortifying our strengths in existing businesses, whilst embracing new business opportunities to unlock another phase of growth. We appreciate your support in another year as we continue to add value to our client companies as well as our own.

We look forward to the many years to come.

Bao Fan
Chairman and CEO

Hong Kong
March 25, 2020

BUSINESS REVIEW

2019 marked a year of transformation and continued development for China Renaissance, despite ongoing headwinds in the financial industry. We are keenly aware of the potential challenges stemming from macro and industry environments in 2020, and have well prepared for them.

Our revenue source has become more diversified in 2019, with 45.7% from investment banking, 31.8% from investment management, 17.5% from Huajing Securities, and 5.0% from new businesses. Our operating profit increased 26.1% YoY, with increases most notably from management fees and reduced operating costs. The remarkable growth from investment management segment, earlier-than-expected profitability of Huajing Securities, as well as growth from new business indicatives, instilled higher resilience in our company to withstand the vicissitudes of industry environment. In the long term, we expect a well-balanced revenue mix could buffer for downside risks and buttress for the upside.

Rising contribution from investment management fees enables higher stability of our profitability. PE fundraising for the industry overall shrank by 34.0% YoY, affected by the new investment management rules, as well as macro uncertainties and difficulties exiting in a lukewarm secondary market. By contrast, our company's investment management business saw a remarkable 38.2% YoY growth in management fees. Our total AUM, including 9 primary funds and 17 project funds, exceeded RMB34.0 billion by end of 2019, with the successfully closing of RMB6.5 billion fund-raising for our Growth Capital RMB Fund III, including the National Social Security Fund as an important LP. Growth Capital USD Fund III also saw better-than-expected amount of committed capital. The success in fundraising partly derives from our up-to-par fund performance, with average multiple on invested capital of 2.1x for mature funds. In 2019, for the first time since commencing our PE business in 2013, our funds paid a realized carried interest of RMB42.0 million. We appreciate market recognition and awards for our funds in the past year from renounced institutions such as Zero2IPO Group, ChinaVenture, etc. Admittedly the fund-raising environment could still be challenging in 2020, and our priority shifts from fund scale to investment targets, further bolstering our investment track record.

We maintained leading position in private placement financial advisory, thus better equipped to navigate through possibly still challenging times ahead. Within investment banking segment, we took pride in having completed various milestone transactions in 2019, and maintained the largest market share in the realm of private placement financial advisory, despite a less active market environment. It is worth noting that average transaction size steadily increased for the industry in the past few years, which we believe could play to our advantage. Although M&A transaction volume shrank 40.0% in the past year, we expect more corporates could seize the distinct opportunities presented in 2020 as cash flows become even more vital. Our equities revenue, from sales, trading and brokerage, expanded 43.5% YoY, despite lower market trading volume in Hong Kong. Without underestimating the challenges in the coming year arising from subdued economic activities against COVID-19, which will likely slow down the revenue realization of investment banking projects, we have confidence in our ability to deal with such challenges. Remaining dedicated to client retention and rapport, we bide our time with our strong project backlog, understanding that mountains cannot be surmounted except by winding paths.

We continue to focus on creating value for our shareholders, announcing the first dividend payment since our IPO. We remain steadfast in generating stable and growing returns for our shareholders, thus have declared RMB15 cents per Share for dividend payment. Our capital position remains solid, with RMB5.0 billion cash position on balance sheet, and little leverage.

Our business model is oriented to seize the opportunities from wealth and investment management in China. In 2019, we have established strategic cooperation agreements with LGT Bank and Aozora Bank, making initial steps in setting up our private wealth management business, where we intend to amplify our presence. Our wealth management business is shaped to create synergistic value with our existing businesses, being built upon 1) comprehensive product offerings from our investment management business; 2) trusted client base from our investment banking business. The unswerving opening-up of China's financial industry, with restrictions on investment management relaxed and progressively market-oriented, presents us with many opportunities from product supply side. The rising demand for investment and wealth management products, stemming from higher household incomes, manifested in the past years through the rapid proliferation of non-standard products through bank and non-bank channels. We have seen initial results from our newly-established wealth management business, and fully intend to capture forthcoming opportunities with additional commitment in resources for businesses as well as talents. We also launched structured financing in 2019, providing non-equity financing solutions for new economy firms. Without diminishing our established core operations, we expect our new businesses could serve as revenue drivers in the longer term, further optimizing our revenue mix and capturing growth opportunities.

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 Annual Report, including the related notes. Our financial information was prepared in accordance with IFRS.

For the year ended December 31, 2019, the Group changed its presentation currency from USD to RMB, considering that: (i) the Company's primary subsidiaries were incorporated in the PRC and their transactions are denominated and settled in RMB; (ii) the Board bases its performance evaluation and many investment decisions on RMB financial information; and (iii) the change in the presentation currency could also reduce the impact of any fluctuations in the exchange rate of US$ against RMB, which is not due to the operations of the Group, on the Group's consolidated financial statements, enabling the Shareholders to have a more accurate picture of the Group's financial performance. The comparative figures as at December 31, 2018 are restated in RMB. The change of presentation currency and restatement of the comparative figures from USD to RMB do not have material impact on the consolidated financial statements of the Group.

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

	For the Year Ended December 31,	
	2019	2018
	RMB'000	RMB'000
		(restated)
Total revenue	**1,304,050**	1,398,825
Total revenue and net investment gains	**1,494,471**	1,460,102
Total operating expenses	**(1,158,385)**	(1,193,497)
Operating profit	**336,086**	266,605
Profit (loss) before tax	**388,592**	(1,553,832)
Income tax expense	**(78,337)**	(97,655)
Profit (loss) for the year	**310,255**	(1,651,487)
Profit (loss) for the year attributable to owners of the Company	**246,778**	(1,619,391)

To supplement our financial information presented in accordance with IFRS, we also use adjusted net profit attributable to owners of the Company as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by adjusting for potential impacts of non-recurring and certain non-cash items and our management considers this non-IFRS measure to be indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. Adjusted net profit attributable to owners of the Company does not have a standardised meaning prescribed by IFRS and may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and the Shareholders should not consider it in isolation from, or as substitute 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, 2019 RMB'000	2018 RMB'000 (restated)
Profit (loss) for the year attributable to owners of the Company	**246,778**	(1,619,391)
Add:		
Share-based payment expense	**74,907**	76,697
Interest on convertible notes	**—**	15,885
Change in fair value of call option	**689**	(93,537)
Change in fair value of convertible redeemable preferred shares	**—**	1,939,356
Subtotal before adjustments relating to carried interest	**322,374**	319,010
Add:		
Unrealized net carried interest[1]	**140,928**	127,441
Non-IFRS Measure: Adjusted net profit attributable to owners of the Company (unaudited)[2]	**463,302**	446,451

Notes:

(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, 2019 RMB'000	2018 RMB'000 (restated)
Unrealized income from carried interest	**461,442**	450,109
Carried interest to management team and other parties	**(320,514)**	(322,668)
Unrealized net carried interest	**140,928**	127,441

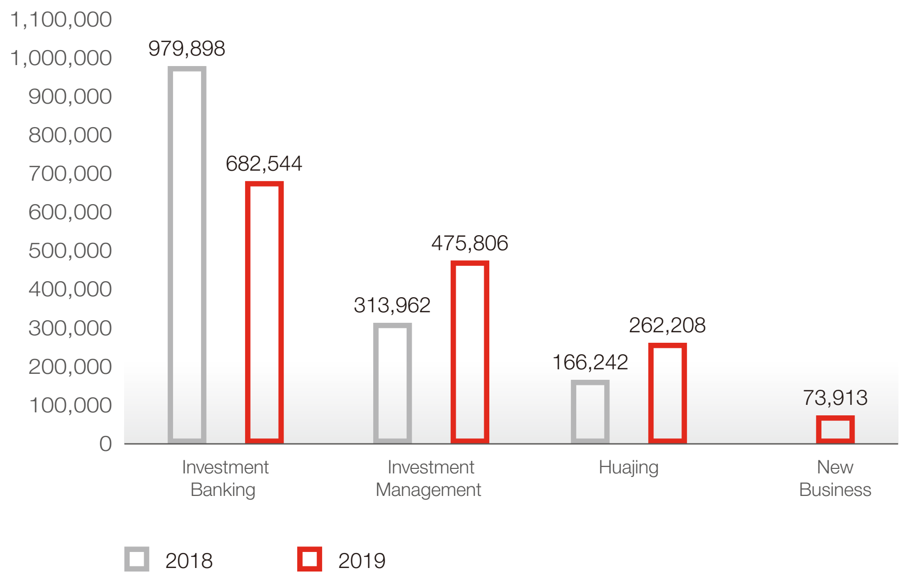
The unrealized income from carried interest is based on the underlying fair value change of the respective funds under our investment management business. The unrealized income from carried interest is allocated to us based on the cumulative fund performance to date, subject to the achievement of minimum 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.

(2) We define adjusted net profit attributable to owners of the Company as profit or loss for the year or period attributable to owners of the Company adjusted for the impact of (i) share-based payment expense, (ii) interest on convertible notes, (iii) change in fair value of call option, (iv) change in fair value of convertible redeemable preferred shares, (v) unrealized income from carried interest, and (vi) carried interest to management team and other parties.

SEGMENT PERFORMANCE

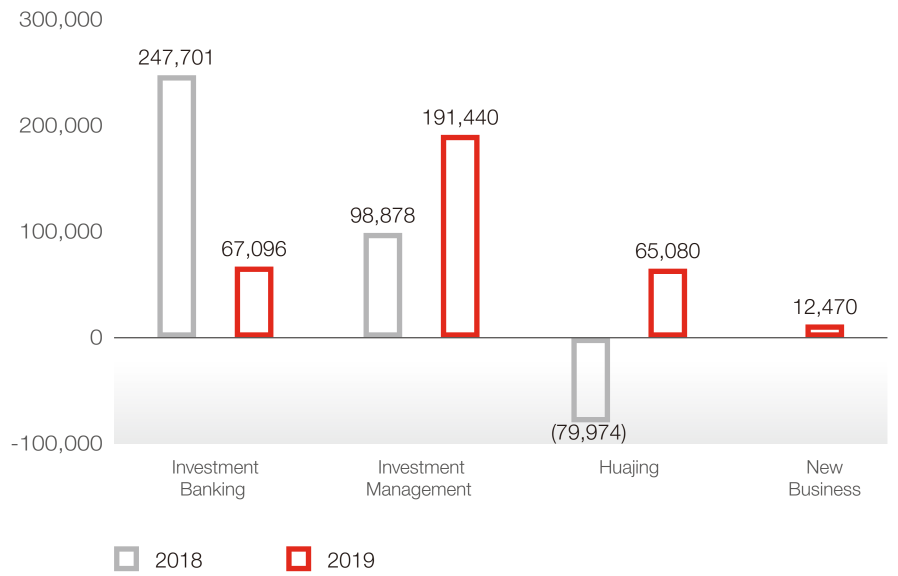
Revenue and Net Investment Gains by Segment

(RMB'000)



Operating Profit (loss) by Segment

(RMB'000)



SEGMENT PERFORMANCE

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

	For the Year Ended December 31, 2019 RMB'000	2018 RMB'000 (restated)	Change RMB'000	% of change
Business Segment				
Investment Banking	**682,544**	979,898	(297,354)	-30.3%
Investment Management	**475,806**	313,962	161,844	51.5%
Huajing	**105,167**	104,965	202	0.2%
New Business	**40,533**	—	40,533	n.m.
Total revenue	**1,304,050**	1,398,825	(94,775)	-6.8%
Net investment gains	**190,421**	61,277	129,144	210.8%
Total revenue and net investment gains	**1,494,471**	1,460,102	34,369	2.4%

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

	For the Year Ended December 31, 2019 RMB'000	2018 RMB'000 (restated)	Change RMB'000	% of change
Business Segment				
Investment Banking	**67,096**	247,701	(180,605)	-72.9%
Investment Management	**191,440**	98,878	92,562	93.6%
Huajing	**65,080**	(79,974)	145,054	-181.4%
New Business	**12,470**	—	12,470	n.m.
Operating profit	**336,086**	266,605	69,481	26.1%

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, 2019 RMB'000	2018 RMB'000 (restated)	Change RMB'000	% of change
Investment Banking				
Advisory services	**551,530**	740,918	(189,388)	-25.6%
Equity underwriting	**44,965**	178,995	(134,030)	-74.9%
Sales, trading, and brokerage	**86,049**	59,985	26,064	43.5%
Segment revenue	**682,544**	979,898	(297,354)	-30.3%
Compensation and benefit expenses	**(429,598)**	(568,992)	139,394	-24.5%
Other operating expenses	**(185,850)**	(163,205)	(22,645)	13.9%
Segment operating expenses	**(615,448)**	(732,197)	116,749	-15.9%
Segment operating profit	**67,096**	247,701	(180,605)	-72.9%
Segment operating margin	**9.8%**	25.3%		

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, 2019 RMB in millions	2018 RMB in millions (restated)	Change RMB in millions	% of change
Transaction Value				
Advisory services	**84,520**	107,997	(23,477)	-21.7%
Equity underwriting	**19,085**	90,750	(71,665)	-79.0%
Total	**103,605**	198,747	(95,142)	-47.9%

Segment Revenue

Investment banking revenue was RMB682.5 million for the year ended December 31, 2019, a decrease of 30.3% from the year ended December 31, 2018. This decrease was primarily due to a decrease in private placement advisory fees and mergers and acquisitions advisory revenue resulting from challenges in the domestic and global economic/financial landscapes and delay on execution, partially offset by an increase in sales, trading, and brokerage fees.

Segment Operating Expenses

For the investment banking segment, segment operating expenses decreased by 15.9% from RMB732.2 million for the year ended December 31, 2018 to RMB615.4 million for the year ended December 31, 2019, which was primarily attributed to the decrease in compensation and benefit expenses from RMB569.0 million for the year ended December 31, 2018 to RMB429.6 million for the year ended December 31, 2019.

Segment Operating Profit

For the investment banking segment, segment operating profit was RMB67.1 million for the year ended December 31, 2019, a decrease of 72.9% from the year ended December 31, 2018. Segment operating margin dropped from 25.3% for the year ended December 31, 2018 to 9.8% for the year ended December 31, 2019.

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,			
	2019 RMB'000	2018 RMB'000 (restated)	Change RMB'000	% of change
Investment Management				
Management fees	**433,762**	313,962	119,800	38.2%
Realized income from carried interest	**42,044**	—	42,044	n.m.
Segment revenue	**475,806**	313,962	161,844	51.5%
Compensation and benefit expenses	**(162,474)**	(123,222)	(39,252)	31.9%
Carried interest to management team and other parties	**(26,273)**	—	(26,273)	n.m.
Other operating expenses	**(95,619)**	(91,862)	(3,757)	4.1%
Segment operating expenses	**(284,366)**	(215,084)	(69,282)	32.2%
Segment operating profit	**191,440**	98,878	92,562	93.6%
Segment operating margin	**40.2%**	31.5%		
Unrealized income from carried interest	**461,442**	450,109	11,333	2.5%
Carried interest to management team and other parties	**(320,514)**	(322,668)	2,154	-0.7%
Unrealized net carried interest	**140,928**	127,441	13,487	10.6%
Adjusted segment operating profit	**332,368**	226,319	106,049	46.9%

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

	As of December 31,	
	2019 RMB in million	2018 RMB in million (restated)
Committed Capital	**26,055**	21,873
Invested Capital	**16,629**	14,079
AUM	**34,236**	28,300

SEGMENT PERFORMANCE (CONTINUED)

Investment Management (Continued)

The following table sets forth certain performance information for 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	
	RMB in million except multiples					
As of December 31, 2019						
Huaxing Growth Capital USD Fund I	**430**	**375**	**675**	**647**	**1,322**	**3.5**
Huaxing Growth Capital USD Fund II	**1,251**	**1,105**	**212**	**1,554**	**1,766**	**1.6**
Huaxing Growth Capital USD Fund III	**3,860**	**586**	**–**	**671**	**671**	**1.1**
Huaxing Growth Capital RMB Fund I	**1,061**	**963**	**403**	**1,384**	**1,787**	**1.9**
Huaxing Growth Capital RMB Fund II	**5,418**	**4,774**	**1,206**	**8,738**	**9,944**	**2.1**
Huaxing Growth Capital RMB Fund III	**6,534**	**1,434**	**20**	**1,478**	**1,498**	**1.0**
Huaxing Healthcare Capital Fund RMB I	**1,068**	**1,014**	**6**	**1,611**	**1,617**	**1.6**
Huaxing Healthcare Capital Fund RMB II	**350**	**330**	**–**	**330**	**330**	**1.0**
Huaxing Healthcare Haihe Fund	**119**	**117**	**–**	**154**	**154**	**1.3**
Project Funds	**5,964**	**5,931**	**372**	**8,753**	**9,125**	**1.5**
Total	**26,055**	**16,629**	**2,894**	**25,320**	**28,214**	**1.7**
As of December 31, 2018 (restated)						
Huaxing Growth Capital USD Fund I	423	369	455	909	1,364	3.7
Huaxing Growth Capital USD Fund II	1,231	1,050	14	1,662	1,676	1.6
Huaxing Growth Capital USD Fund III	1,539	209	–	209	209	1.0
Huaxing Growth Capital RMB Fund I	1,061	963	349	1,635	1,984	2.1
Huaxing Growth Capital RMB Fund II	5,418	4,500	635	7,024	7,659	1.7
Huaxing Growth Capital RMB Fund III	5,534	709	–	733	733	1.0
Huaxing Healthcare Capital Fund RMB I	1,068	710	4	874	878	1.2
Project Funds	5,599	5,569	180	7,246	7,426	1.3
Total	21,873	14,079	1,637	20,292	21,929	1.6

(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, total revenue increased by 51.5% from RMB314.0 million for the year ended December 31, 2018 to RMB475.8 million for the year ended December 31, 2019. Management fees increased by 38.2% from RMB314.0 million for the year ended December 31, 2018 to RMB433.8 million for the year ended December 31, 2019. This increase was primarily in connection with the increased capital commitment of Huaxing Growth Capital RMB Fund III and Huaxing Growth Capital USD Fund III after their first closing in November 2017 and August 2018, respectively, and the first closing of Huaxing Healthcare Capital RMB Fund II in April 2019. We have successfully closed the fund raising of Huaxing Growth Capital RMB fund III in June 2019 with total committed capital more than expectation. The committed capital and AUM of our private equity funds were RMB26.1 billion and RMB34.2 billion as of December 31, 2019, representing an increase of 19.1% and of 21.0% from the end of 2018, respectively.

During the year ended December 31, 2019, the total return of Huaxing Growth Capital USD Fund I successfully exceeded the agreed return level in the governing agreement, and it is highly improbable that a significant reversal in the amount of cumulative return will occur. Accordingly, the Group was entitled to a performance-based fee and recognized this fee as income from carried interest. The carried interest to management team and other parties was recognized as an operating expense. The realized income from carried interest was RMB42.0 million for the year ended December 31, 2019.

Segment Operating Expenses

For the investment management segment, segment operating expenses increased by 32.2% from RMB215.1 million for the year ended December 31, 2018 to RMB284.4 million for the year ended December 31, 2019. This increase was primarily due to (i) carried interest accrued and paid to management team and other parties, and (ii) the increase in our compensation and benefit expenses.

Segment Operating Profit

For the investment management segment, segment operating profit increased by 93.6% from RMB98.9 million for the year ended December 31, 2018 to RMB191.4 million for the year ended December 31, 2019. Segment operating margin improved from 31.5% for the year ended December 31, 2018 to 40.2% for the year ended December 31, 2019.

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, increased by 10.6% from RMB127.4 million for the year ended December 31, 2018 to RMB140.9 million for the year ended December 31, 2019. Unrealized income from carried interest increased 2.5% from RMB450.1 million for the year ended December 31, 2018 to RMB461.4 million for the year ended December 31, 2019 resulting from the appreciation in value of the portfolio companies under our investment management business. Carried interest to management team and third parties decreased by 0.7% from RMB322.7 million for the year ended December 31, 2018 to RMB320.5 million for the year ended December 31, 2019.

SEGMENT PERFORMANCE (CONTINUED)

Huajing

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

	For the year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)	Change RMB'000	% of change
Huajing				
Transaction and advisory fees	**77,823**	31,305	46,518	148.6%
Interest income	**27,344**	73,660	(46,316)	-62.9%
Segment revenue	**105,167**	104,965	202	0.2%
Segment revenue and net investment gains	**262,208**	166,242	95,966	57.7%
Compensation and benefit expenses	**(130,917)**	(178,158)	47,241	-26.5%
Investment losses attributable to interest holders of consolidated asset management schemes	**2,919**	1,730	1,189	68.7%
Other operating expenses	**(69,130)**	(69,788)	658	-0.9%
Segment operating expenses	**(197,128)**	(246,216)	49,088	-19.9%
Segment operating profit (loss)	**65,080**	(79,974)	145,054	n.m.

Segment Revenue and Net Investment Gains

For the Huajing segment, segment revenue and net investment gains were RMB262.2 million for the year ended December 31, 2019, an increase of 57.7% from the year ended December 31, 2018. This increase was primarily due to an increase in equity underwriting revenue for the IPOs in STAR market of Shanghai Stock Exchange and interest income and net investment gains generated from bank deposit, term-deposit and other cash management products.

Segment Operating Expenses

For the Huajing segment, segment operating expenses decreased by 19.9% from RMB246.2 million for the year ended December 31, 2018 to RMB197.1 million for the year ended December 31, 2019. This decrease was primarily due to the decrease in compensation and benefit expenses and other operating expenses attributable to effective cost management.

Segment Operating Profit (Loss)

For the Huajing segment, segment operating profit for the year ended December 31, 2019 was RMB65.1 million, which was shift from segment operating loss of RMB80.0 million for the year ended December 31, 2018.

SEGMENT PERFORMANCE (CONTINUED)

New Business

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,	
	2019	2018
	RMB'000	RMB'000
New Business		
Segment revenue	**40,533**	—
Segment revenue and net investment gains	**73,913**	—
Compensation and benefit expenses	**(50,226)**	—
Other operating expenses	**(11,217)**	—
Segment operating expenses	**(61,443)**	—
Segment operating profit	**12,470**	—
Segment operating margin	**16.9%**	—

From the beginning of 2019, in addition to investment banking, investment management and Huajing, we have also launched new businesses, including structured financing and wealth management ("**New Business**"). Structured financing is dedicated to exploring and developing non-equity financing services to new economy firms. Wealth management provides value-added wealth management services to high net worth individuals and other high net worth groups represented by new economy entrepreneurs. These new businesses also helped the Company to integrate and enhance investment and management of its own funds. In the future, we expect these new businesses to increase their importance and potentially become our key strategic businesses.

Segment Revenue and Net Investment Gains

For New Business, segment revenue and net investment gains were RMB73.9 million for the year ended December 31, 2019. Segment revenue and net investment gains in the New Business are mainly derived from our structured finance related products and wealth management related products.

Segment Operating Expenses

For New Business, total segment operating expenses was RMB61.4 million for the year ended December 31, 2019.

Segment Operating Profit

For New Business, total segment operating profit was RMB12.5 million for the year ended December 31, 2019. Segment operating margin was 16.9% for the year ended December 31, 2019.

RESULTS OF OPERATIONS

Revenue and Net Investment Gains

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

	For the year ended December 31,			
	2019 RMB'000	2018 RMB'000 (restated)	Change RMB'000	% of change
Transaction and advisory fees	**760,367**	1,011,203	(250,836)	-24.8%
Management fees	**436,147**	313,962	122,185	38.9%
Interest income	**65,492**	73,660	(8,168)	-11.1%
Income from carried interest	**42,044**	—	42,044	n.m.
Total revenue	**1,304,050**	1,398,825	(94,775)	-6.8%
Net investment gains	**190,421**	61,277	129,144	210.8%
Total revenue and net investment gains	**1,494,471**	1,460,102	34,369	2.4%

Total revenue was RMB1,304.1 million for the year ended December 31, 2019, a decrease by 6.8%, from RMB1,398.8 million for the year ended December 31, 2018.

- Transaction and advisory fees were RMB760.4 million, a decrease of 24.8% from the prior year.
- Management fees increased to RMB436.1 million, an increase of 38.9% from the prior year.
- Interest income was RMB65.5 million, a decrease of 11.1% from the prior year.

The net investment gains were mainly derived from wealth management related products, asset management schemes, financial bonds, and structured finance related products of Huajing and New Business of the Company. The net investment gains increased from RMB61.3 million for the year ended December 31, 2018 to RMB190.4 million for the year ended December 31, 2019.

Total revenue and net investment gains were RMB1,494.5 million for the year ended December 31, 2019, an increase of 2.4%, from RMB1,460.1 million for the year ended December 31, 2018.

RESULTS OF OPERATIONS (CONTINUED)

Operating Expenses

Total operating expenses decreased by 2.9% from RMB1,193.5 million for the year ended December 31, 2018 to RMB1,158.4 million for the year ended December 31, 2019.

Compensation and benefit expenses decreased by 11.2% from RMB870.4 million for the year ended December 31, 2018 to RMB773.2 million for the year ended December 31, 2019. Among compensation and benefit expenses, share-based payment expenses decreased by 2.3% from RMB76.7 million for the year ended December 31, 2018 to RMB74.9 million for the year ended December 31, 2019.

Other operating expenses increased by 11.4% from RMB324.9 million for the year ended December 31, 2018 to RMB361.8 million for the year ended December 31, 2019.

Operating Profit

Operating profit was RMB336.1 million for the year ended December 31, 2019, an increase of 26.1% from RMB266.6 million for the year ended December 31, 2018.

Other Income, Gains or Losses

Other gains were RMB37.1 million for the year ended December 31, 2019, an increase of 116.3% from RMB17.2 million for the year ended December 31, 2018. Other gains mainly came from government grants and interest income from bank deposits. Please refer to the note 9 to the consolidated financial statements for further details.

Finance Costs

Finance costs decreased significantly from RMB75.8 million for the year ended December 31, 2018 to RMB6.6 million for the year ended December 31, 2019. This decrease in interest expense was primarily due to bank borrowings drawn in November 2017 and repaid in September 2018.

Impairment losses under expected credit loss model, net of reversal

Reversal of impairment loss under expected credit loss model was RMB0.9 million for the year ended December 31, 2019, as compared to provision of impairment losses of RMB4.2 million for the year ended December 31, 2018.

Investment Income arising from Certain Incidental and Ancillary Investments

Incidental to, and ancillary of, our business operations, we have made investments from time to time, the primary types of which include (i) investments in our own private equity funds in our capacity as a general partner, typically 1% of equity interests, consistent with customary market practice, (ii) investments in our own private equity funds in our capacity as a limited partner, (iii) investments in third-party private equity funds in our capacity as a limited partner, to seize investment opportunities that are complementary to our own private equity funds, such as investment in those third-party private equity funds focusing on early-stage portfolio companies, and (iv) strategic minority equity investments. We make strategic minority equity investments primarily to establish long-term business relationships with selected companies to facilitate our business. These companies operate in various new economy sectors, such as data service and information technology, and we leverage their expertise to enhance our various business operations.

RESULTS OF OPERATIONS (CONTINUED)

Investment Income arising from Certain Incidental and Ancillary Investments (Continued)

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,	
	2019	2018
	RMB'000	RMB'000 (restated)
Investments in our own private equity funds in our capacity as a general partner	**42,118**	31,982
Investments in our own private equity funds in our capacity as a limited partner	**31,702**	(12,491)
Investments in third-party private equity funds in our capacity as a limited partner	**53,446**	98,253
Investments in the form of preferred shares of other companies	**—**	8,511
Convertible notes issued by an associate company	**(27,371)**	—
Passive equity holdings in non-associate companies	**(44,838)**	631
Hedge asset related to an interest rate cap	**—**	6,276
Cash management investments	**1,621**	25,162
Others	**(3,930)**	3,715
Total	**52,748**	162,039

Investment income decreased by 67.4% from RMB162.0 million for the year ended December 31, 2018 to RMB52.7 million for the year ended December 31, 2019, primarily as a result of the relative slow-down of appreciation in value of portfolio companies managed by the third-party private equity funds in which we have invested in the capacity as a limited partner, a loss in fair value change of passive equity holdings in certain non-associate companies, and a loss in fair value change of convertible notes issued by JSZL and decrease of investment income from cash management products.

Share of Results of Associates

Share of loss of associates for the year ended December 31, 2019 was RMB10.0 million, as compared to RMB2.2 million of share of profit of associates for the year ended December 31, 2018. The shift was mainly due to the loss from our associated companies in 2019.

RESULTS OF OPERATIONS (CONTINUED)

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 as of December 31, 2019 and is mandatorily measured at fair value through profit or loss as a derivative in accordance with IFRS. A gain of RMB93.5 million for the year ended December 31, 2018 and a loss of RMB0.7 million for the year ended December 31, 2019 was recorded under the change in fair value of call option.

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 RMB1,939.4 million. As the relevant convertible redeemable preferred shares were fully converted to the Company's ordinary shares immediately prior to listing of the Company on the Main Board of the Stock Exchange on September 27, 2018, there was no similar accounting loss resulting from changes in fair value of convertible redeemable preferred shares after the Listing Date.

Profit (Loss) before Tax

Profit before tax was RMB388.6 million for the year ended December 31, 2019, as compared to loss before tax of RMB1,553.8 million for the year ended December 31, 2018.

Income Tax Expense

Income tax expense was RMB78.3 million and RMB97.7 million for the year ended December 31, 2019 and 2018, respectively. This was primarily due to decrease in operating results of our investment banking businesses.

Profit (Loss) for the Year and Profit (Loss) for the Year Attributable to Owners of the Company

Profit for the year was RMB310.3 million for the year ended December 31, 2019, compared to a loss of RMB1,651.5 million for the year ended December 31, 2018, and profit attributable to owners of the Company was RMB246.8 million for the year ended December 31, 2019, compared to a loss attributable to owners of the Company of RMB1,619.4 million for the year ended December 31, 2018.

Adjusted Net Profit Attributable to Owners of the Company

Adjusted net profit attributable to owners of the Company without unrealized net carried interest increased from RMB319.0 million for the year ended December 31, 2018 to RMB322.4 million for the year ended December 31, 2019. Unrealized net carried interest, calculated as unrealized income from carried interest subtracting carried interest to management team and other parties, increased from RMB127.4 million for the year ended December 31, 2018 to RMB140.9 million for the year ended December 31, 2019. Adjusted net profit attributable to owners of the Company with unrealized net carried interest increased from RMB446.5 million for the year ended December 31, 2018 to RMB463.3 million for the year ended December 31, 2019.

CASH FLOWS

During the year ended December 31, 2019, we funded working capital and other capital requirements primarily from cash generated from our business operations. We have primarily used cash to fund our capital expenditures and working capital for our business expansion.

We generally deposit our excess cash in interest bearing bank accounts and current accounts and invest in investment-grade financial bonds, structured finance products and other cash management investments. As of December 31, 2019, we had aggregate cash and cash equivalents of RMB1,022.0 million. Excluding Huajing Securities, we had cash and cash equivalents of RMB746.4 million. Excluding Huajing Securities, we had cash and cash equivalents, term deposits, pledged deposit, financial assets at fair value through profit or loss (current portion) and other financial assets (current portion) of RMB2,416.4 million.

Cash Flows from Operating Activities

Cash generated from operating activities consists primarily of our transaction and advisory fees, management fees, interest income and realized net investment gains received. Cash used in operating activities mainly comprises of investments in cash management products and contribution in the working capital. Cash flow from operating activities reflects: (i) profit or loss before income tax adjusted for non-cash and non-operating items, such as depreciation of property and equipment, amortization of intangible assets, change in fair value of convertible redeemable preferred shares, change in fair value of call option, net investment gains, interest income, finance costs, investment income arising from certain incidental and ancillary investments, gain on disposal of a subsidiaries, impairment losses under expected credit loss model, net of reversal, investment gains or losses attributable to other holders of consolidated funds, share of results of associates, share of results of a joint venture and share-based payment expense; (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, accounts and other payables and contract liabilities; (iii) increase in financial assets at fair value through profit or loss; and (iv) other cash items such as interest received and income tax paid.

For the year ended December 31, 2019, we had net cash used in operating activities of RMB437.5 million, resulting from our profit before income tax of RMB388.6 million adjusted for non-cash and non-operating items of RMB130.1 million, income tax payment of RMB92.2 million, interest earned of RMB70.1 million and negative movements in working capital of RMB673.9 million. Negative movements in working capital primarily reflected: (i) an increase of RMB242.0 million in accounts and other receivables in connection with our business operations, (ii) an increase of RMB11.1 million in amounts due from related parties, (iii) an increase of RMB685.8 million in cash held on behalf of brokerage clients, (iv) an increase of RMB839.0 in financial assets at fair value through profit or loss, (v) a decrease of RMB11.9 million in contract liabilities; and offset by (vi) an increase of RMB453.8 million in amounts due to related parties and (vii) an increase of RMB662.1 million in accounts and other payables.

CASH FLOWS (CONTINUED)

Cash Flows from Operating Activities (Continued)

For the year ended December 31, 2018, we had net cash used in operating activities of RMB1,599.2 million, resulting from our loss before income tax of RMB1,553.8 million adjusted for non-cash and non-operating items of RMB1,719.6 million, income tax payment of RMB85.3 million, interest received of RMB71.3 million and negative movements in working capital of RMB1,750.9 million mainly from an increase of RMB1,592.7 million in financial assets at fair value through profit or loss.

Cash Flows from Investing Activities

Cash outflows from investing activities primarily consist of our purchase of property and equipment, intangible assets, financial assets at fair value through profit or loss (non-current), financial bonds, term deposits, pledged bank deposits, investments in associates, loan receivables and other financial assets. Cash inflows from investing activities primarily consist of proceeds from disposal of financial bonds, maturity of term deposits, and repayment of loan receivables.

For the year ended December 31, 2019, net cash generated from investing activities was RMB498.0 million, primarily due to (i) net proceeds of RMB1,502.9 million from the maturity of term deposits, (ii) proceeds of RMB356.3 million from disposal of financial assets at fair value through other comprehensive income, (iii) collection of RMB20.0 million of the loan receivables; and offset by (iv) net cash outflows for the purchase of financial assets at fair value through profit or loss of RMB795.7 million, (v) investments in associates of RMB55.7 million, (vi) net cash outflows from purchase of other financial assets of RMB280.2 million, and (vii) placement of pledged bank deposits of RMB248.2 million.

For the year ended December 31, 2018, net cash used in investing activities was RMB2,641.8 million, primarily due to (i) net cash outflows for the placement of term deposits of RMB1,868.5 million, (ii) net cash outflows from purchase of financial bonds of RMB131.5 million, (iii) net cash outflows from purchase of financial assets at fair value through profit or loss of RMB371.1million, (iv) investment in our own private equity funds in our capacity as a general partner and in our capacity as a limited partner of RMB204.1 million, (v) loans to third parties of RMB83.3 million, and (vi) purchase of property and equipment of RMB11.6 million. These cash outflows were partially offset by net proceeds from repayment of loans receivables of RMB14.7 million.

Cash Flows from Financing Activities

Financing activities primarily consist of issuances of common shares, convertible redeemable preferred shares, issuance of convertible notes, bank borrowings, cash injection by third-party holders to consolidated structured entities, capital contribution from non-controlling shareholders, purchase of shares to be held under share award scheme, repurchase of shares, distribution of dividends to Shareholders and non-controlling shareholders, repayment of lease liabilities and interest paid on the banking borrowings.

CASH FLOWS (CONTINUED)

Cash Flows from Financing Activities (Continued)

For the year ended December 31, 2019, net cash generated from financing activities was RMB501.7 million, primarily due to (i) cash injection by third-party holders to consolidated structured entities of RMB577.5 million, (ii) proceeds from bank borrowings of RMB129.4 million from non-controlling shareholders, and partially offset by (iii) payment of RMB69.2 million for the purchase of Shares to be held under share award scheme, (iv) payment of RMB54.1 million on repurchase of Shares, (v) cash repayment of RMB37.4 million to third-party holders to consolidated structured entities, and (vi) repayment of RMB44.1 million for the lease liabilities.

For the year ended December 31, 2018, net cash generated from financing activities was RMB1,766.6 million, primarily due to (i) proceeds from issuance of shares of RMB2,286.0 million, (ii) proceeds from issuance of ordinary Shares for share award schemes of RMB570.5 million, (iii) net cash injection by third-party holders to consolidated structured entities of RMB134.8 million, and offset by (iv) repayment of bank borrowing of RMB995.1 million, (v) share issuing cost payment of RMB80.6 million, (vi) payment on repurchase of shares of RMB78.6 million, and (vii) interest payment of RMB69.2 million to ICBCI Investment Management Limited.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of December 31, 2019, we had not entered into any off-balance sheet transactions.

CAPITAL STRUCTURE

We manage our capital to ensure continued operations of entities in the Group while maximising the return to Shareholders through the optimisation of our capital structure. Prior to the Listing Date, the capital structure of the Group consisted of bank borrowings, issued convertible redeemable preferred shares and convertible notes. On the Listing Date, all of the Company's convertible redeemable preferred shares and the 2018 Convertible Notes (as defined in the Prospectus) were automatically converted into the Shares.

The Group has maintained sound financial strength during the year ended December 31, 2019. The Group is aware of the need to use capital for further business expansion, continuously seeking various means of financing. As of December 31, 2019, the Group had RMB129.0 million of outstanding bank borrowings and held credit facilities from authorized institutions in aggregate principal amount of RMB729.6 million.

GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets, excluding the effect of convertible redeemable preferred shares, convertible notes, right-of-use assets, lease liabilities, open trade receivable, open trade payable, consolidated structured entities, cash held on behalf of brokerage clients and payable to brokerage clients was 10.4% as of December 31, 2019, compared with 9.5% as of December 31, 2018. The increase was mainly due to outstanding bank borrowings as of December 31, 2019.

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,	
	2019	2018
	RMB'000	RMB'000 (restated)
Investments in our own private equity funds in our capacity as a general partner	**346,188**	283,212
Investments in our own private equity funds in our capacity as a limited partner	**249,826**	225,788
Investments in third-party private equity funds in our capacity as a limited partner	**414,015**	314,888
Strategic minority equity investments		
—Investments in the form of preferred shares of other companies	**145,361**	179,918
—Passive equity holdings in non-associate companies	**313,433**	47,436
Investment in a portfolio company of the consolidated fund	**508,890**	—
Total	**1,977,713**	1,051,242

As of December 31, 2019, the Group had investments of our primary investment activities amounting to an aggregate of approximately RMB1,977.7 million measured in fair value, which increased by 88.1% as compared to December 31, 2018. Each investment was individually less than 5% of the total assets of the Group as of December 31, 2019, except the following significant investment which accounted for 5.4% of the Group's total assets as of December 31, 2019:

Name of investee company	Percentage of share capital owned by the Group	Number of shares owned by the Group	Investment cost RMB'000	**Fair value as at December 31, 2019 RMB'000**	Accumulated unrealized gain/ (loss) change in fair value RMB'000	Dividend/ interest received/ receivable during the year ended December 31, 2019 RMB'000
Shanghai MicroPort EP MedTech Co., Ltd.	47.1%	40,746,384	508,890	**508,890**	—	—

Shanghai MicroPort EP MedTech Co., Ltd. ("Shanghai MicroPort") is incorporated in the PRC and principally engaged in production of medical devices and accessories.

SIGNIFICANT INVESTMENTS HELD (CONTINUED)

The Group consolidates a healthcare project fund, namely No.1 Jiaxing Huajie Fund managed by a subsidiary of the Group as the Group's exposure to the variable returns in the fund is significant. As at December 31, 2019, the Group indirectly held 47.1% equity interest in Shanghai MicroPort as a portfolio company of the No.1 Jiaxing Huajie Fund. The Group manages this investment in accordance with the investment objectives and strategies set out in the relevant limited parnership agreement of No. 1 Jiaxing Huajie Fund.

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.

Save as disclosed above, the Group did not have other plans for material investments and capital assets as at December 31, 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended December 31, 2019, with other shareholder's capital injection to JSZL on February 28, 2019, the Group's equity interest in JSZL was diluted from 56% to 45.22% and lost control of JSZL (the "Deemed Disposal"). After the Deemed Disposal, JSZL ceased to be a subsidiary of the Group and the Group accounted for JSZL as investment in an associate.

During the year ended December 31, 2019, with disposal of its shares in Xing Rui on July 31, 2019, the Group's interest was decreased to 11.46% and lost control of Xing Rui. After the disposal, the Group accounted for remaining interest in Xing Rui as financial assets at FVTPL.

Save as disclosed above, the Group did not have other material acquisitions and disposals of subsidiaries and affiliated companies for the year ended December 31, 2019.

EMPLOYEE AND REMUNERATION POLICY

As of December 31, 2019, we had 603 full-time employees, including over 82% advisory and investment professionals.

The following table sets forth the number of our employees by function as of December 31, 2019.

Function	Number of Employees	Percentage
Investment Banking	249	41%
Investment Management	56	9%
Huajing Securities	175	29%
New Business	17	3%
Group Middle and Back Office	106	18%
Total	603	100%

EMPLOYEE AND REMUNERATION POLICY (CONTINUED)

The following table sets forth the number of our employees by geographic region as of December 31, 2019.

Geographic Region	Number of Employees	Percentage
Beijing, China	313	52%
Shanghai, China	158	26%
Other cities in China	13	2%
Hong Kong	98	16%
United States	21	4%
Total	603	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, 2019, 67 grantees held options granted under the ESOP (as defined in the Prospectus) and restricted shares under the RSU Plan (as defined in the Prospectus) which remained outstanding. The total remuneration expenses, including share-based payment expense, for the year ended December 31, 2019 were RMB773.2 million, representing a decrease of 11.2% as compared to the year ended December 31, 2018.

The Company has provided various training schemes to our employees, for more details as disclosed in the section headed "Environmental, Social and Governance Report" of this Annual Report.

FOREIGN EXCHANGE RISK

Foreign currency risk arises from future commercial transactions, recognized assets and liabilities and net investments in foreign operations. Although we operate businesses in different countries, our primary subsidiaries operate in the PRC with most of the transactions settled in Renminbi. When considered appropriate, we enter into hedging activities with regard to exchange rate risk. As of December 31, 2019, we did not hedge or consider it necessary to use financial instruments for hedging purposes.

PLEDGE OF ASSETS

As of December 31, 2019, the Company pledged two US$ bank deposits of US$36.0 million (equivalent to approximately RMB251.1 million) to secure the short term credit facilities of RMB300.0 million granted by China Merchants Bank to the Group for the daily operations in mainland China. The pledged bank deposits will be released upon the settlement of all relevant secured bank borrowings.

CONTINGENT LIABILITIES

As of December 31, 2019, 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,	
	2019	2018
	RMB'000	RMB'000
Dividends to shareholders of the Company	–	102,243

The Board has resolved to recommend the payment of a final dividend of RMB15 cents per Share for the year ended December 31, 2019 out of the Company's share premium account (the "Final Dividend"), being approximately RMB80.2 million in aggregate. The proposed Final Dividend will be paid to Shareholders whose names appear on the register of members of the Company as at the close of business on June 22, 2020, if the proposal is approved by the Shareholders at the forthcoming annual general meeting. The proposed Final Dividend will be paid in Hong Kong dollars, such amount to be calculated by reference to the central parity rate published by the People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at June 22, 2020.

It is expected that the Final Dividend will be paid within two months (i.e. on or before August 10, 2020) after it is approved by Shareholders at the forthcoming annual general meeting.

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 Annual Report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2019.

DIRECTORS

The Directors who held office during the year ended December 31, 2019 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 53 to 60 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, 2019 is set out in Note 49 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 Annual 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 Annual Report. These discussions form part of this Annual 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" of "Other Information" in this Annual 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;
- 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; and
- potential challenges stemming from macro and industry environments in 2020, especially challenges arising from subdued economic activities against COVID-19, which will likely slow down the revenue realization of investment banking projects.

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, 2019, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

CONNECTED TRANSACTIONS

The followings transactions are connected transactions entered into by the Group which are required to be disclosed in accordance with Chapter 14A of the Listing Rules and transactions of the Group which constituted continuing connected transactions for the Group for the year ended December 31, 2019.

CONNECTED TRANSACTIONS (CONTINUED)

During the year ended December 31, 2019, save as disclosed below, no other related party transactions disclosed in Note 43 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.

Connected transactions

Set out below is a summary of the connected transactions for the Group entered into during the year ended December 31, 2019, which are required to be disclosed in accordance with Chapter 14A of the Listing Rules.

1. ***Loan Agreement***

   On January 31, 2019, Huagan Shanghai, Mr. Du Yongbo and Mr. Wang Xinwei entered into a Loan Agreement pursuant to which Huagan Shanghai agreed to lend RMB99.9 million to Mr. Du Yongbo and Mr. Wang Xinwei in total (RMB49.95 million to each borrower). The loan was to be used for the sole purpose of contribution to the registered capital of Shanghai Quanyuan. Immediately after the Loan Agreement was entered into, each of Mr. Du Yongbo and Mr. Wang Xinwei contributed the RMB49.95 million loaned to him under the Loan Agreement to the increased registered capital of Shanghai Quanyuan, and as a result, the registered capital of Shanghai Quanyuan was increased from RMB100,000 to RMB100 million. See the Company's announcement dated January 31, 2019 for further details.

2. ***Equity Structure Adjustment Framework Agreement***

   On January 31, 2019, Shanghai Quanyuan, Ningbo Xinshou, Hongzhi, Dazi Jishi, Mr. Bao Fan, Mr. Wang Xinwei, Mr. Du Yongbo, Ms. Chen Yilin (an Independent Third Party) and Ms. Liu Yang (an Independent Third Party), Shanghai Enlight Investment Holdings Limited (上海光線投資控股有限公司), Ms. Wang Jian (王犨) and other passive limited partners of Hongzhi (each of these passive limited partners an Independent Third Party) entered into the Equity Structure Adjustment Framework Agreement, pursuant to which: (1) the registered capital of Shanghai Quanyuan would be increased; (2) in relation to Lingyun, Ningbo Xinshou agreed to acquire and Hongzhi agreed to sell Hongzhi's limited partner interest representing RMB46.5 million capital commitment (which comprises RMB9.3 million paid-in capital and RMB37.2 million future payment obligation to Lingyun) in Lingyun for a cash consideration of RMB9.3 million; and (3) all the limited partners of Ningbo Xinshou and Hongzhi agreed and consented to Ningbo Xinshou, which is the general partner of both Lingyun and Hongzhi, acquiring the registered capital in Lingyun from Hongzhi. See the Company's announcement dated January 31, 2019 for further details.

CONNECTED TRANSACTIONS (CONTINUED)

Connected transactions (Continued)

3. Xinshou Limited Partnership Agreement

On January 31, 2019, Shanghai Quanyuan, Mr. Wang Xinwei, Mr. Du Yongbo, Ms. Chen Yilin and Ms. Liu Yang entered into the Xinshou Limited Partnership Agreement, pursuant to which: (1) Shanghai Quanyuan increased its committed capital to RMB60 million, and Ms. Chen Yilin and Ms. Liu Yang reduced, their respective committed capital in Ningbo Xinshou to RMB10,000; and (2) the respective committed capital of Mr. Wang Xinwei and Mr. Du Yongbo remained unchanged. The Xinshou Limited Partnership Agreement was entered into to reflect the new capital commitment of the partners in Ningbo Xinshou. See the Company's announcement dated January 31, 2019 for further details.

4. Go Perfect Deed of Gift

A deed of gift dated September 18, 2019 executed by the Company in favour of Go Perfect, an entity held by a trust whose beneficiaries include the Company's connected persons, pursuant to which the Company agreed to provide US$3,202,500 to Go Perfect as a gift for the purchase of existing Shares for satisfaction of any future awards that may be granted pursuant to the RSU Plan. See the Company's announcement dated April 1, 2019 for further details.

5. Sky Allies Deed of Gift

A deed of gift dated April 1, 2019 executed by the Company in favour of Sky Allies, an entity controlled by a trustee that is accustomed to take instructions from Mr. Bao, pursuant to which the Company agreed to provide US$4,190,909 to Sky Allies as a gift for the purchase of existing Shares for satisfaction of any future awards that may be granted pursuant to the RSU Plan. See the Company's announcement dated April 1, 2019 for further details.

CONNECTED TRANSACTIONS (CONTINUED)

Continuing connected transactions

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), the 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 substantial shareholder of certain subsidiaries of the Group), 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 the 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.

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.

CONNECTED TRANSACTIONS (CONTINUED)

Continuing connected transactions (Continued)

Non-exempt continuing connected transactions (Continued)

1. *Carried Interest Distribution Framework Agreement (Continued)*

Background (Continued)

For the year ended December 31, 2019, carried interest in the total amount of RMB38,079,432 was received by the general partner of the relevant investment funds as set out below:

Name of relevant investment fund	Amount of carried interest received by the general partner of the fund RMB
Huaxing Growth Capital USD Fund I	38,079,432

Carried interest in the total amount of RMB9,222,304 received by the general partner of the relevant investment funds was distributed to the Connected Investment Team Members during the year ended December 31, 2019 as follows:

Name of Connected Investment Team Member	Amount of carried interest distributed to the relevant Connected Investment Team Member RMB
FBH Partners Limited (as associate of Mr. Bao)	7,749,835
High Fortune Investments Limited (an associate of Mr. Wang Xinwei)	1,472,469

For the year ended December 31, 2019, there were 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.

CONNECTED TRANSACTIONS (CONTINUED)

Continuing connected transactions (Continued)

Non-exempt continuing connected transactions (Continued)

1. *Carried Interest Distribution Framework Agreement (Continued)*

Background (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 Carried Interest Distribution Framework Agreement entered into by the Group, for the year ended December 31, 2019:

(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.

2. *Contractual Arrangements*

Background to the Contractual Arrangements

Our Consolidated Affiliated Entities are held by Mr. Du Yongbo (our Director) and Mr. Wang Xinwei (a substantial shareholder of certain subsidiaries of the Group) (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") and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition) (《外商投資准入特別管理措施 (負面清單) (2019年版) 》) (the "2019 Negative List") 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.

CONNECTED TRANSACTIONS (CONTINUED)

Continuing connected transactions (Continued)

Non-exempt continuing connected transactions (Continued)

2. *Contractual Arrangements (Continued)*

   Background to the Contractual Arrangements (Continued)

   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.

   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 Existing Contractual Arrangements and the Terminated Contractual Arrangements on April 25, 2018. Further, on January 31, 2019, we entered into the New Contractual Arrangements (which have terms and conditions substantially the same as those of the Terminated Contractual Arrangements, and are a reproduction of the Terminated Contractual Arrangements) mainly in light of the new registered capital of Shanghai Quanyuan. The Terminated Contractual Arrangements were terminated concurrently. Pursuant to the Contractual Arrangements:

   (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 the 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.

CONNECTED TRANSACTIONS (CONTINUED)

Continuing connected transactions (Continued)

Non-exempt continuing connected transactions (Continued)

2. *Contractual Arrangements (Continued)*

PRC Laws and Regulations Relating to Foreign Ownership Restrictions

Foreign investment activities in China are mainly governed by the Catalog, the Catalog of Industries for Encouraged Foreign Investment (2019 Edition) (《鼓勵外商投資產業目錄(2019年版)》) (the "2019 Encouraged Catalog") and the 2019 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, the 2019 Encouraged Catalog and the 2019 Negative List divide 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 Adviser, 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 the Asset Management Association of China, is not in a position to opine on the Group's Contractual Arrangements. Notwithstanding the above, our PRC Legal Adviser 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.

CONNECTED TRANSACTIONS (CONTINUED)

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 PRC foreign investment legal regime 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.

CONNECTED TRANSACTIONS (CONTINUED)

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 during the year ended December 31, 2019 are as follows:

Existing Contractual Arrangements

(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; and (iii) Huagan Shanghai, the Registered Owners and Dazi Huashi 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 relevant Consolidated Affiliated Entity;

(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; and (iii) Huagan Shanghai, the Registered Owners and Dazi Huashi, pursuant to which the Registered Owners agreed to pledge all of their existing and future equity interests in each relevant Consolidated Affiliated Entity 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; and (iii) Huagan Shanghai, the Registered Owners and Dazi Huashi, 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 relevant Consolidated Affiliated Entity;

(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 each of Dazi Huafeng, Dazi Hualing and Dazi Huashi.

CONNECTED TRANSACTIONS (CONTINUED)

Continuing connected transactions (Continued)

Non-exempt continuing connected transactions (Continued)

2. *Contractual Arrangements (Continued)*

Terminated Contractual Arrangements (terminated on January 31, 2019)

(a) exclusive call option agreements dated April 25, 2018 entered into between 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 Shanghai Quanyuan;

(b) equity pledge agreements dated April 25, 2018 entered into between 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 Shanghai Quanyuan to Huagan Shanghai;

(c) proxy agreements dated April 25, 2018 entered into between 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 Shanghai Quanyuan;

(d) 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 Shanghai Quanyuan; and

(e) 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 Shanghai Quanyuan.

New Contractual Arrangements

(a) exclusive call option agreements dated January 31, 2019 entered into between 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 Shanghai Quanyuan;

(b) equity pledge agreements dated January 31, 2019 entered into between 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 Shanghai Quanyuan to Huagan Shanghai;

(c) proxy agreements dated January 31, 2019 entered into between 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 Shanghai Quanyuan;

CONNECTED TRANSACTIONS (CONTINUED)

Continuing connected transactions (Continued)

Non-exempt continuing connected transactions (Continued)

2. *Contractual Arrangements (Continued)*

New Contractual Arrangements (Continued)

(d) powers of attorney dated January 31, 2019 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 Shanghai Quanyuan; and

(e) spouse undertakings dated January 31, 2019 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 Shanghai Quanyuan.

Apart from the above, there were no other new Contractual Arrangements entered into, renewed or reproduced during the financial year ended December 31, 2019. Save as disclosed above, there was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended December 31, 2019.

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

For the year ended December 31, 2019, 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 total revenue and net assets of the Consolidated Affiliated Entities that are subject to the Contractual Arrangements amounted to approximately RMB19.1 million for the year ended 31 December 2019 and approximately RMB405.3 million as at 31 December 2019 respectively.

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.

CONNECTED TRANSACTIONS (CONTINUED)

Continuing connected transactions (Continued)

Non-exempt continuing connected transactions (Continued)

2. *Contractual Arrangements (Continued)*

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

Listing Rule Implications and Waiver (Continued)

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 out during year ended December 31, 2019 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, 2019; (iii) no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the year ended December 31, 2019 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.

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 Contractual Arrangements entered into in the year ended December 31, 2019:

(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.

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, (iii) international and domestic institutional clients and high-net-worth individuals with respect to our private equity operations; and (iv) private equity funds managed by our Group.

For the year ended December 31, 2019, the revenue amounts from the Group's five largest customers accounted for 29.7% (2018: 35.0%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 9.5% (2018: 15.9%) of the Group's total revenue.

Among our five largest customers for the year ended December 31, 2019, three of them are private equity funds managed by our Group, and our Group has interest in these funds as general partner (approximately 1%). Mr. Bao is indirectly interested in one of the three funds which are among our five largest customers by virtue of his 4.96% interest in the general partner of such fund. Mr. Du Yongbo is indirectly interested in the three funds which are among our five largest customers by virtue of his interests in the general partners of such funds (approximately 4.96%, 20% and 20%, respectively), and he also has 49% and 6.42% interest respectively in the limited partners which owns less than 1% interest in two of the three funds.

Mr. Neil Nanpeng Shen is indirectly interested in one of our five largest customers for the year ended December 31, 2019, because certain funds affiliated with Sequoia Capital and Sequoia Capital China have less than 3% interest in its shareholders. Mr. Shen is the founding and managing partner of Sequoia Capital China.

Save as disclosed above, none of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, own 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, 2019, purchases from the Group's five largest suppliers accounted for approximately 23.9% (2018: 24.7%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended December 31, 2019 accounted for approximately 7.7% (2018: 7.0%) of the Group's total purchase amount for the same year.

Mr. Neil Nanpeng Shen is interested in two of our five largest suppliers for the year ended December 31, 2019, by virtue of being a director and shareholder of such suppliers' respective parent company. Mr. Shen, together with certain fund affiliated with Sequoia Capital China, have approximately 6% and less than 1% interest respectively of such suppliers' respective parent company.

Save as disclosed above, none of the Directors, their respective close associates, or any shareholder of the Company who, to the knowledge of the Directors, own more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers.

During the year ended December 31, 2019, 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 five 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 years ended December 31,				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(restated)	(restated)	(restated)	(restated)
Total revenue	**1,304,050**	1,398,825	939,969	887,253	749,874
Total revenue and net investment gains	**1,494,471**	1,460,102	938,115	887,253	749,874
Total operating expenses	**(1,158,385)**	(1,193,497)	(981,486)	(624,302)	(384,244)
Operating profit (loss)	**336,086**	266,605	(43,371)	262,951	365,630
Profit (loss) for the year	**310,255**	(1,651,487)	(91,057)	190,004	184,648
Profit (loss) for the year attributable to owners of the Company	**246,778**	(1,619,391)	221	211,786	179,987
Subtotal before adjustments relating to carried interest	**322,374**	319,010	232,405	346,327	415,904
Non-IFRS Measure: Adjusted net profit attributable to owners of the Company (unaudited)	**463,302**	446,451	391,752	367,104	457,725

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at December 31,				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(restated)	(restated)	(restated)	(restated)
Current assets	**6,789,658**	5,495,738	3,740,439	1,944,235	1,449,316
Current liabilities	**2,740,376**	895,533	557,653	607,896	311,330
Net current assets	**4,049,282**	4,600,205	3,182,786	1,336,339	1,137,986
Non-current assets	**2,720,772**	1,820,019	1,116,856	615,547	416,445
Non-current liabilities	**97,909**	26,483	2,728,239	1,417,334	1,233,622
NET ASSETS	**6,672,145**	6,393,741	1,571,403	534,552	320,809
Equity attributable to the owners of the Company	**5,159,105**	4,938,841	75,015	18,338	315,151
Non-controlling interest	**1,513,040**	1,454,900	1,496,388	516,214	5,658
CAPITAL AND RESERVES	**6,672,145**	6,393,741	1,571,403	534,552	320,809

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 49 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, 2019 are set out in Note 19 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, 2019 and details of the Shares issued during the year ended December 31, 2019 are set out in the section headed "Other Information — Purchase, Sale or Redemption of the Company's Listed Securities" and in Note 38 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 2019, the Group made charitable donations of approximately RMB 6.3 million (2018: RMB7.7 million).

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 Shares at the conversion price of US$3.6159 per Share. Details of the convertible notes are set out in Note 35 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, 2019.

DIVIDENDS

The Board has resolved to recommend the payment of a Final Dividend of RMB15 cents per Share for the year ended December 31, 2019 out of the Company's share premium account, being approximately RMB80.2 million in aggregate. The proposed Final Dividend will be paid to Shareholders whose names appear on the register of members of the Company as at the close of business on June 22, 2020, if the proposal is approved by the Shareholders at the forthcoming annual general meeting. The proposed Final Dividend will be paid in Hong Kong dollars, such amount to be calculated by reference to the central parity rate published by the People's Bank of China for the conversion of Renminbi to Hong Kong dollars as at June 22, 2020.

It is expected that the Final Dividend will be paid within two months (i.e. on or before August 10, 2020) after it is approved by Shareholders at the forthcoming annual general meeting.

There is no arrangement under which a Shareholder 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, 2019. 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, 2019 are set out in the section of consolidated statement of changes in equity on page 116 and Note 51 in the consolidated financial statements respectively. The distributable reserves of the Company as at December 31, 2019 were RMB3,977.1 million.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2019 are set out in the section headed "Management Discussion and Analysis" in this Annual Report and Note 33 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 "Report of Directors" above and "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, 2019.

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 16 to the consolidated 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 Annual 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, 2019.

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, 2019.

AUDITOR

The Shares were only listed on the Stock Exchange on September 27, 2018, and there has been no change in auditor since the Listing Date. The consolidated financial statements for the year ended December 31, 2019 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.

On behalf of the Board
Bao Fan
Chairman

Hong Kong
March 25, 2020

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 49, 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 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 49, 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 other listed companies.

DIRECTORS (CONTINUED)

Executive Directors (Continued)

Mr. Du Yongbo (杜永波), aged 49, 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 52, 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. Mr. Shen served as Ctrip's president from August 2003 to October 2005 and its chief financial officer from 2000 to October 2005. Mr. 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.

Mr. 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.

Mr. 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.

Mr. Li Shujun (李曙軍), aged 48, 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 technology, media and telecom, 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 other listed companies.

Mr. Li Eric Xun (李世默), aged 51, 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 other listed companies.

DIRECTORS (CONTINUED)

Independent non-executive Directors

Ms. Yao Jue (姚珏), aged 46, 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 56, 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 other listed companies.

DIRECTORS (CONTINUED)

Independent non-executive Directors (Continued)

Mr. Zhao Yue (肇越), aged 53, 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 other listed companies.

SENIOR MANAGEMENT

Mr. Cui Qiang (崔強), aged 46, is our 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.

Ms. Zou Juan (鄒涓), aged 46, is our Chief Human Resources Officer, responsible for overseeing the corporate culture and human resources strategic management of our Group. Ms. Zou has over 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 at Guangdong Ericsson Technology Ltd and Human Resources Officer, Manager and Head of People & Culture Unit at Chongqing Ericsson Technology Ltd.

SENIOR MANAGEMENT (CONTINUED)

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 40, 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 45, 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.

Mr. Xiang Wei (項威), aged 37, 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.

SENIOR MANAGEMENT (CONTINUED)

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 from July 2017 to July 2018. 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, 2019.

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 Directors confirms that during the year ended December 31, 2019, 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, 2019.

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 year ended December 31, 2019, the Company has complied with all applicable code provisions set out in the 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 to all the Directors and the relevant employees and they have confirmed that they have complied with the Model Code during the year ended December 31, 2019.

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 53 to 60 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 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, 2019, six Board meetings were held. The main resolutions considered and approved in these meetings include (i) the Company's connected transactions; (ii) the resignation and appointment of the Company's co-chief financial officer; (iii) the Company's annual reporting; (iv) the Company's banking facilities arrangement; and (v) the Company's interim reporting. The Company expects to continue to convene at least four regular Board 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 general meeting, Board meetings and Board committees meetings during the year ended December 31, 2019 is set out in the following table below:

	Number of meeting(s) attended/ number of meeting(s) held during the year ended December 31, 2019				
Name of Director	Annual General Meeting	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting
Executive Directors:					
Mr. Bao Fan	1/1	6/6	N./A.	1/1	1/1
Mr. Xie Yi Jing	1/1	5/6	N./A.	N./A.	N./A.
Mr. Du Yongbo	0/1	6/6	N./A.	N./A.	N./A.
Non-executive Directors:					
Mr. Neil Nanpeng Shen	1/1	6/6	N./A.	N./A.	N./A.
Mr. Li Shujun	1/1	6/6	N./A.	N./A.	N./A.
Mr. Li Eric Xun	0/1	4/6	N./A.	N./A.	N./A.
Independent non-executive Directors:					
Mr. Yao Jue	1/1	6/6	3/3	N./A.	1/1
Mr. Ye Junying	0/1	6/6	3/3	1/1	N./A.
Mr. Zhao Yue	1/1	6/6	3/3	1/1	1/1

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.

BOARD COMMITTEES (CONTINUED)

Audit Committee (Continued)

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, 2019, three Audit Committee meetings were held. The main resolutions considered and approved in these meetings include: (i) the Company's 2018 annual reporting; (ii) the Company's 2019 interim reporting and (iii) audit planning meeting for the 2019 annual report.

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 Directors and senior management members).

During the year ended December 31, 2019, one Remuneration Committee meeting was held. The main resolution considered and approved in the meeting include: (i) the remuneration package of the Directors and senior management for the year ended December 31, 2018; (ii) the Company's policy and structure for the remuneration of the Directors and senior management for the year ended December 31, 2019; and (iii) internal promotion and remuneration package of members of the Designated Business Unit (as defined in the Prospectus).

Details of the remuneration paid or payable to each Director of the Company for the year ended December 31, 2019 are set out in Note 16 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, 2019 is set out below:

Remuneration Bands (HKD)	Number of Persons
7,500,001–15,000,000	4
0–7,500,000	3
Total	7

BOARD COMMITTEES (CONTINUED)

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.

During the year ended December 31, 2019, one Nomination Committee meeting was held. The main resolution considered and approved in the meeting include: (i) Re-election of the Directors retiring by rotation at the annual general meeting; (ii) the independence of independent non-executive Directors; and (iii) the board diversity policy and the structure, size and composition of the board.

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, 2019, the Board has incorporated 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 continue to review the Nomination Policy, as appropriate, and recommend revision to the Board for consideration and approval. The Nomination Committee has reviewed the Nomination Policy during the year ended December 31, 2019.

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, 2019.

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.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS (CONTINUED)

During the year ended December 31, 2019, 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. Each of 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.

AUDITOR'S 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, 2019. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 106 to 111.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte for the year ended December 31, 2019 are set out in the table below:

Services rendered for the Company	Fees paid/payable RMB'000
Audit services:	
Audit services	6,977
Non-audit services:	
Tax advisory services	52
Others	300
TOTAL	7,329

RISK MANAGEMENT AND INTERNAL CONTROLS

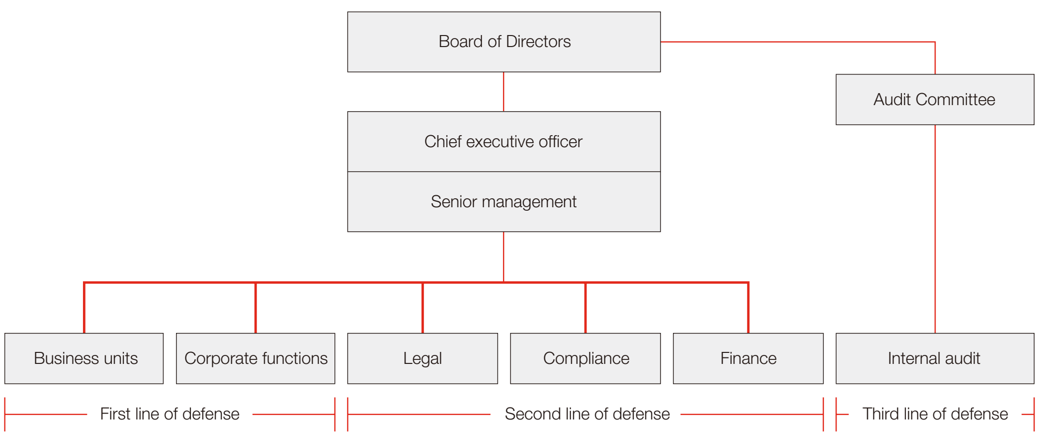
The Board acknowledges that it is responsible for the Company's risk management and internal control systems and reviewing their effectiveness. The risk management and internal control measures are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board had conducted an annual review of the effectiveness of the risk management internal control system of the Company in respect of the year ended December 31, 2019 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.

RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

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 an annual 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.

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, 2019.

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 by Shareholders

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more 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.

SHAREHOLDERS' RIGHTS (CONTINUED)

Convening of Extraordinary General Meetings by Shareholders (Continued)

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.

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

During the year ended December 31, 2019, the Company did not make any significant changes to its constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

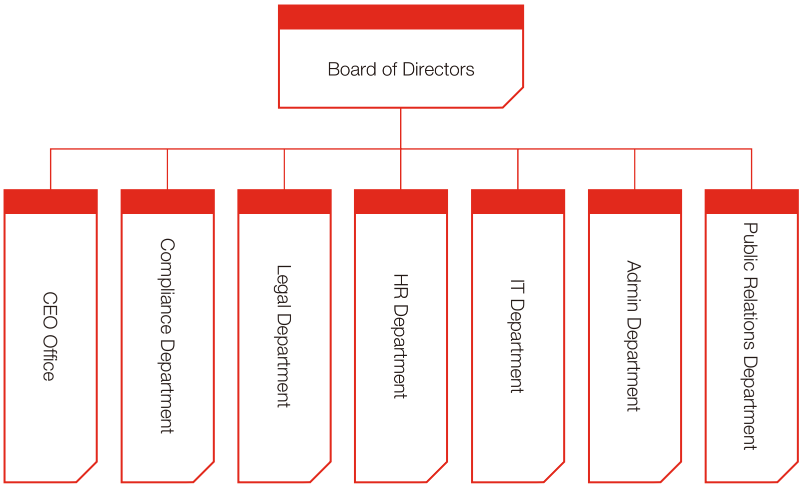
1. ABOUT THE REPORT

This environmental, social and governance ("ESG") report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong to present the performance of the Company regarding ESG in 2019. Unless otherwise stated, the scope of this ESG Report only covers the businesses of the Company. This ESG report should be read in conjunction with the "Corporate Governance Report" section in the 2019 Annual Report of the Company to better understand our ESG performance.

2. ESG CONCEPT AND MANAGEMENT

The Company's mission is to provide the world's best-in-class capital for excellent new economy businesses. We abide by the core values of "goodness, partnership, entrepreneurship and excellence" and are committed to being the platform of choice connecting best-in-class new economy businesses with diversified sources of global capital. While creating economic values for the shareholders and society, we actively undertake ESG responsibilities, further implement relevant work and constantly integrate ESG concepts into our company management and daily work, to respond to stakeholders' expectations with real actions and promote 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 supervising and reviewing the Company's ESG performance. Several functional departments form an ESG working group, which is responsible for specific ESG tasks.



ESG Management Organizational Structure

The Company has identified key stakeholders based on its actual business and management operation features, understood their main concerns through various communication channels, and actively listened and responded to their concerns. 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
Government and regulators	Employment, supply chain management, product responsibility, anti-corruption and community investment	Policy consultations, incident reporting, information disclosures, routine inspection and meetings of regulators
Clients	Product responsibility	Customer visits, social media and information disclosures
Employees	Employment, health and safety, development and training and labour standards	Employee activities, employee training, communication meetings and social media
Suppliers	Supply chain management and anti-corruption	Supplier inspections and communication meetings
Media and non-governmental organisations	Emissions, use of resources, environment and natural resources, employment, supply chain management and product responsibility	Social media, official website, press conferences, communication meetings
Community	Emissions, use of resources, environment and natural resources and community investment	Public welfare activities, interactions with the community, social media and poverty alleviation projects

In 2019, 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 other 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 each of these aspects in this report.

3. PRODUCT RESPONSIBILITY

As a leading financial institution dedicated to new economy businesses in China, the Company is committed to building a world's first-class brand and leveraging the capital strength to promote the development of the global new economy. The Company's mission is to provide the world's best-in-class capital for excellent new economy businesses and provide China's new economic entrepreneurs and investors with one-stop financial services in mainland China, Hong Kong and the United States. The Company firmly believes that our business foundation can only be solidified through constant creation of real value for clients. As we provide our services, we adhere to our customer-centric principle, strictly monitor business operations, take business compliance management seriously and continuously improve business quality and customer experience, so as to provide our clients with professional and quality financial services.

3.1 Quality Service Guarantee

As the leading investment banking and investment management company in the new economy sectors in China, the Company has always adhered to the business principle of "creating value for clients" and the cultural values of "pursuing excellence", providing clients and investees with quality all-dimensional financial services. Our business aims at identifying outstanding entrepreneurs and quality businesses, and providing consulting, capital market services and investment throughout their development cycle.

With a high-quality new economic platform, a strong data-driven sustainable platform, and solid expertise in the new economy, the Company has built a collaborative platform of highly complementary business lines and a comprehensive product and service system, allowing us to identify excellent entrepreneurs and projects and provide high-quality services throughout the whole business cycle of our clients. Meanwhile, the Company has built a first-class consulting service team to provide our clients with professional and quality consulting services. Through our platform, entrepreneurs can effectively raise funds and global investors can find the best investment opportunities according to their own investment standards and risk preferences.

The Company maintained its leadership in the field of private placement consulting. In 2019, the Company completed a number of landmark transactions in such fields as healthcare and technology, media, and telecom (TMT) and maintained a large market share in the field of private placement consulting. At the same time, the Company's investment management business continued to promote asset allocation and enhanced its key capabilities in product design, channel development, investment and research and increased the scale of asset management, so as to further promote scale development of investment management business. Further, as one of the few Chinese financial institutions that are allowed to provide underwriting services in Mainland China, Hong Kong and the United States, we continued to promote our development in the new economy and provide clients with a variety of underwriting solutions based on our solid foundation for new economy businesses and industry experience.

To provide all-round service guarantees, we have established an entrepreneur-centric business model. Through identification, constant exploration and deep connection and participation in value creation, we have established close relationships with entrepreneurs and start-ups and actively collected feedback, so as to fully guarantee the quality of service. Entrepreneurs are engaged 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 service quality, which in turn helps us develop a sustainable business cycle. The Company has been widely recognised by peer companies and society as we continuously create values for our clients.

The Group's Key Awards Received in 2019

Awarded by	Awards
The Asset	"Top IPOs in China" "Top Domestic M&As in China"
Caijing Evergreen Award for 2020 held by *Caijing*	"Sustainable Development Benefit Award"
Harvard Business Review	"2019 Ram Charan Management Practice Award" "2019 'YUE Management' Practice Award"
Gelonghui	"Most Innovative Award for Hong Kong-Listed Companies"
China M&A Awards held by Mergermarket	"TMT M&A Financial Adviser of the Year" (for three consecutive years)
2019 China Private Fund Summit Gold Lotus Award held by China FOF Alliance	"Top 1 of the Best Chinese Institutions in 2019" "Top 10 Best Private Equity Investment Funds in China 2019" — investment management business under the Group "Top 100 Most Popular Founding Partners for Private Funds in China in 2019" — Mr. Bao and Mr. Du Yongbo, Executive Directors of the Company

Awarded by	Awards
China Venture	"Top 10 Venture Capital Firms in Biological Medicine Industry in China" — Huaxing Healthcare Capital Fund "Top 20 Venture Capital Firms in Internet/Mobile Internet Industry in China" — Huaxing Growth Capital Fund "Top 10 Venture Capitalists in Internet/Mobile Internet Industry in China" — Mr. Du Yongbo, Executive Director of the Company
2019 HKFIA sponsored by Sina Finance, the Investment Research Centre of HKUST Business School and S&P Global Market Intelligence	"Best Fintech Investment Institution" — Huaxing Growth Capital Fund
2019 Golden Eagle Award of China Venture Capital sponsored by *Securities Times*	"Top 10 Best PE Institutions of the Year" — Huaxing Growth Capital Fund
2019 JRJC Golden Wisdom Award sponsored by JRJC	"Award for Scientific and Innovative Value of Investment Institutions" — Huaxing Growth Capital Fund
2019 Lieyun New Force sponsored by Lieyunwang.com	"Top 10 Best PE Investment Institutions of the Year" — Huaxing Growth Capital Fund

3.2 Compliance of Business Operations

As a diversified financial institution in mainland China, Hong Kong, and the United States, the Company, while adhering to the bottom line of ethics and compliance, actively identifies and strictly abides by relevant applicable local laws and regulations. The Company has established a series of policies on internal compliance such as the *Code of Business Conduct and Ethics,* the *Policies for Anti-Money Laundering and Counter-Terrorist Financing*, the *Information Barrier Procedures* in strict compliance with the laws and regulations of mainland China including the *Securities Investment Fund Law of the People's Republic of China,* the *Securities Law of the People's Republic of China* and the *Guidelines for the Internal Controls of the Investment Banking Business of Securities Companies*, and regulatory requirements of the Securities and Futures Commission of Hong Kong, U.S. Securities and Exchange Commission, U.S. Financial Industry Regulatory Agency and other institutions. 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 applicable local laws and regulations.

Pursuant to the requirements of regulators including China Securities Regulatory Commission and Securities Association of China and self-regulatory organizations, Huajing Securities has formulated its own supplementary rules for compliance management on the basis of strict compliance with the Company's policies, including the *Compliance Management Rules,* the *Measures for Compliance Assessment Management*, the *Compliance Accountability Management Measures*, the *Compliance Inspection Management Measures*, etc., which stipulate the requirements on organisation structure for compliance management and responsibilities thereof, and compliance review, inspection, reporting and assessment and other procedures. It conducts compliance effectiveness assessments every year and submits compliance management reports to regulators on a regular basis. In 2019, Huajing Securities revised such management measures as the *Implementation Measures for Compliance Management Effectiveness Evaluation*, the *Measures for Compliance Management of Investment Banking Business* and the *Code of Conduct for Employees*, made clear compliance management effectiveness evaluation and set higher requirements for compliance management.

To promote the effective implementation of the compliance management system, improve the compliance management system and enhance compliance management capability and efficiency, the Company has established a compliance management information system to regulate the management of conflict of interest, information barrier maintenance (including the Watch List and Restricted List) and wall-crossed employees list, and maintain and monitor employee personal account trading and private financial investments. The Company also integrates the compliance policies, compliance information, and answers to frequently asked compliance questions into an online information system to facilitate employees' easy access in their daily work and thereby promote the penetration of the concept of compliance. In addition, the Company conducts induction compliance training for new employees each quarter, and organizes a number of trainings themed on the newly launched wealth management business to strengthen employees' understanding of undertaking compliance responsibilities and obligations, so as to promote effective implementation of compliance requirements.

3.3 Information Security Protection

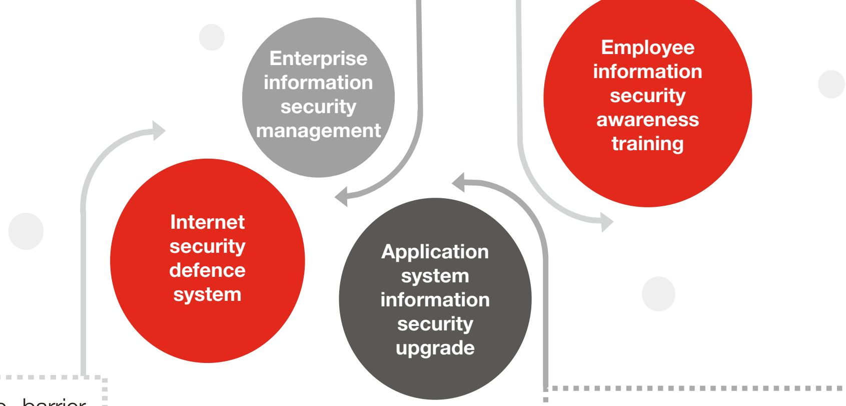
In strict compliance with the C*ybersecurity Law of the People's Republic of China*, the *Rules for Governance of Securities Companies* and other relevant laws and regulations and relevant regulatory requirements and in light of its business features, the Company has implemented the *Information Technology Security Management Rules*, the *Internet Security Access Management Measures* and other management rules. Adhering to the information security management strategy "focus on prevention and continuously enhance", the Company keeps improving the system for managing customer privacy information and data confidentiality. The Company is active in relevant management and supervision, to effectively protect its information assets and prevent the risk of confidential information disclosure. The Company also specifies the functions, management measures, IT monitoring measures and follow-up rights protection of each department in a systematic and comprehensive manner to strengthen privacy protection.

The Company has also established an information security and risk prevention and control system. It proactively and comprehensively protects Internet security, corporate information security and application system information security, and raises corporate employees' awareness of information security, continuously improves emergency response mechanism, optimizes technical control measures, and strengthens internal security inspections, thereby achieving an overall improvement of the information security level.

To strengthen employees' confidentiality consciousness and ensure their safe-keeping of customer information, the Company has developed internal rules and regulations, such as the *Code of Business Conduct and Ethics*, which clearly stipulate that employees shall not provide customer information to any entity or individual, and set out punishment and accountability measures for violation of confidentiality requirements and illegal disclosure of customer information.

Blocking the USB port of the computer terminal, and prohibiting users from copying the terminal data without authorization; setting up a card authentication mechanism for document printing to prevent confidential information leakage due to loss of confidential documents after being printed; taking special violent destruction measures for notebook hard drive to prevent hard drive data leakage.

Conducting simulated attacks for all employees through the self-developed system to identify employees with relatively weak in awareness of information security, and providing them with targeted information security training.



Establishing a protective barrier against external Internet threats, under which the accessibility of all applications is subject to relevant security policy detection to defend against various access threats and hacker attacks from the Internet.

Upgrading the application system by adding a system penetration test scene in its R&D process, and an application should not be put into operation until it passes the black and white box attack tests of domestic professional security manufacturers.

While complying with the Company's policies, Huajing Securities has formulated the *Measures for the Management of Securities Brokerage Business*, the *Measures for the Management of Branches and Sub-branches* and the *Code of Conduct for Employees*, etc. as a supplement to its internal rules, which specify relevant internal control procedures for employees' authorization to the system and the retrieval of customer files and explicitly require employees to keep confidential customer information, data and files.

3.4 Customer Complaint Handling

To settle customer complaints quickly and properly through standard procedures and specifications and to enable customers to have greater confidence in the products and services provided by the Company, in the spirit of serving customers first, relevant licensed institutions of the Company have worked out the *Customer Complaint Handling System*. In dealing with customer complaints, the Company actively identifies and corrects deficiencies in the work, and continuously improves its ability to serve customers through mutual evaluation among projects.

Regarding customer complaints, Huajing Securities has formulated the *Measures for the Management of Customer Complaints in Brokerage Business*, the *Measures for the Management of Compliance Complaints and Reports* and other internal management measures, making clear the classification of customer complaints, person in charge of complaints, complaint procedures and methods, complaint handling and tracking, etc. In addition, Huajing Securities has set up a customer complaint and feedback hotline to collect and handle various complaints, suggestions and feedbacks from external customers. Huajing Securities has not received any customer complaint since it formally started operation.

3.5 Advertising and Trademark Management

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*, and the *Trademark Law of the People's Republic of China* to regulate the use and external promotion of brand image and protect its own legitimate rights and interests. In 2019, the Company formulated the *Trademark Management Measures* to regulate the use of trademarks and avoid infringement on trademarks of others while protecting its own trademarks. Meanwhile, the Company makes sustained efforts in trademark and brand right protection, actively monitors market conditions, promptly identifies and handles any infringement of trademarks or other intellectual property rights to provide comprehensive and accentuated protection for the legitimate rights and interests regarding trademarks and brands.

4. EMPLOYEE CARE

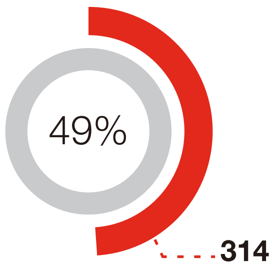
As employees are the most valuable asset of the Company, the Company is committed to maximizing the trust and loyalty between employees and the Company to strengthen employee commitment. The Company has taken earnest measures to safeguard the legitimate rights and benefits of the employees, attached importance to talent cultivation and stepped up efforts to grow together with employees toward mutual achievements.

4.1 Employment

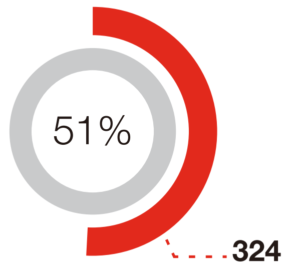
The Company strictly complies with the *Labour Law of the People's Republic of China,* the *Labour Contract Law of the People's Republic of China,* the *Provisions on the Prohibition of Using Child Labour*, the *Regulation on Work-Related Injury Insurance* and the *Special Rules on the Labour Protection 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* and the *Training Management Rules*, which provide procedures on matters such as employment, working hours management, dismissal, vacation management, compensation and benefits, and promotion and development.

Adhering to the principle of fairness, impartiality and mutual respect, the Company treats all candidates without discrimination based on gender, race, religion or any other aspect in strict accordance with its recruitment process and relevant provisions. In the recruitment process, the Company strictly verifies candidates' information and completes employment formalities according to regulations and rules to prevent the employment of child labour or forced labour. This year, the Company won the annual best employer award issued by Peking University, Renmin University of China and Shanghai Jiao Tong University.

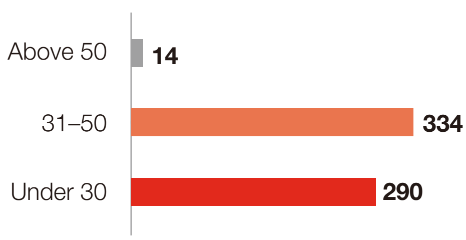
Headcount and percentage of female employees



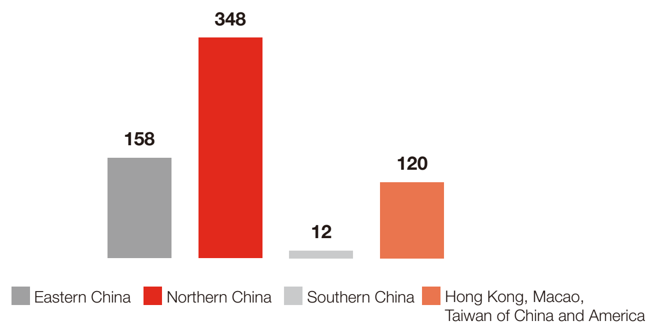
Headcount and percentage of male employees



Number of employees by age (person)



Number of employees by region of operation (person)



Case: Camps Recruitment in 2020 — Starry Sky Talk

The Company places emphasis on personnel selection and team building. In October 2019, the Company held "Starry Sky Talk" themed on "co-painting a magnificent future based on the value and sincere energy of China Renaissance", during which senior executives of the Company communicated with more than 100 outstanding students face to face from three levels of "value", "power" and "excellence", enabling students to get to know the Company's story and culture and savour the Company's unique charm in many aspects.

4.2 Development of Employees

The Company attaches great importance to the career development of employees. The Company has formulated the *Position Management Measures* and other rules and established a well-defined promotion system toward different ranks to provide employees with fair and clear-cut career development path and promote the common development of the Company and employees. In 2019, by revising the management measures, the Company further clarified the principles for employee promotion, took performance, potential and culture as the core requirements for promotion, and stepped up efforts to motivate and promote excellent talent able to continuously create results, have development potential and represent the cultural value of the Group.

Considering the varying nature of different business lines, the Company has developed a differentiated position system and provided each business line 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 and innovate actively. The Company has launched a "Clear Spring Scheme" that allows unconstrained job transfers for qualified employees within the Company and facilitates multi-path development.

In addition, to help employees better understand the Company's business and strengthen communication and exchange among various departments, the Company has held special exchange activities to have multiple business departments share information on their respective key tasks and discuss about future business and cooperation model, which have expanded employees' business knowledge boundaries.

4.3. Employee Training

The Company has always emphasized talent cultivation. Focusing on the corporate vision and strategic development goals, the Company has been creating growth and learning opportunities for employees in an effective, pertinent and co-creative manner following the people-oriented and business-based principle featuring common growth of the Company and employees.

To achieve the goals of talents cultivation, business promotion, culture-inheriting and knowledge-sharing, the Company has developed an all-round training management system integrating management of training organizations, targets, courses and implementation, and offered training courses tailored for different types of employees:

Management

- Targets: all types of management personnel and high-potential talents
- Goal: improve their leadership ability and style
- Course contents: seminar, leadership training, etc.

Business

- Targets: professional staff
- Goal: strengthen professional knowledge, improve professional skills and popularize new trends in career development
- Course contents: basic business course, business sharing meeting, etc.

General

- Targets: all types of employees
- Goal: improve general skills and professional quality, and enhance organizational commitment
- Course contents: new employee training, general skills training, professional quality training, corporate culture training, etc.

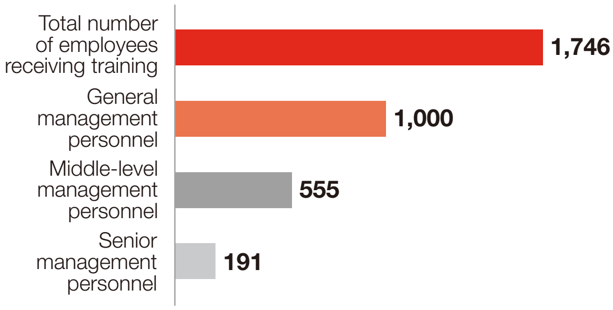
Compliance

- Targets: all types of employees
- Goal: ensure employees understand their legal and regulatory responsibilities and obligations corresponding to their posts
- Course contents: compliance training, etc.

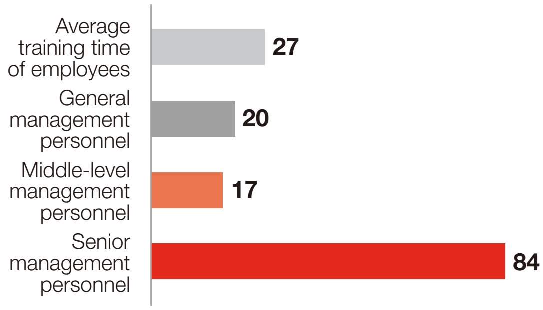
The Company also helps employees improve their business competence by actively organising courses on regulatory trends, completing the follow-up education and training required by the Securities Association of China and the Asset Management Association of China on time every year and actively participating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

To meet training needs and follow the trend of fragmented learning in the Internet era, the Company has developed an online learning platform covering such modules as competitions in mission completion, content co-creation and knowledge sharing, so that employees can access new knowledge anytime and anywhere. Furthermore, the Company has designed various activities for training purposes such as “Fueling Station”, “Sharing Session”, “Masters’ Talk”, “Big Lecture”, “Journey of Elite Qualities”, “Journey of Helping New Employees Fit In”, “Journey of Leadership” and “Assignment Training” and established a scenario-based, game-like, socially-networked and systematic learning model centering on users to ensure the diversity of training.

Number of employees receiving training (person)



Average training time of employees (hour/person)



Training Case: "Sailing Training Camp" for New Analysts

In 2019, the Company organised a "Sailing Training Camp" for new analysts, which helped new analysts fully understand and build relations with each other before their new office life through a series of challenging outdoor activities and knowledge & skill learning activities. All participants gradually became familiar with each other after completing challenging activities and tasks including player-killing game, cooking in a buried pot and crossing the river by self-made rafts; during the training for new analysts, elite employees of the Group shared with new analysts the knowledge and practical skills in relation to investment banking; at the ending ceremony, new analysts got advice from their predecessors on working in a new place. Such activities produced good results in helping new analysts grow rapidly.

Training Case: Leadership Training

Huajing Securities conducted leadership training programmes combining theory and practice such as "Grow with Resilience and Courage as Driven by Four Forces" for management personnel and high-potential talent to help employees master the application and extension of the Four-force Driven Model in practical work, improve employees' overall perspective at different leadership levels and interaction models in different work reporting relationships to achieve the goal of improving team collaboration and team management leadership.

4.4 Employee Health and Safety

Employee health and safety is the cornerstone of the Company's development. 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 has established the *Rules on the Fire Safety Management* and other internal regulations and rules to improve safety management and effectively ensure the health and safety of employees. The Company has ensured employees a safe work environment by a series of measures including inspecting fire equipment on a regular basis and enhancing safety protection measures; arranging teachers from the fire protection company to offer fire control knowledge and safety training to all employees every year; actively organising employees to take part in fire drills organised by the property company and enhancing employees' capabilities to respond to emergencies.

The Company provided free annual physical examination and supplementary medical insurance, on top of basic social insurance for employees. In addition, the Company has equipped the office with a medical emergency kit and actively educated employees in first-aid knowledge to improve their ability to respond to sudden personal injuries and accidents.

Meanwhile, the Company has been committed to providing a healthy and comfortable work environment for employees. Specifically, the Company has used safe and healthy environment-friendly materials for the decoration and maintenance of offices, taken air cleaning and insecticidal treatment measures in the office area on a regular basis, and cleaned the air conditioners and other equipment from time to time. Moreover, the Company has provided employees with a variety of heart-warming services and other basic facilities to facilitate every detail in their daily work and life. For example, employees are supplied with fruits every day as afternoon tea, ice creams in hot summer, overtime snacks, etc. and baby care rooms are specially equipped to provide working mothers with a favourable environment.

Case: Prevention and control of COVID-19

Since the outbreak of the COVID-19, the Company had made it a priority to ensure employees' safety and provided active support for the epidemic prevention and control work of governments at all levels. The Company postponed the schedule of returning to work and formulated the *Guidance on Resumption of Work during the Period of COVID-19 Outbreak* and the *Prevention and Control Plan for Resumption of Work*, requiring employees to do self-check and reduce interpersonal contact in the office area. In the meanwhile, the Company thoroughly disinfected the office area and prepared epidemic prevention supplies for emergency use to ensure that the employees would be in good health and relevant work could proceed in order after the resumption of work.

4.5 Happiness Project

To create a relaxing and harmonious work 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", enabling them to feel the warmth of China Renaissance.

Activity: Happiness Project — Women's Day Event

We care 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 2019, the Company organised an "Flower and Fragrance" themed event and invited all female employees to try fragrant essential oil, relaxing their mind and body from busy work.

Activity: Happiness Project — Health Lecture

The Company cares about the physical and mental health of every employee. In 2019, the Company held health lectures themed on "Shoulder and Neck Health Care", "Free Medical Consultation", "Teeth Care Day", etc. respectively in Beijing, Shanghai and Hong Kong to provide a timely solution to employees' health problems. Through scientific and efficient means, employees felt our care about their wellness and therefore were more motivated and relieved to bring their talent into play in the Group.

Activity: Happiness Project — Family Day

The Company attaches great importance to the family well-being of employees. In 2019, the Company held family day activities titled "Little Science and Technology Stars Shining in China Renaissance" in Beijing, Shanghai and Hong Kong, using new economy, high technology and other elements to enable employees' families to know better about the Company and strengthen the links and interactions among one another, making China Renaissance a closer loving big family.

5. INTEGRITY

5.1 Anti-money Laundering

The Company proactively fulfils its anti-money laundering responsibilities as a financial institution by strictly complying with the laws and regulations of various business places such as the *Anti-Money Laundering Law of the People's Republic of China*, the *Anti-Money Laundering and Counter-Terrorist Financing Ordinance* of Hong Kong, the *Bank Secrecy Act* and the *USA Patriot Act* of the United States as well as the *Anti-Money Laundering Regulations (2019 Revision)* of the Cayman Islands. In addition, the Company formulated the *Policies for Anti-Money Laundering and Counter-Terrorist Financing* to provide anti-money laundering principles and guidelines for each of its operating entity. Each operating entity and business line formulates and constantly revises relevant policies, procedures or guidelines in accordance with local regulatory requirements to specify anti-money laundering policies and put them into practice. In 2019, the Company formulated more anti-money laundering management regulations including the *Management Measures on Anti-Money Laundering and Counter-Terrorist Financing for RMB Private Investment Funds,* and the *USD Cayman Islands Funds — Anti-Money Laundering Compliance Manual*.

In 2019, Huajing Securities formulated the *Measures for the Money Laundering Risk Management* and revised multiple anti-money laundering management rules including the *Rules for Implementing Anti-Money Laundering Work, Detailed Rules of High-Value Transactions and Suspicious Transactions*, and *Rules for the Assessment of Risks of Business Money Laundering and Terrorist Financing*, which regulate the structure and duties of anti-money laundering management bodies, money laundering risk management, information system building, anti-money laundering data management and other aspects and ensured full coverage of all businesses.

The Company carries out due diligence investigations on clients in a strict manner, registers and assesses their risk profile according to their identities and carries out corresponding due diligence management procedures for clients at different levels. The Company reviews high-risk clients annually and regularly reviews those clients who have experienced a trigger event (e.g. a change in equity structure). In the course of transaction surveillance and supervision, where suspicious transactions are identified, such transactions will be reviewed and reported, and control measures would also be reinforced to mitigate the identified risks after reporting. Meanwhile, the branches and sub-branches carry out annual compliance inspections relevant to anti-money laundering, submit to the regulators reports on anti-money laundering work, audit reports and changes in systems and personnel on a regular or irregular basis, and vigorously cooperate with regulators and relevant national departments to conduct anti-money laundering inspections and investigations.

In addition, for the purposes of timely informing employees of the latest anti-money laundering policies, increasing their concern on and improving their skills for anti-money laundering in a comprehensive way, the Company held a number of anti-money laundering training for each business line. In 2019, the Company carried out an annual training on anti-money laundering knowledge for all employees, arranged special training on anti-money laundering for employees of various business teams and invited external lawyers to help employees understand the anti-money laundering regulations and educate them in this regard.

5.2 Anti-fraud and Anti-corruption

The Company attaches great importance to integrity. Strictly abiding by the *Criminal Law of the People's Republic of China*, the *Anti-Unfair Competition Law of the People's Republic of China, Prevention of Bribery Ordinance* of Hong Kong, *Foreign Corrupt Practices Act* of USA and other laws and regulations, the Company prohibits any form of bribery, acceptance of bribes and other commercial offences as well as any form of commercial fraud. The *Employee Manual* of the Company specifies that all employees shall be fully aware of and adhere to the Company's business code of conduct and ethics rules and comply with anti-commercial bribery provisions, strictly prohibits extortion and other behaviors that violet company policies, and sets out the procedure for handling commitment of disciplinary offences by employees. The Company also formulated rules and regulations such as the *Measures for Reporting Management* to specify the reporting channels, investigation of reporting, reporting duties, how to protect reporters, etc.

Upon on-boarding, new employees are required to sign the *Employment Declaration and Guarantee* and abide by the provisions on integrity and self-discipline. 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. For example, in 2019 the Company invited the Independent Commission against Corruption to train the employees on anti-fraud and anti-corruption topics. For integrity related issues identified in daily work, employees can report them on site, or via letters, phones, emails or the "feedback zone" on portal site. The Company will keep the clues of reporting confidential and take necessary measures to protect reporters, and prohibit retaliating or instigating others to retaliate against real-name reporters. If a reported issue is proved true, the Company will require the relevant party to take rectification measures after seeking the approval of the CEO or the Executive Committee and decide whether to report the issue to the human resources department or other departments as the case may be. If a crime is committed, the issue shall be referred to the judicial authorities immediately.

6. ENVIRONMENTAL PROTECTION

As a financial enterprise, the Company has some impacts on the environment mainly arise from the consumption of water resources, electricity and office supplies during its office operations. In strict compliance with laws and regulations such as the *Environmental Protection Law of the People's Republic of China* and the *Energy Conservation Law of the People's Republic of China*, the Company effectuates energy-saving and emission reduction by various means during its daily operation to reduce adverse impacts on the environment and enhance employees' awareness of environmental protection.

In order to save power, the Company sets the air-conditioning temperature in public office areas in a scientific and reasonable manner, establishes a system of on-demand air-conditioning at weekends, reminds employees to turn off lights when they leave after work and arranges for security personnel to patrol the offices before going off duty and timely turn off unnecessary air conditioners and lights, so as to reasonably control power consumption and avoid unnecessary waste.

The Company advocates a paperless and systematic office procedure. The Company launches an internal express system, purchases environment-friendly papers, sets printers to print in black and white on both sides by default, implements mobile printing, advocates paper recycling and takes other measures to reduce the use of paper and stamping ink. In 2019, mobile printing, i.e. unified print driver, was implemented in Beijing and Shanghai. After submitting the print works, employees may print the works submitted through any of the printers in the offices of the two places by punching their employee cards, which saved 18,627 pieces of printing papers in total.

In respect of equipment procurement, the Company purchases energy-saving infrastructures and water-cooled air conditioners without freon to reduce resource waste from the source and minimize adverse impacts on the environment during the use; and purchases water-saving instruments and installs sensor faucets in washrooms to reduce waste of water resources. Besides, computers, printers, displays and other electronic equipment are recycled by qualified vendors.

Environmental Performance

1. *Emissions*

Indicator	2019
Total GHG emissions (tonnes)	453.34
Total GHG emissions per floor area (tonnes per square metre)	0.041
Hazardous waste (tonnes)	0
Non-hazardous waste (tonnes)	0.72
Non-hazardous waste per employee (tonnes per employee)	0.001

Notes:

1. The statistical scope of environmental data in the Environmental Performance includes: Beijing Office, Shanghai Office and Hong Kong Office of the Group.

2. Due to its business nature, the major GHG emissions of the Company arise from the use of electricity. Calculation for GHG emissions mainly includes carbon dioxide, methane and nitrous oxide. GHG emissions is presented in carbon dioxide equivalence and calculated based on the *2017 Emission Reduction Project of Baseline Emission Factors for Regional Power Grids in China* issued by Ministry of Ecology and Environment of the People's Republic of China, and the electricity GHG emission coefficient in the 2019 Sustainability Report of CLP Group and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories* (2019 Edition) issued by the Intergovernmental Panel on Climate Change (IPCC).

3. Hazardous wastes arising from the operation of the Company mainly include used toner cartridges, ink boxes and lead-acid batteries. Used toner cartridges, ink boxes and other hazardous waste are recycled by qualified vendors. There were no disposal of toner cartridges and ink boxes in 2019. Lead-acid batteries were all in the warranty period, so there were no disposal of lead-acid batteries in 2019.

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

2. *Energy and Resource Consumption*

Indicator	2019
Total energy consumption (MWh)	657.01
Energy consumption per floor area (MWh per square meter)	0.059
Paper consumption (tonnes)	6.8
Paper consumption per employee (tonnes per employee)	0.009
Running water consumption (tonnes)	554.00
Running water consumption per employee (cubic meters per employee)	1.2

Notes:

1. The statistical scope of environmental data in the Environmental Performance includes: Beijing Office, Shanghai Office and Hong Kong Office of the Group.

2. Due to its business nature, the major power consumption of the Company arises from the use of electricity. The total energy consumption is calculated on the basis of the electricity and the conversion factor set out in the *China's National Standard General Principles of Consolidated Energy Consumption Calculation* (GB/T 2589-2008).

3. The running water consumption mainly arises from water consumed by offices in Beijing of the Group, which came from the municipal water supply. 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.

4. The packaging data is not applicable to the Company.

7. SUPPLIER MANAGEMENT

The Company mainly purchases such items as IT software and hardware, office supplies and services from suppliers with lower environmental and social risks. The Company has set up the Procurement Committee following the procurement principle of being "transparent, fair and impartial", and formulated the *Measures for Supplier Management*, the *Measures for Procurement Management*, the *Measures for Bidding Management* and other rules and regulations concerning supplier management to regulate the Company's supplier management, ensure procurement quality, improve procurement efficiency and reduce costs.

The Company has further enhanced normative and scientific management of suppliers and launched a supplier management platform, achieving full-cycle fine management of supplier admission, change and exit as well as online integrated and unified whole-process procurement. The Company approves and controls supplier admission from multiple dimensions, such as review of enterprise qualifications and compliance with laws and regulations. In the event of any change in supplier information, the Company will execute the change process to ensure the timeliness and effectiveness of supplier information. The Company tracks and screens suppliers via quality tests and annual assessments during transactions. In the event that any listed supplier fails to meet the requirements, the exit process will be executed for the supplier; and if the supplier exited reaches the Company's requirements after rectification, the supplier may be readmitted. The whole process of supplier management is carried out under compliant audit and supervision to ensure the normalization and transparency of supplier management.

Regarding procurement, the Company also launches a procurement system and platform, which achieved online and unified whole-process procurement. For major projects of the Company, procurement staff and compliance staff will organize and supervise relevant biddings, and proceed with bidding and procurement processes in a transparent, normative and standardized manner according to the *Measures for Bidding Management of China Renaissance*. Internal audit teams of the Company also regularly sample procurement behaviours to prevent violations of laws and regulations, briberies and corruptions.

In addition, advocating green procurement, the Company also takes green, energy-saving and other environmental protection factors as the important factors for selecting a supplier when it purchases servers, computers, decorative materials and other relevant items involving environmental protection.

8 COMMUNITY CONTRIBUTION

Assuming the important duty of performing social responsibilities, the Company actively pays attention to the development of surrounding communities while creating economic value for the society, and fully leverages its industrial resources and advantages to repay the society and perform its social responsibilities by advocating public welfare for all, supporting industrial development, implementing targeted poverty alleviation, promoting cultural inheritance and other means.

8.1 Advocating Public Welfare for All

The Company always assumes social responsibilities and continuously contributes itself to public welfare. In 2019, the Company arranged for employees to visit Beijing Heng'ai Rehabilitation Centre for Children and Shanghai Rainbow Pen Children's Health Development Centre and donated charitable supplies to children in difficulties. Meanwhile, the Company also organized employees to donate blood to help people in need within their ability. Strongly supported by all employees, the Company's public welfare activities showed the love and warmth among the teams.

8.2 Assisting the Development of Education and Medical Industries

The Company has been deeply involved in the transactions with a number of enterprises engaging in educational technology, medicine and life science, which has effectively promoted the development of the education and medical industries, and created benefits for society while providing investors with new investment opportunities.

Case: Facilitating the Development of Online Education for Children

The children's online education continues to grow with the rapid development of Internet technology and increasing social attention to education. Given the huge demand and increasing online penetration rate, the Company is optimistic about children's online education in the long run. In 2019, the Company successively served as the exclusive financial consultant of Huohua, Gaosi Education and VIPKID, and actively responded to the national policies to cultivate future creators.

Case: Facilitating the Development of Medical and Life Science Industries

The development of medical and life science will benefit all mankind, but the relevant enterprises are generally faced with the huge challenges of long R&D and approval cycle and huge capital input. We, as an investment bank representative in the field of medical and life science, has been paying close attention to and deeply engaged in the field of medical and life science for many years. With in-depth understanding of the industry and accumulation in the capital market, we have accelerated the interconnection of resources to facilitate its cross-border layout. In the past year, the Company has witnessed a number of important milestones of outstanding new economic enterprises, including serving as the exclusive financial consultant for the new round of financing of Dingdang Medicine Express, and involving in completing the Initial Public Offering (IPO) of TOT BIOPHARM, Ascentage Pharma, Viva Biotech and other medical and life science enterprises in Hong Kong.

8.3 Implementing Targeted Poverty Alleviation

Fully aware of the importance of the national strategy to combat poverty, Huajing Securities responsively carried out corporate investigations in poverty-stricken counties, and conducted targeted poverty alleviation to solve practical difficulties and support local economic development with its own strengths. In July 2019, Huajing Securities signed the *Village and Enterprise Pairing Agreement on Targeted Poverty Alleviation* with 10 village committees in Xichou County, Qiubei County, Maguan County, and Funing County of Wenshan Zhuang-Miao Autonomous Prefecture in Yunnan Province (hereinafter referred to as "Wenshan Prefecture") and donated RMB300,000 to promote rural economic development.

Case: Education Poverty Alleviation Project — "Cloud Volunteer" — Double-teacher Classroom

Huajing Securities fully realized the importance of "poverty alleviation requires a change of attitude and the support of education". So, after learning about the lack of school facilities and teachers in Wenshan Prefecture, Huajing Securities decided to carry out compulsory education-related poverty alleviation.

In addition to making donations for schools, Huajing Securities also cooperated with well-known Chinese online education enterprises to launch an education poverty alleviation project of "Cloud Volunteer" — Double-teacher Classroom at local schools in Wenshan Prefecture based on an innovative model of "Internet + education poverty alleviation", providing local teachers and students with a long-term, free and open cloud platform for online live-broadcasting teaching, and bringing the most cutting-edge knowledge in first-tier cities to children in poverty-stricken areas in Wenshan Prefecture of Yunnan Province. Before the high school entrance examination in 2019, Huajing Securities conducted pilot live-broadcasting courses in two graduating classes of Qiubei Middle School affiliated to Yunnan Normal University and Yuezhe Middle School in Qiubei County. The courses were taught by the most qualified teachers three times a week, covering math, Chinese and English, to help graduating students better prepare for the examination, which received positive feedbacks from the local government, teachers, and students.

Thanks to the education poverty alleviation project of “Cloud Volunteer” — Double-teacher Classroom, Huajing Securities was awarded the “Innovative Public Welfare Enterprises of the Year” at China’s Third Forum on Poverty Alleviation in Capital Markets on 9 November 2019, which was held and directed by the State Council Leading Group Office of Poverty Alleviation and Development, the Poverty Alleviation Office of the People’s Daily, the Poverty Alleviation Office of China Banking and Insurance Regulatory Commission, the Poverty Alleviation Office of the China Securities Regulatory Commission and the Poverty Alleviation Office of Henan Province. In the future, Huajing Securities will continue to promote the education poverty alleviation in Wenshan Prefecture, and will soon launch teacher training and psychological guidance for left-behind children and continue to put targeted poverty alleviation into practice through tripartite collaboration.

Case: Carrying out Poverty Alleviation through Consumption to Support the Development of Characteristic Industries

Huajing Securities actively promoted the development of characteristic industries in poor areas and took practical actions to support poor counties to fight against poverty. It helped people in financial difficulties solve the difficulties in selling agricultural special products at low prices and other practical problems, purchased agricultural and side-line products such as rice and Pu’er tea worth over RMB10,000 from Wenshan Prefecture, and bought 108 boxes of Yulu fragrant pears worth nearly RMB10,000 from Xixian County, Shanxi Province.

8.4 Promoting Cultural Inheritance

The Company is not only committed to making itself a pioneer in the new economic and financial field in China and a practitioner in the revitalization of Chinese industry, but also a promoter of the protection of traditional culture. Therefore, the Company has been actively exploring the infinite possibilities between the new economy and traditional culture. The Company and the Palace Culture signed a strategic cooperation agreement in May 2019, and jointly initiated the “Forbidden City Forum”, a series of cultural inheritance activities. As China’s leading financial institution serving the new economy, we will facilitate the collision and integration of emerging technologies and traditional quintessence, and bring more beneficial and interesting integrated works to the society and the public through technologies by humanism.

Case: "Forbidden City Forum"

The first episode of "Forbidden City Forum" held on 18 August 2019 invited Mr. Shan Jixiang, president of the Forbidden City College and former president of the Palace Museum, who shared the Palace Museum's development with the times, a high degree of integration of Palace Museum's culture with the latest technology, and the use of the Internet and VR technology to allow more people to see the cultural relics of the Palace Museum, which was highly praised by the participants. The second episode of "Forbidden City Forum" was broadcasted in December 2019. Mr. Wang Jin, a researcher of the Palace Museum, was invited to share the story of the restoration and protection of the palace clocks in the Qing Dynasty from the perspectives of "inheritance" and "perfection", to allow the participants to truly feel the spirit of workmanship.

8.5 Working Together to Fight against the Coronavirus

People were worrying about the coronavirus (COVID-19). Since the outbreak of the epidemic since the beginning of 2020, the Company has actively responded to the national call to contribute to the fight against the epidemic in a variety of ways. By the end of 7 March 2020, the Company has organized the procurement of medical supplies in short supply and directly donated them to 25 primary and front-line hospitals and centers for disease control in Hubei, Henan and Chongqing, involving a total of RMB3,968,000 (including employees' donation).

Case: Donating Coronavirus Detection Kits to Primary Medical Institutions

The Company set up an emergency working group in the Chinese New Year's eve, purchased the first batch of 11,100 coronavirus detection kits from its strategic partnership BGI (one of the first manufacturers of coronavirus detection kits approved by the State Food and Drug Administration), and delivered them to 11 primary medical institutions through cold chain logistics against all odds.

Case: Huajing Securities Purchased Relief Supplies and Delivered them to Huanggang Center for Disease Control and Prevention

In close communication with front-line medical staff, the Company learned that Huanggang was facing great pressure for testing and epidemic prevention due to equipment and personnel constraints. Huajing Securities immediately purchased from the BGI the second batch of relief supplies used to test the virus — the high-throughput automated sample preparation system and nucleic acid extraction reagent for 3,456 persons, and delivered them to Huanggang Center for Disease Control and Prevention. Therefore, the detection time of a single batch of 100 virus samples in Huanggang Center for Disease Control and Prevention can be shortened from 4–5 hours to about 90 minutes without laboratory staff, which greatly reduced the burden of front-line medical staff and improved the efficiency of epidemic control.

Case: Employee Donation Programme

After the first batch of medical supplies were purchased and delivered to front-line medical institutions, employees of the Group also voluntarily initiated a donation programme. By the end of 7 March 2020, 197 employees have made donations, with a total of RMB980,000, which was used to purchase the protective supplies urgently needed in Chongqing with severe epidemic but insufficient external support.

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, 2019, 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	45.33%
	Settlor of a trust who can influence how the trustee exercises the voting power of its shares	32,375,388	5.98%
	Beneficial owner	18,055,035	3.34%
	Other	26,527,125	4.90%
Mr. Xie Yi Jing(3)	Beneficial owner	582,983	0.11%
Mr. Du Yongbo(4)	Beneficial owner	914,644	0.17%
Mr. Li Shujun(5)	Interest in a controlled corporation	35,652,172	6.59%
Mr. Neil Nanpeng Shen(6)	Interest in a controlled corporation	34,565,216	6.38%

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 541,379,012 Shares in issue as at December 31, 2019.

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 32,375,388 Shares held through Sky Allies Development Limited for the trust. Under the SFO, Mr. Bao is also deemed to be interested in the 32,375,388 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. Additionally, pursuant to the RSU Plan of the Company, Mr. Bao is a beneficiary of 762,435 Shares held by Go Perfect Development Limited, a trust under the RSU Plan. Separately, Mr. Bao is entitled to use the voting rights in respect of 865,365 Shares held by Go Perfect Development Limited. 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 25,661,760 Shares, and under the SFO, Mr. Bao is also deemed to be interested in the 25,661,760 Shares entitled by CR Partners Limited. Accordingly, Mr. Bao is entitled to exercise the voting rights in respect of an aggregate of 26,527,125 Shares.

3. Mr. Xie Yi Jing is entitled to receive 400,000 Shares pursuant to the exercise of his options granted under the ESOP of the Company. Separately, pursuant to the RSU Plan of the Company, Mr. Xie Yijing is a beneficiary of 182,983 Shares held by Go Perfect Development Limited, a trust under the RSU Plan.

4. Mr. Du Yongbo is entitled to receive 400,000 Shares pursuant to the exercise of his options granted under the ESOP of the Company. Separately, pursuant to the RSU Plan of the Company, Mr. Du Yongbo is a beneficiary of 514,644 Shares held by Go Perfect Development Limited, a trust under the RSU Plan.

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 Huahuang	Interests held as a limited partner	1,000,000	6.67%
	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	50,000,000	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	19.996%
	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 4.96% 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 4.96% 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, 2019, 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, 2019, 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:

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	45.33%
	Other	25,661,760	4.74%
FBH Partners[2]	Interest in a controlled corporation	245,407,500	45.33%
	Other	25,661,760	4.74%
Mr. Bao[2]	Interest in a controlled corporation	245,407,500	45.33%
	Settlor of a trust who can influence how the trustee exercises the voting power of its shares	32,375,388	5.98%
	Beneficial owner	18,055,035	3.34%
	Other	26,527,125	4.90%
Renaissance Greenhouse HK Limited[3]	Beneficial owner	47,722,084	8.81%
CW Renaissance Holdings Limited[3]	Interest in a controlled corporation	47,722,084	8.81%
Chengwei Capital HK Limited[3]	Interest in a controlled corporation	47,722,084	8.81%
Chengwei Evergreen Capital, LP[3]	Interest in a controlled corporation	47,722,084	8.81%
Chengwei Evergreen Management, LLC[3]	Interest in a controlled corporation	47,722,084	8.81%
Bamboo Green, Ltd.[4]	Beneficial owner	34,565,216	6.38%
Sequoia Capital China Growth Fund III, L.P.[4]	Interest in a controlled corporation	34,565,216	6.38%
SC China Growth III Management, L.P.[4]	Interest in a controlled corporation	34,565,216	6.38%
SC China Holding Limited[4]	Interest in a controlled corporation	34,565,216	6.38%
SNP China Enterprises Limited[4]	Interest in a controlled corporation	34,565,216	6.38%
Mr. Neil Nanpeng Shen[4]	Interest in a controlled corporation	34,565,216	6.38%
Mr. Li Shujun[5]	Interest in a controlled corporation	35,652,172	6.59%
Sky Allies Development Limited[6]	Nominee for another person (other than a trustee)	32,375,388	5.98%
Infiniti Trust (Hong Kong) Limited[6]	Trustee	32,375,388	5.98%

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 541,379,012 Shares in issue as at December 31, 2019.

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 32,375,388 Shares held through Sky Allies Development Limited for the trust. Under the SFO, Mr. Bao is also deemed to be interested in the 32,375,388 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 of the Company. Additionally, pursuant to the RSU Plan of the Company, Mr. Bao is a beneficiary of 762,435 Shares held by Go Perfect Development Limited, a trust under the RSU Plan. Separately, Mr. Bao is entitled to use the voting rights in respect of 865,365 Shares held by Go Perfect Development Limited. Pursuant to a series agreements (not being agreements under section 317), CR Partners Limited is entitled to exercise the voting rights in respect of 25,661,760 Shares, and under the SFO, Mr. Bao is also deemed to be interested in the 25,661,760 Shares entitled by CR Partners Limited. Accordingly, Mr. Bao is entitled to exercise the voting rights in respect of an aggregate of 26,527,125 Shares.

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, 2019, (a) our Directors were holding unexercised options under the ESOP to subscribe for a total of 17,200,000 Shares, representing 3.18% 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 32,748,000 Shares, representing approximately 6.05% 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 December 31, 2018	Exercised during the Relevant Period	Lapsed during the Relevant Period	Outstanding as at December 31, 2019
	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	Up to 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	39,582,000	1,394,000	5,440,000	32,748,000
Total					56,782,000	1,394,000	5,440,000	49,948,000

SHARE OPTION SCHEMES (CONTINUED)

1. Employee's Share Option Plan (Continued)

Details of the movements during the year ended December 31, 2019 of the options granted under the ESOP (apart from a director of the Company) are as follows:

	Number of share options						
Date of grant	As at December 31, 2018	Granted during the Relevant Period	Exercised during the year ended December 31, 2019	Lapsed during the Relevant Period	As at December 31, 2019	Exercise price	Exercise period
01.01.2013	1,200,000	–	300,000	–	900,000	US$0.375	2019
01.01.2014	2,600,000	–	465,000	240,000	1,895,000	US$0.25	2019
01.01.2015	9,980,000	–	95,000	–	9,885,000	US$0.25	2019
01.01.2016	5,020,000	–	150,000	1,480,000	3,390,000	US$0.625	2019
01.07.2016	800,000	–	100,000	–	700,000	US$0.625	2019
01.01.2017	200,000	–	50,000	–	150,000	US$0.625	2019
01.04.2017	22,092,000	–	176,000	900,000	21,016,000	US$0.625	2019
01.10.2017	800,000	–	–	480,000	320,000	US$0.625	–
01.04.2018	12,700,000	–	58,000	2,340,000	10,302,000	US$0.75	2019

No options under the ESOP were granted or canceled in the year ended December 31, 2019.

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.

On April 1, 2019 and October 1, 2019, the Company granted the aggregation of 6,656,788 RSUs to twenty-eight grantees in total, among whom six grantees are connected persons of the Company, in accordance with the terms of the RSU Plan.

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 40 to the consolidated financial statements for the year ended December 31, 2019.

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.

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 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.

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 to 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 year ended December 31, 2019.

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

During the year ended December 31, 2019, the Company repurchased 3,783,800 Shares on the Stock Exchange for an aggregate consideration of approximately HK$61.4 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 during the year ended December 31, 2019 are as follows:

Month of repurchases in 2019	No. of ordinary shares	Highest price paid per share HK$	Lowest price paid per share HK$	Aggregate consideration (HK$'000)
January	138,300	21.00	19.80	2,818
May	1,337,700	18.01	16.12	22,925
June	443,800	17.31	15.73	7,129
July	1,135,700	16.76	15.98	18,212
August	127,400	14.00	13.99	1,786
September	236,200	14.00	13.86	3,289
November	81,000	15.11	14.97	1,218
December	283,700	15.22	14.04	3,998
	3,783,800			61,375

Save as disclosed above and in this Annual Report, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's shares during the year ended December 31, 2019.

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, 2019.

	% of use of proceeds	Net proceeds from the initial public offering HK$ million	Actual usage for the year ended December 31, 2018 HK$ million	Actual usage for the year ended December 31, 2019 HK$ million	Unutilized amount as at December 31, 2019 HK$ million	Expected timeline of full utilisation of the balance
Expand our investment banking business	40%	1,007.0	47.8	246.5	712.7	2021
Expand our investment management business	20%	503.5	24.1	214.7	264.7	2020
Develop private wealth management business	20%	503.5	–	356.2	147.3	2020
Invest in technology across all our business lines	10%	251.8	10.1	26.4	215.3	2021
General corporate purposes	10%	251.8	–	251.8	–	–
Total		**2,517.6**	**82.0**	**1,095.6**	**1,340.0**	

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 and annual results of the Group for the year ended December 31, 2019 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, 2019 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 and an executive 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. Cui Qiang (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).

IMPORTANT EVENTS AFTER THE REPORTING DATE

Effective as of February 17, 2020, the Company cancelled the total number of 7,006,300 Shares which it had repurchased on the open market from December 20, 2019 to January 22, 2020, pursuant to the general mandate granted to the Directors to repurchase Shares and that approved by Shareholders at the Company's annual general meeting held on May 28, 2019, from its issued share capital. Further details are set out in note 38 to the consolidated financial statements for the year ended December 31, 2019.

The Directors assessed that the outbreak of the COVID-19 in China and the subsequent quarantine measures imposed by the Chinese government as well as the travel restrictions imposed by other countries in early 2020 have not had a severe negative impact on the operations of the Group since January 2020, and continue to evaluate the impact of COVID-19 on the business in the future.

Save as disclosed above, no important events affecting the Company occurred since December 31, 2019 and up to the date of this Annual Report.

INDEPENDENT AUDITOR'S 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 112 to 254, which comprise the consolidated statement of financial position as at December 31, 2019, 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, 2019, 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"). 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, 2019, the carrying amount of the Group's financial assets and financial liabilities measured at fair value that are classified as level 3 totaled RMB1,108 million and RMB582 million, respectively. Among the level 3 financial assets, approximately RMB1,010 million are unlisted fund investments and investments in fund accounted for as associates measured at fair value while the remaining RMB98 million are derivatives. Level 3 financial liabilities mainly relate to payables to interest holders of consolidated structured entities. Details are included in note 47.6 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 on a sample basis; comparing the valuation with our knowledge of current and emerging practice; testing the inputs used and checking the fair value calculations on a sample basis; • 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 general partner or manager 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, 2019, the aggregated net assets of structured entities that were consolidated totaled RMB577 million. Details of the structured entities are included in note 44 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 Ip Yat Hung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 25, 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2019

	Notes	Year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)
Revenue			
Transaction and advisory fees		**760,367**	1,011,203
Management fees		**436,147**	313,962
Interest income		**65,492**	73,660
Income from carried interest		**42,044**	—
Total revenue	6	**1,304,050**	1,398,825
Net investment gains	7	**190,421**	61,277
Total revenue and net investment gains		**1,494,471**	1,460,102
Compensation and benefit expenses		**(773,215)**	(870,372)
Carried interest to management team and other parties		**(26,273)**	—
Investment losses attributable to interest holders of consolidated asset management schemes		**2,919**	1,730
Other operating expenses	8	**(361,816)**	(324,855)
Total operating expenses		**(1,158,385)**	(1,193,497)
Operating profit		**336,086**	266,605
Other income, gains or losses	9	**37,139**	17,170
Finance costs	10	**(6,597)**	(75,829)
Impairment losses under expected credit loss model, net of reversal	11	**865**	(4,191)
Investment income arising from certain incidental and ancillary investments	12	**52,748**	162,039
Investment gains or losses attributable to interest holders of consolidated funds		**(19,605)**	(11,622)
Share of results of associates	22	**(10,016)**	2,229
Share of results of a joint venture	23	**(1,339)**	—
Change in fair value of convertible redeemable preferred shares	36	**—**	(1,939,356)
Change in fair value of call option	24	**(689)**	93,537
Listing expenses		**—**	(64,414)
Profit (loss) before tax		**388,592**	(1,553,832)
Income tax expense	13	**(78,337)**	(97,655)
Profit (loss) for the year	14	**310,255**	(1,651,487)

	Notes	Year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)
Other comprehensive income (expense)	15		
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**108,122**	237,661
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(67,744)**	(164,103)
Fair value gain or loss, net of expected credit losses on:			
— debt instruments measured at fair value through other comprehensive income		**(2,342)**	3,012
Other comprehensive income for the year		**38,036**	76,570
Total comprehensive income (expense) for the year		**348,291**	(1,574,917)
Profit (loss) for the year attributable to:			
— Owners of the Company		**246,778**	(1,619,391)
— Non-controlling interests		**63,477**	(32,096)
		310,255	(1,651,487)
Total comprehensive income (expense) for the year attributable to:			
— Owners of the Company		**286,013**	(1,544,364)
— Non-controlling interests		**62,278**	(30,553)
		348,291	(1,574,917)
EARNINGS (LOSS) PER SHARE			
Basic	17	**RMB0.49**	RMB(5.15)
Diluted	17	**RMB0.46**	RMB(5.15)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2019

	Notes	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)	As at January 1, 2018 RMB'000 (restated)
Non-current assets				
Property and equipment	19	**144,062**	49,342	60,761
Rental deposits		**16,366**	13,898	13,354
Intangible assets	20	**51,707**	33,806	34,024
Deferred tax assets	21	**130,574**	106,425	93,676
Investments in associates	22	**660,515**	529,163	284,451
Investment in a joint venture	23	**5,649**	—	—
Financial assets at fair value through profit or loss	24	**1,507,186**	639,013	387,086
Financial assets at fair value through other comprehensive income	25	**—**	355,741	211,166
Loans to third parties	26	**65,063**	92,631	32,338
Other financial assets	27	**139,650**	—	—
		2,720,772	1,820,019	1,116,856
Current assets				
Accounts and other receivables	28	**879,094**	630,735	326,290
Loans to third parties	26	**38,245**	26,450	—
Loans to related parties	43	**—**	1,357	14,212
Amounts due from related parties	43	**52,586**	35,682	31,931
Financial assets at fair value through profit or loss	24	**3,222,352**	2,370,533	425,446
Other financial assets	27	**142,695**	—	—
Term deposits	29	**492,564**	1,988,590	48,109
Pledged bank deposits	30	**254,237**	—	—
Cash held on behalf of brokerage clients	30	**685,842**	—	—
Cash and cash equivalents	30	**1,022,043**	442,391	2,894,451
		6,789,658	5,495,738	3,740,439
TOTAL ASSETS		**9,510,430**	7,315,757	4,857,295
Current liabilities				
Accounts and other payables	31	**1,286,790**	622,796	460,937
Payables to interest holders of consolidated structured entities		**747,284**	184,880	34,456
Amounts due to related parties	43	**453,830**	—	101
Contract liabilities	32	**21,614**	28,481	21,720
Bank borrowings	33	**129,504**	—	6,730
Lease liabilities	34	**53,461**	—	—
Income tax payables		**47,893**	59,376	33,709
		2,740,376	895,533	557,653
Net current assets		**4,049,282**	4,600,205	3,182,786
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,770,054**	6,420,224	4,299,642

	Notes	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)	As at January 1, 2018 RMB'000 (restated)
Non-current liabilities				
Bank borrowings	33	**—**	—	982,526
Lease liabilities	34	**56,876**	—	—
Contract liabilities	32	**13,747**	18,827	25,255
Deferred tax liabilities	21	**27,286**	7,656	4,246
Convertible redeemable preferred shares	36	**—**	—	1,716,212
		97,909	26,483	2,728,239
NET ASSETS		**6,672,145**	6,393,741	1,571,403
Capital and reserves				
Share capital	38	**89**	89	39
Reserves		**5,159,016**	4,938,752	74,976
Equity attributable to owners of the Company		**5,159,105**	4,938,841	75,015
Non-controlling interests	39	**1,513,040**	1,454,900	1,496,388
		6,672,145	6,393,741	1,571,403

The consolidated financial statements on pages 112 to 254 were approved and authorized for issue by the board of directors on March 25, 2020 and are signed on its behalf by:

Bao Fan
Chairman and Chief Executive Officer

Xie Yi Jing
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2019

	Notes	Share capital RMB'000	Treasury stock RMB'000	Share premium RMB'000	Other reserves RMB'000 (note)	Surplus reserve RMB'000	Accumulated losses RMB'000	Reserves Sub-total RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company									
At December 31, 2018 (restated)		89	(7)	6,502,190	238,394	9,679	(1,811,504)	4,938,752	4,938,841	1,454,900	6,393,741
Adjustments (see note 2)		–	–	–	–	–	(3,255)	(3,255)	(3,255)	–	(3,255)
At January 1, 2019 (restated)		89	(7)	6,502,190	238,394	9,679	(1,814,759)	4,935,497	4,935,586	1,454,900	6,390,486
Profit for the year		–	–	–	–	–	246,778	246,778	246,778	63,477	310,255
Other comprehensive income (expense) for the year		–	–	–	39,235	–	–	39,235	39,235	(1,199)	38,036
Total comprehensive income for the year		–	–	–	39,235	–	246,778	286,013	286,013	62,278	348,291
Appropriation to statutory surplus reserve		–	–	–	–	11,859	(11,859)	–	–	–	–
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	5,514	5,514
Capital reduction from non-controlling shareholders		–	–	–	–	–	–	–	–	(363)	(363)
Recognition of equity-settled share-based payment expense	40	–	–	–	74,907	–	–	74,907	74,907	–	74,907
Share options exercised		–	–	8,294	(4,260)	–	–	4,034	4,034	–	4,034
Disposal of a subsidiary		–	–	–	(18,172)	–	–	(18,172)	(18,172)	(1,746)	(19,918)
Shares held under share award scheme	40	–	–	–	(69,176)	–	–	(69,176)	(69,176)	–	(69,176)
Shares repurchased but not yet cancelled	38	–	–	–	(135)	–	–	(135)	(135)	–	(135)
Shares repurchased and cancelled	38	–	–	(55,780)	1,828	–	–	(53,952)	(53,952)	–	(53,952)
Dividends to non-controlling shareholders		–	–	–	–	–	–	–	–	(7,543)	(7,543)
At December 31, 2019		89	(7)	6,454,704	262,621	21,538	(1,579,840)	5,159,016	5,159,105	1,513,040	6,672,145

	Notes	Share capital RMB'000	Treasury stock RMB'000	Share premium RMB'000	Other reserves RMB'000 (note)	Surplus reserve RMB'000	Accumulated losses RMB'000	Reserves Sub-total RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
		Attributable to owners of the Company									
At January 1, 2018 (restated)		39	–	13,578	141,589	9,533	(89,724)	74,976	75,015	1,496,388	1,571,403
Loss for the year		–	–	–	–	–	(1,619,391)	(1,619,391)	(1,619,391)	(32,096)	(1,651,487)
Other comprehensive income for the year		–	–	–	75,027	–	–	75,027	75,027	1,543	76,570
Total comprehensive income (expense) for the year		–	–	–	75,027	–	(1,619,391)	(1,544,364)	(1,544,364)	(30,553)	(1,574,917)
Appropriation to statutory surplus reserve		–	–	–	–	146	(146)	–	–	–	–
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	999	999
Acquisition of additional equity interest from non-controlling shareholders		–	–	–	(1,067)	–	–	(1,067)	(1,067)	(13)	(1,080)
Recognition of equity-settled share-based payment expense	40	–	–	–	76,697	–	–	76,697	76,697	–	76,697
Share options exercised		2	–	92,472	(52,093)	–	–	40,379	40,381	–	40,381
Disposal of a subsidiary		–	–	–	–	–	–	–	–	(669)	(669)
Shares issued to the Trusts (as defined in note 40)	38	7	(7)	–	–	–	–	(7)	–	–	–
Issuance of ordinary shares relating to initial public offering	38	14	–	2,285,951	–	–	–	2,285,951	2,285,965	–	2,285,965
Share issue costs	38	–	–	(81,066)	–	–	–	(81,066)	(81,066)	–	(81,066)
Conversion of convertible redeemable preferred shares into ordinary shares	38	24	–	3,681,699	–	–	–	3,681,699	3,681,723	–	3,681,723
Recognition of equity component of convertible notes	35	–	–	–	26,535	–	–	26,535	26,535	–	26,535
Conversion of convertible notes into ordinary shares	38	4	–	586,387	(26,535)	–	–	559,852	559,856	–	559,856
Shares repurchased but not yet cancelled	38	–	–	–	(1,759)	–	–	(1,759)	(1,759)	–	(1,759)
Shares repurchased and cancelled	38	(1)	–	(76,831)	–	–	–	(76,831)	(76,832)	–	(76,832)
Dividends to shareholders and non-controlling shareholders	18	–	–	–	–	–	(102,243)	(102,243)	(102,243)	(11,252)	(113,495)
At December 31, 2018 (restated)		89	(7)	6,502,190	238,394	9,679	(1,811,504)	4,938,752	4,938,841	1,454,900	6,393,741

Note: Other reserves include (1) translation reserve; (2) investment revaluation reserve and expected credit losses for financial assets at fair value through other comprehensive income; (3) equity-settled share-based payment reserve; and (4) share repurchase reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2019

	Year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)
Cash flows from operating activities		
Profit (loss) before tax	**388,592**	(1,553,832)
Adjustments for:		
Depreciation of property and equipment	**65,169**	23,256
Amortization of intangible assets	**11,182**	8,536
Losses on disposal of property and equipment	**131**	99
Interest income	**(88,257)**	(99,141)
Finance costs	**6,597**	75,829
Change in fair value of convertible redeemable preferred shares	**—**	1,939,356
Change in fair value of call option	**689**	(93,537)
Net investment gains	**(190,421)**	(61,277)
Investment losses attributable to interest holders of consolidated asset management schemes	**(2,919)**	(1,730)
Investment income arising from certain incidental and ancillary investments	**(52,748)**	(162,039)
Investment gains or losses attributable to interest holders of consolidated funds	**19,605**	11,622
Gain on disposal of subsidiaries	**(23,525)**	—
Impairment loss on investment in an associate	**39,026**	—
Impairment losses under expected credit loss model, net of reversal	**(865)**	4,191
Share of results of associates	**10,016**	(2,229)
Share of results of a joint venture	**1,339**	—
Share-based payment expense	**74,907**	76,697
Operating cash flows before movements in working capital	**258,518**	165,801
Increase in accounts and other receivables	**(242,014)**	(292,912)
(Increase) decrease in amounts due from related parties	**(11,064)**	3,222
Increase (decrease) in amounts due to related parties	**453,830**	(103)
Increase in cash held on behalf of brokerage clients	**(685,842)**	—
Increase in financial assets at fair value through profit or loss	**(838,986)**	(1,592,737)
Increase in accounts and other payables	**662,122**	133,566
Decrease in contract liabilities	**(11,947)**	(1,964)
Cash used in operations	**(415,383)**	(1,585,127)
Interest received	**70,060**	71,262
Income taxes paid	**(92,172)**	(85,344)
Net cash used in operating activities	**(437,495)**	(1,599,209)

	Year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)
Cash flows from investing activities		
Interest received	**8,966**	22,747
Purchases of property and equipment	**(10,787)**	(11,557)
Proceeds from disposal of property and equipment	**179**	—
Payments for right-of-use assets	**(345)**	—
Payments for rental deposits	**(4,120)**	—
Proceeds from rental deposits refund	**1,118**	—
Acquisition of a subsidiary	**(1,388)**	—
Net cash inflow on disposal of subsidiaries	**47,350**	—
Purchases of intangible assets	**(28,945)**	(9,241)
Purchases of financial assets at fair value through profit or loss	**(807,449)**	(3,144,633)
Proceeds from disposal of financial assets at fair value through profit or loss	**11,739**	2,773,548
Purchases of financial assets at fair value through other comprehensive income	**—**	(303,054)
Proceeds from disposal of financial assets at fair value through other comprehensive income	**356,316**	171,554
Acquisition of investments in associates	**(55,715)**	(204,081)
Acquisition of investments in a joint venture	**(7,000)**	—
Advance to related parties	**(6,551)**	(20)
Repayment from related parties	**40**	30
Placement of term deposits	**(2,856,671)**	(5,242,795)
Proceeds from term deposits	**4,359,646**	3,374,311
Placement of pledged bank deposits	**(248,198)**	—
Origination of loan receivables	**(10)**	(83,329)
Repayment of loan receivables	**20,000**	14,721
Purchases of other financial assets	**(307,572)**	—
Proceeds from disposal of other financial assets	**27,392**	—
Net cash generated from (used in) investing activities	**497,995**	(2,641,799)

	Note	Year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)
Cash flows from financing activities			
Issuance of shares		**—**	2,285,965
Share issuing costs	37	**(467)**	(80,614)
Payment on repurchase of shares		**(54,087)**	(78,591)
Purchases of shares to be held under share award scheme		**(69,176)**	—
Proceeds from issuance of convertible notes	37	**—**	570,506
Proceeds from issuance of ordinary shares for share option exercised		**4,034**	40,381
Proceeds from bank borrowings	37	**129,356**	—
Repayment of bank borrowings	37	**—**	(995,070)
Interest paid	37	**(1,557)**	(69,209)
Repayments of lease liabilities	37	**(44,058)**	—
Capital contribution from non-controlling shareholders		**5,514**	999
Acquisition of additional equity interest from non-controlling shareholders		**—**	(1,080)
Capital reduction from non-controlling shareholders		**(363)**	—
Distribution to non-controlling shareholders	37	**(7,543)**	(11,252)
Cash injection by third-party holders to consolidated structured entities	37	**577,460**	407,985
Cash repayment to third-party holders to consolidated structured entities	37	**(37,385)**	(273,245)
Dividends paid to shareholders	37	**—**	(30,138)
Net cash generated from financing activities		**501,728**	1,766,637
Net increase (decrease) in cash and cash equivalents		**562,228**	(2,474,371)
Cash and cash equivalents at January 1		**442,391**	2,894,451
Effect of foreign exchange rate changes		**17,424**	22,311
Cash and cash equivalents at December 31		**1,022,043**	442,391

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 functional currency of the Company is United States Dollars ("US$"). The presentation currency of the consolidated financial statements in prior financial periods was US$. During the year ended December 31, 2019, the Group changed its presentation currency from US$ to Renminbi ("RMB"), considering that (i) the Company's primary subsidiaries were incorporated in the People's Republic China ("PRC") and their transactions are denominated and settled in RMB; and (ii) to reduce the impact of any fluctuations in the exchange rate of US$ against RMB on the Group's consolidated financial statements. The change in presentation currency of the Group has been applied retrospectively in accordance with IAS 8 *Accounting Policies, Change in Accounting Estimates, and Errors*, and the comparative figures as at January 1, 2018 and December 31, 2018 and for the year ended December 31, 2018 have been retranslated to RMB and restated accordingly.

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 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

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 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

Definition of a lease

The Group has elected 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 contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after January 1, 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease. No new leases were identified upon the application of new definition of a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, January 1, 2019.

As at January 1, 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if IFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying IFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of properties in the mainland China/Hong Kong/United States of America (the "USA") was determined on a portfolio basis.

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

2.1 IFRS 16 Leases (continued)

As a lessee (continued)

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rates applied by relevant group entities range from 3.2% to 4.3%.

	At January 1, 2019 RMB'000
Operating lease commitments disclosed as at December 31, 2018	133,200
Lease liabilities discounted at relevant incremental borrowing rates	(7,822)
Less: Recognition exemption — short-term leases	(829)
Change in allocation basis between lease and non-lease components	(11,267)
Lease liabilities as at January 1, 2019	113,282
Analysed	
Current	35,658
Non-current	77,624
	113,282

The following table summarises the impact of transition to IFRS 16 on accumulated losses at January 1, 2019.

	Impact of adopting IFRS 16 January 1, 2019 RMB'000
Accumulated losses	
Difference of expenses recognised under IFRS 16 and IAS 17	4,308
Tax effects	(1,053)
Impact at January 1, 2019	3,255

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

2.1 IFRS 16 Leases (continued)

As a lessee (continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at January 1, 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at December 31, 2018 RMB'000	Adjustments RMB'000	**Carrying amounts under IFRS 16 at January 1, 2019 RMB'000**
Non-current Assets				
Property and equipment		49,342	109,964	**159,306**
Deferred tax assets		106,425	1,053	**107,478**
Rental deposits	(a)	13,898	(1,666)	**12,232**
Current Assets				
Accounts and other receivables				
— Prepaid lease payments	(b)	889	(889)	**—**
Current Liabilities				
Accounts and other payables				
— Accrued lease liabilities	(c)	(1,565)	1,565	**—**
Lease liabilities		—	(35,658)	**(35,658)**
Non-current Liabilities				
Lease liabilities		—	(77,624)	**(77,624)**
Capital and Reserves				
Reserves		(4,938,752)	3,255	**(4,935,497)**

Notes:

For the purpose of reporting cash flows from operating activities under indirect method for the year ended December 31, 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at January 1, 2019 as disclosed above.

(a) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, RMB1,666,000 was adjusted to refundable rental deposits paid and right-of-use assets.

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

2.1 IFRS 16 Leases (continued)

As a lessee (continued)

Notes: (continued)

(b) Upfront payments for office properties in the mainland China/Hong Kong/the USA were classified as prepaid lease payments as at December 31, 2018. Upon application of IFRS 16, the current prepaid lease payments amounting to RMB889,000 were reclassified to right-of-use assets.

(c) Rent free period

These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at January 1, 2019 was adjusted to right-of-use assets at transition.

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 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IFRS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after January 1, 2021.
2 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.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after January 1, 2020.
5 Effective for annual periods beginning on or after January 1, 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after January 1, 2020.

The directors of the Company anticipate that the application of new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with accounting policies which accordance 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 accounted for in accordance with IFRS 16 (since January 1, 2019) or IAS 17 (before application of IFRS 16), 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 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 and joint ventures

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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 and joint ventures 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 and the joint venture’s accounting policies to those of the Group. Under the equity method, an investment in an associate or a joint venture 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 or a joint venture. Changes in net assets of the associate/joint venture 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 or a joint venture exceeds the Group’s interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate or joint venture), 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 or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, 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.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture 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 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 is not allocated to any asset, including goodwill, that 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 or a joint venture, 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 or joint venture and the retained interest is a financial asset within the scope of IFRS 9, 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 or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture 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 or joint venture 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 or joint venture 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 or joint venture.

When the Group reduces its ownership interest in an associate or a joint venture 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 or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers

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.

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:

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (continued)

Principal versus agent (continued)

(b) Management fee

(1) Management service for the funds

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.

(2) Wealth management services

Management fee represents fees associated with the value-added wealth management services provided to high net worth individuals and other high net worth groups at a fixed percentage of assets under each investment management account. Management fee is recognized over time based on contractual terms specified in the wealth management service agreements, since the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs and the fee rate and the assets under each investment management account 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

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- variable lease payments that depend on an index or a rate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (continued)

The Group as a lessee (upon application of IFRS 16 in accordance with transitions in note 2) (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as a lessee (prior to January 1, 2019)

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

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. RMB) 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.

Exchange differences relating to the retranslation of the Group's net assets in US$ to the Group's presentation currency (i.e. RMB) are recognised directly in other comprehensive income and accumulated in the other reserve. Such exchange differences accumulated in the other reserve are not reclassified to profit or loss subsequently.

The change in presentation currency of the Company was applied retrospectively, as if the new presentation currency had always been applied.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Short-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

Share options and restricted shares granted to employees

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 40.

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 (other reserves). 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 or restricted shares are vested, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity-settled share-based payment transactions (continued)

Restricted shares granted to consultants

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognised as expenses (unless the goods or services qualify for recognition as assets).

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 profit (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.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

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 to the same taxable entity by the same taxation authority.

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.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Pledged bank deposits

Pledged bank deposits represent amounts held by banks, which are not available for the Group's use, as security for bank borrowing. Upon maturity of all secured bank borrowings under the credit facilities, the deposits are released by the bank and become available for general use by the Group. Pledged bank deposits are reported within cash flows from investing activities in the consolidated statements of cash flows with reference to the purpose of making the pledge.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and equipment

Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent 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.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property 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
Leased properties	lease term	0%	N/A

An item of property 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 property 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:

Domain name	10%
Office software	20%

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets (continued)

Intangible assets acquired separately (continued)

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.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

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 property and equipment and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and 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 property and equipment 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.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, 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 or a group of cash-generating units) 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 or a group of cash-generating units) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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 fair value through profit or loss ("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.

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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) 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

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 fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; 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 of IFRS 9/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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

A financial asset is 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.

(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 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. When these debt instruments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(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 arising from certain incidental and ancillary investments" line items.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including cash and cash equivalents, cash held on behalf of brokerage clients, pledged bank deposits, term deposits, accounts and other receivables, rental deposits, amounts due from related parties, loans to third parties, loans to related parties, other financial assets and debt instruments at FVTOCI) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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;
- 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 debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it 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 debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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 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:

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(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:

- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

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 permits the entire combined contract to be designated as at FVTPL.

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. 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 borrowings, accounts and other payables and amounts due to related parties are subsequently measured at amortized cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity (continued)

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.

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.

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.

Embedded derivatives

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.

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.

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.

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 and value-added wealth management services provided to high net worth individuals and other high net worth groups, the directors of the Company have assessed that the customers 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. 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.

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 (continued)

For the income from Carried Interest in a typical arrangement in which the Group serves as fund manager, the Group is entitled to a performance-based fee 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, 2019.

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.

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

Critical judgments in applying accounting policies (continued)

Consolidation of structured entities (continued)

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 44.

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.

Deferred taxation

As at December 31, 2019, a deferred tax asset of RMB88,019,000 (December 31, 2018: RMB77,025,000) 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 RMB210,605,000 (December 31, 2018: RMB171,873,000) 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 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 investment funds 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 47.6.

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

Key sources of estimation uncertainty (continued)

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 47.3 and 28.

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.

In the prior year, the Group had three operating segments (a) investment banking; (b) investment management; and (c) Huajing. In the current year, the Group changed its internal reporting structure and set up a new operating segment called "new business". Subsequent to the change of the internal reporting structure, the Group has four reportable operating segments, which are (a) investment banking; (b) investment management; (c) Huajing; and (d) new business.

Specifically, the Group's reportable segments under IFRS 8 are as follows:

(a) The investment banking is a segment of the Group's operations whereby the Group provides early to late stage financial advisory, Merger & Acquisition advisory inside and outside mainland China, equity underwriting, sales, trading, and brokerage, and research in Hong Kong and the USA;

(b) The investment management is a segment of the Group's operations whereby the Group provides fund and asset management for individual and institutional clients;

(c) 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)

(d) In addition to investment banking, investment management and Huajing, the Group has also launched new business, including structured financing and wealth management. Among them, structured financing is dedicated to exploring and developing non-equity financing services for new-economy firms. Wealth management provides value-added wealth management services for high net worth individuals and other high net worth groups represented by new-economy entrepreneurs. These new businesses also help the Group integrate and enhance investment and management of its own funds, while at early developing stage the investments were carried out using Group's own funds and these new businesses will increase their importance and potentially become the key strategic businesses.

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, 2019					
	Investment banking RMB'000	Investment management RMB'000	Huajing RMB'000	New business RMB'000	Consolidation adjustments and reconciling items RMB'000	Total consolidated RMB'000
Transaction and advisory fees	682,544	–	77,823	–	–	760,367
Management fees	–	433,762	–	2,385	–	436,147
Interest income	–	–	27,344	38,148	–	65,492
Income from Carried Interest	–	503,486	–	–	(461,442)(note)	42,044
Total Revenue	682,544	937,248	105,167	40,533	(461,442)	1,304,050
Net investment gains	–	–	157,041	33,380	–	190,421
Total revenue and net investment gains	682,544	937,248	262,208	73,913	(461,442)	1,494,471
Compensation and benefit expenses	(429,598)	(162,474)	(130,917)	(50,226)	–	(773,215)
Carried interest to management team and other parties	–	(346,787)	–	–	320,514(note)	(26,273)
Investment losses attributable to interest holders of consolidated asset management schemes	–	–	2,919	–	–	2,919
Other operating expenses	(185,850)	(95,619)	(69,130)	(11,217)	–	(361,816)
Operating profit (loss)	67,096	332,368	65,080	12,470	(140,928)	336,086

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	Year ended December 31, 2019					
	Investment banking RMB'000	Investment management RMB'000	Huajing RMB'000	New business RMB'000	Consolidation adjustments and reconciling items RMB'000	Total consolidated RMB'000
Other income, gains or losses						**37,139**
Finance costs						**(6,597)**
Impairment losses under expected credit loss model, net of reversal						**865**
Investment income arising from certain incidental and ancillary investments						**52,748**
Investment gains or losses attributable to interest holders of consolidated funds						**(19,605)**
Share of results of associates						**(10,016)**
Share of results of a joint venture						**(1,339)**
Change in fair value of call option						**(689)**
Profit before tax						**388,592**
Income tax expense						**(78,337)**
Profit for the year						**310,255**

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	Year ended December 31, 2018 (restated)				
	Investment banking RMB'000	Investment management RMB'000	Huajing RMB'000	Consolidation adjustments and reconciling items RMB'000	Total RMB'000
Revenue					
Transaction and advisory fees	979,898	—	31,305	—	1,011,203
Management fees	—	313,962	—	—	313,962
Interest income	—	—	73,660	—	73,660
Income from Carried Interest (note)	—	450,109	—	(450,109)	—
Total revenue	979,898	764,071	104,965	(450,109)	1,398,825
Net investment gains	—	—	61,277	—	61,277
Total revenue and net investment gains	979,898	764,071	166,242	(450,109)	1,460,102
Compensation and benefit expenses	(568,992)	(123,222)	(178,158)	—	(870,372)
Carried Interest to management team and other parties (note)	—	(322,668)	—	322,668	—
Investment losses attributable to interest holders of consolidated asset management schemes	—	—	1,730	—	1,730
Other operating expenses	(163,205)	(91,862)	(69,788)	—	(324,855)
Operating profit (loss)	247,701	226,319	(79,974)	(127,441)	266,605

5. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

	Year ended December 31, 2018 (restated)				
	Investment banking RMB'000	Investment management RMB'000	Huajing RMB'000	Consolidation adjustments and reconciling items RMB'000	Total RMB'000
Other income, gains or losses					17,170
Finance costs					(75,829)
Impairment losses under expected credit loss model, net of reversal					(4,191)
Investment income arising from certain incidental and ancillary investments					162,039
Investment gains or losses attributable to interest holders of consolidated funds					(11,622)
Share of results of associates					2,229
Change in fair value of convertible redeemable preferred shares					(1,939,356)
Change in fair value of call option					93,537
Listing expenses					(64,414)
Loss before tax					(1,553,832)
Income tax expense					(97,655)
Loss for the year					(1,651,487)

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 of RMB461,442,000 and RMB450,109,000 for the year ended December 31, 2019 and 2018, 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 of RMB320,514,000 and RMB322,668,000 for the year ended December 31, 2019 and 2018, that would be payable to fund management teams and other third parties. The unrealized income from Carried Interest is allocated to the general partners based on the cumulative fund performance to date, subject to the achievement of minimum return levels to limited partners on an as-if liquidation basis. At the end of each reporting period, the general partners calculate the income from Carried Interest that would be due to the general partners for each fund, pursuant to the fund agreements, as if the fair value of the underlying investments were realized as of such date, irrespective of whether such amounts have been realized.

As the fair value of underlying investments 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, during the year ended December 31, 2019, except for RMB42,044,000 of Carried Interest realised for certain funds, no income from Carried Interest for other funds was recognised as revenue and it 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".

Segment profit or loss represents the results of each segment without allocation of corporate items including other income, gains or losses, finance costs, impairment losses under expected credit loss model, investment income arising from certain incidental and ancillary investments (the "Passive Investment Income"), investment gains or losses attributable to interest holders of consolidated funds, share of results of associates, share of results of a joint venture, change in fair value of convertible redeemable preferred shares, change in fair value of call option, 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.

5. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

Information of segment assets and liabilities that are available for reportable and operating segments are not provided to the CODM for their review. Therefore, no analysis of the Group's assets and liabilities by reportable and operating segments are presented.

Geographical information

The Company is domiciled in 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 from external customers Year ended December 31,		Non-current assets (note) At December 31,	
	2019 RMB'000	2018 RMB'000 (restated)	**2019 RMB'000**	2018 RMB'000 (restated)
Mainland China	**1,110,912**	995,268	**800,844**	603,714
Hong Kong	**142,829**	367,089	**45,192**	5,791
USA	**50,309**	36,468	**15,897**	2,806
	1,304,050	1,398,825	**861,933**	612,311

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

5. SEGMENT INFORMATION (CONTINUED)

Other segment information

	Year ended December 31, 2019				
	Investment banking RMB'000	Investment management RMB'000	Huajing RMB'000	New business RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss:					
Depreciation and amortization	**40,395**	**2,020**	**33,219**	**717**	**76,351**
Losses on disposal of property and equipment	**131**	**–**	**–**	**–**	**131**

	Year ended December 31, 2018 (restated)			
	Investment banking RMB'000	Investment management RMB'000	Huajing RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss:				
Depreciation and amortization	10,031	1,615	20,146	31,792
Losses on disposal of property and equipment	99	–	–	99

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,	
		2019	2018
		RMB'000	RMB'000
			(restated)
Customer A	Investment banking	*	223,572

Note:

* Revenue from this major customer was less than 10% in the relevant year presented.

None of the customers contributed over 10% of the total revenue of the Group in 2019.

6. REVENUE

The Group derives its revenue from transaction and advisory fees arising from its investment banking business at a point in time; Carried Interest arising from its private equity management business at a point in time; management fees arising from its private equity management business and wealth management services over time and interest income arising from its Huajing and new business.

Timing of revenue recognition for revenue from contract of customers

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
		(restated)
A point of time	**802,411**	1,011,203
Over time	**436,147**	313,962
	1,238,558	1,325,165

6. REVENUE (CONTINUED)

Transaction price allocated to remaining performance obligation for contract with customers

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, 2019 and 2018 will be recognized as revenue on a straight-line basis over the subscription period as follows:

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
		(restated)
Within one year	**20,474**	22,122
More than one year but not more than two years	**7,262**	9,760
More than two years but not more than three years	**3,425**	6,114
More than three years	**112**	2,953
	31,273	40,949

The transaction price allocated to the remaining performance obligations in relation to transaction and advisory fees that were unsatisfied as at December 31, 2019 and 2018 and expected timing of recognizing revenue are as follows:

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
		(restated)
Within one year	**1,140**	6,359
More than one year but not more than two years	**2,948**	—
	4,088	6,359

7. NET INVESTMENT GAINS

	Year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)
Net realised and unrealised gains from financial assets at FVTPL		
— Wealth management related products	**12,670**	—
— Asset management schemes	**76,303**	53,559
— Structured finance related products	**7,191**	—
— Financial bonds	**17,350**	—
— Listed equity security investments	**58,110**	—
Net realised gains or losses from financial assets at FVTOCI		
— Financial bonds	**3,639**	(631)
Gross gain or loss from consolidated structured entities		
— Asset management schemes	**4,125**	(861)
Dividend income from		
— Wealth management related products	**11,033**	9,210
	190,421	61,277

8. OTHER OPERATING EXPENSES

	Year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)
Professional service fees	**94,874**	86,575
Project related and business development expenses	**90,496**	81,425
Operating lease charges	**—**	41,903
Short-term lease expense	**6,688**	—
Office expenses	**28,639**	27,445
Technology expenses	**35,603**	28,698
Depreciation and amortization	**76,351**	31,792
Auditor's remuneration	**6,977**	5,027
Others	**22,188**	21,990
	361,816	324,855

9. OTHER INCOME, GAINS OR LOSSES

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
		(restated)
Government grants (a)	**38,347**	17,930
Bank and loans interest income	**22,765**	25,481
Net exchange loss	**(2,158)**	(13,011)
Gain on disposal of subsidiaries	**23,525**	—
Impairment loss on investment in an associate (note 22)	**(39,026)**	—
Others (b)	**(6,314)**	(13,230)
	37,139	17,170

Notes:

(a) The government grants were mainly incentives provided by local government authorities, which primarily included tax incentive awards and industry support funds granted by local government authorities in Shanghai, the PRC, based on the Group's contribution to the development of the local financial sector.

(b) Others mainly included:

- An aggregated amount of RMB6,328,000 charitable donations was made by the Group during the year ended December 31, 2019 (2018: RMB7,711,000).
- An aggregated amount of US$860,000 (equivalent to approximately RMB5,705,000) paid to ICBCI Investment Management Limited 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.

10. FINANCE COSTS

	Year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)
Interest on bank borrowings	**1,679**	59,944
Interest on convertible notes	**—**	15,885
Interest on lease liabilities	**4,495**	—
Others	**423**	—
	6,597	75,829

11. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)
Accounts and other receivables	**(1,294)**	2,982
Loans to third parties	**(165)**	1,677
Loans to related parties	**(28)**	(265)
Amounts due from related parties	**653**	(180)
Financial assets at FVTOCI	**(59)**	(23)
Other financial assets	**28**	—
	(865)	4,191

Details of impairment assessment are set out in note 47.3.

12. INVESTMENT INCOME ARISING FROM CERTAIN INCIDENTAL AND ANCILLARY INVESTMENTS

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
		(restated)
Passive Investment Income from		
— Associates measured at fair value	**73,820**	19,491
— Unlisted investment funds at fair value	**53,446**	98,253
— Debt security investment	**—**	8,511
— Equity security investment	**(44,838)**	631
— Convertible notes	**(27,371)**	—
— Cash management products	**1,621**	25,162
— Others	**(3,930)**	9,991
	52,748	162,039

Investment income arising from certain incidental and ancillary investments represents certain passive investments made from time to time, the primary type of which include (i) investments in own private equity funds, (ii) investments in third-party private equity funds, (iii) investments in the form of preferred shares of other companies, and (iv) other passive equity holdings in non-associate companies and derivatives.

13. INCOME TAX EXPENSE

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
		(restated)
Current tax:		
Mainland China	**80,169**	80,028
Hong Kong	**520**	28,479
	80,689	108,507
Deferred tax (note 21):		
Current year	**(2,352)**	(10,852)
Total income tax expense	**78,337**	97,655

13. INCOME TAX EXPENSE (CONTINUED)

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% for both years, according to the local preferential tax policy.

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 Hong Kong dollars ("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, the Hong Kong profits tax of the qualifying group entity 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.

USA

The group entity incorporated in the USA is subject to the federal tax rate at 21% and state income tax rate at 6.5% for the both years.

Cayman Islands and British Virgin Islands ("BVI")

The Company and other group entities incorporated in Cayman Islands are not subject to income or capital gains tax under the law of Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

The group entities established in BVI are not subject to income tax or capital gains tax under the law of BVI.

13. INCOME TAX EXPENSE (CONTINUED)

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

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
		(restated)
Profit (loss) before tax	**388,592**	(1,553,832)
Income tax expense calculated at 25%	**97,148**	(388,458)
Effect of expenses that are not deductible	**7,299**	487,813
Effect of share of results of associates	**2,504**	(557)
Effect of share of results of a joint venture	**335**	—
Effect of income that are not taxable	**(33,625)**	(7,816)
Effect of tax losses not recognized	**17,428**	12,703
Utilization of tax losses previously not recognized	**(11,079)**	—
Effect of different tax rates of subsidiaries	**(1,673)**	(6,030)
Income tax expense	**78,337**	97,655

14. PROFIT (LOSS) FOR THE YEAR

Profit (loss) for the year has been arrived at after charging:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
		(restated)
Directors' remuneration:		
— Fees	**1,344**	1,620
— Salaries, bonus and other allowances	**19,085**	18,009
— Retirement benefit scheme contributions	**315**	190
— Equity-settled share-based payments expenses	**21,621**	26,203
Other staff costs:		
— Salaries, bonus and other allowances	**652,686**	746,435
— Retirement benefit scheme contributions	**24,878**	27,421
— Equity-settled share-based payments expenses	**53,286**	50,494
Total staff costs	**773,215**	870,372
Depreciation of property and equipment	**65,169**	23,256
Amortization of intangible assets	**11,182**	8,536
Losses on disposal of property and equipment	**131**	99
Auditor's remuneration	**6,977**	5,027

15. OTHER COMPREHENSIVE INCOME (EXPENSE)

	Year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)
Other comprehensive income (expense) includes:		
Item that will not be reclassified to profit or loss:		
Exchange difference on translation of financial statement from functional currency to presentation currency	**108,122**	237,661
Items that may be reclassified subsequently to profit or loss:		
Exchange difference arising on translation of financial statements of foreign operation:		
Exchange losses arising during the year	**(67,744)**	(164,103)
	(67,744)	(164,103)
Debt instruments measured at FVTOCI		
Fair value gains during the year	**575**	3,407
Reclassification adjustments for (gains) losses included in profit or loss	**(3,639)**	631
Reversal of impairment losses under expected credit losses model included in profit or loss	**(59)**	(23)
Income tax that may be reclassified subsequently	**781**	(1,003)
	(2,342)	3,012
Other comprehensive income, net of income tax	**38,036**	76,570

15. OTHER COMPREHENSIVE INCOME (EXPENSE) (CONTINUED)

Income tax effect relating to other comprehensive income (expense)

	Year ended December 31, 2019			Year ended December 31, 2018 (restated)		
	Before-tax amount RMB'000	**Tax expense RMB'000**	**Net-of-income tax amount RMB'000**	Before-tax amount RMB'000	Tax credit RMB'000	Net-of-income tax amount RMB'000
Item that will not be reclassified to profit or loss:						
Exchange difference on translation of financial statement from functional currency to presentation currency	**108,122**	**—**	**108,122**	237,661	—	237,661
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations	**(67,744)**	**—**	**(67,744)**	(164,103)	—	(164,103)
Fair value gain on:						
— debt instruments measured at FVTOCI	**(3,064)**	**766**	**(2,298)**	4,038	(1,009)	3,029
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss	**(59)**	**15**	**(44)**	(23)	6	(17)
	37,255	**781**	**38,036**	77,573	(1,003)	76,570

16. 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, 2019:

	Fees RMB'000	Salaries, bonus and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments expenses RMB'000	Total RMB'000
Executive directors					
Bao Fan (note 1)	–	8,273	143	17,472	25,888
Xie Yi Jing	–	4,281	140	1,503	5,924
Du Yongbo	–	6,531	32	2,646	9,209
Sub-total		19,085	315	21,621	41,021
Non-executive directors					
Shen Neil Nanpeng (note 2)	–	–	–	–	–
Li Eric Xun	–	–	–	–	–
Li Shujun (note 2)	–	–	–	–	–
Sub-total	–	–	–	–	–
Independent non-executive directors					
Yao Jue (note 3)	448	–	–	–	448
Ye Junying (note 3)	448	–	–	–	448
Zhao Yue (note 3)	448	–	–	–	448
Sub-total	1,344	–	–	–	1,344
Total	1,344	19,085	315	21,621	42,365

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

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

For the year ended December 31, 2018 (restated):

	Fees RMB'000	Salaries, bonus and other allowances RMB'000	Retirement benefit scheme contributions RMB'000	Equity-settled share-based payments expenses RMB'000	Total RMB'000
Executive directors					
Bao Fan (note 1)	446	8,983	113	23,356	32,898
Xie Yi Jing	796	3,153	33	927	4,909
Du Yongbo		4,347	30	927	5,304
Wang Xinwei (note 4)	—	1,526	14	993	2,533
Sub-total	1,242	18,009	190	26,203	45,644
Non-executive directors					
Shen Neil Nanpeng (note 2)	—	—	—	—	—
Li Eric Xun	—	—	—	—	—
Li Shujun (note 2)	—	—	—	—	—
Lin Ning (note 5)	—	—	—	—	—
Zhang Lianqing (note 5)	—	—	—	—	—
Sub-total	—	—	—	—	—
Independent non-executive directors					
Yao Jue (note 3)	126	—	—	—	126
Ye Junying (note 3)	126	—	—	—	126
Zhao Yue (note 3)	126	—	—	—	126
Sub-total	378	—	—	—	378
Total	1,620	18,009	190	26,203	46,022

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

Note 3: Appointed as independent non-executive director on September 14, 2018.

Note 4: Mr. Wang Xinwei resigned as executive director on June 15, 2018.

Note 5: Resigned as non-executive director on June 15, 2018.

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

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

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 restricted shares, in respect of their services to the Group under the restricted share scheme of the Company. Details of the restricted share scheme are set out in note 40.

The five highest paid individuals of the Group during the year included two directors (2018: one director), details of whose remuneration are set out as above. Details of the remuneration for the year of the remaining three (2018: four) highest paid employees who are neither director nor chief executive of the Company are as follows:

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
		(restated)
Salaries and other benefits	**16,382**	25,808
Equity-settled share-based payments expenses	**13,973**	9,211
Retirement benefit scheme contributions	**158**	—
	30,513	35,019

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	
	2019	2018
HK$9,500,001 to HK$10,000,000	**1**	2
HK$10,500,001 to HK$11,000,000	**—**	2
HK$12,000,001 to HK$12,500,000	**2**	—
	3	4

During the year, certain non-director and non-chief executive highest paid employees were granted restricted shares, in respect of their services to the Group under the restricted share scheme of the Company. Details of the restricted share scheme are set out in note 40 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, 2019 and 2018.

17. EARNINGS (LOSS) PER SHARE

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

	Year ended December 31, 2019	2018 (restated)
Earnings (loss) for the purpose of calculating basic and diluted earnings (loss) per share:		
Profits (loss) for the year attributable to owners of the Company (RMB'000)	**246,778**	(1,619,391)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	**500,079,515**	314,747,027
Effect of dilutive potential ordinary shares:		
Share options of the Group	**35,240,787**	—
Restricted share units of the Group	**1,411,908**	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) per share	**536,732,210**	314,747,027
Basic earnings (loss) per share (RMB)	**0.49**	(5.15)
Diluted earnings (loss) per share (RMB)	**0.46**	(5.15)

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

The weighted average number of shares for the purpose of basic and diluted loss per share for the years ended December 31, 2018 is calculated based on the assumption that the share subdivision on August 10, 2018 as disclosed in note 38 has been adjusted retrospectively.

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 per share for the year ended December 31, 2018 has not considered the effect of the convertible redeemable preferred shares and convertible notes given that the effect is anti-dilutive.

17. EARNINGS (LOSS) PER SHARE (CONTINUED)

For the year ended December 31, 2019, the share options and restricted share units 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 and restricted share units granted by the Company. No adjustment is made to earnings.

18. DIVIDENDS

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000
		(restated)
Dividends to the shareholders of the Company	–	102,243

No dividend was paid or proposed for shareholders of the Company during 2019, nor has any dividend been proposed since the end of the reporting period.

A cash dividend of US$3,599,000 (equivalent to approximately RMB23,875,000) 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 (equivalent to approximately RMB72,105,000) 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 (equivalent to approximately RMB72,105,000) 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 (equivalent to approximately RMB6,263,000) 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 (equivalent to approximately RMB6,263,000) in total. The transfer of abovementioned investments held by the Group has been completed by December 31, 2018.

19. PROPERTY AND EQUIPMENT

	Furniture and fixtures RMB'000	Electronic equipment RMB'000	Leasehold improvements RMB'000	Leased properties RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At January 1, 2018 (restated)	3,461	34,785	55,844	–	–	94,090
Additions	665	4,562	6,330	–	–	11,557
Disposal	–	(868)	–	–	–	(868)
Exchange adjustments	151	328	490	–	–	969
At December 31, 2018 (restated)	4,277	38,807	62,664	–	–	105,748
Adjustment upon application of IFRS 16	–	–	–	184,542	–	184,542
At January 1, 2019 (restated)	**4,277**	**38,807**	**62,664**	**184,542**	**–**	**290,290**
Additions	**286**	**5,139**	**5,045**	**38,240**	**317**	**49,027**
Disposal	**(234)**	**(1,686)**	**(2,669)**	**–**	**–**	**(4,589)**
Exchange adjustments	**63**	**176**	**319**	**1,230**	**–**	**1,788**
At December 31, 2019	**4,392**	**42,436**	**65,359**	**224,012**	**317**	**336,516**
DEPRECIATION						
At January 1, 2018 (restated)	(1,625)	(13,963)	(17,741)	–	–	(33,329)
Provided for the year	(899)	(10,108)	(12,249)	–	–	(23,256)
Eliminated on disposal	–	769	–	–	–	769
Exchange adjustments	(97)	(242)	(251)	–	–	(590)
At December 31, 2018 (restated)	(2,621)	(23,544)	(30,241)	–	–	(56,406)
Adjustment upon application of IFRS 16	–	–	–	(74,578)	–	(74,578)
At January 1, 2019 (restated)	**(2,621)**	**(23,544)**	**(30,241)**	**(74,578)**	**–**	**(130,984)**
Provided for the year	**(536)**	**(9,929)**	**(12,003)**	**(42,701)**	**–**	**(65,169)**
Eliminated on disposal	**214**	**1,396**	**2,669**	**–**	**–**	**4,279**
Exchange adjustments	**(51)**	**(138)**	**(164)**	**(227)**	**–**	**(580)**
At December 31, 2019	**(2,994)**	**(32,215)**	**(39,739)**	**(117,506)**	**–**	**(192,454)**
NET BOOK VALUES						
At January 1, 2018 (restated)	1,836	20,822	38,103	–	–	60,761
At December 31, 2018 (restated)	1,656	15,263	32,423	–	–	49,342
At December 31, 2019	**1,398**	**10,221**	**25,620**	**106,506**	**317**	**144,062**

The Group as lessee

	RMB'000
Expense relating to short-term leases with lease terms ended within 12 months of the date of initial application of IFRS 16	6,688
Total cash outflow for leases	44,058

19. PROPERTY AND EQUIPMENT (CONTINUED)

The Group as lessee (continued)

For both years, the Group leases various offices for its operations. Lease contracts are entered into for fixed term of 2 months to 7 years.

The Group entered into short-term leases for offices. As at December 31, 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 8.

20. INTANGIBLE ASSETS

	Domain name RMB'000	Office software RMB'000	Licenses RMB'000	Construction in progress RMB'000	Total RMB'000
COST					
At January 1, 2018 (restated)	432	26,421	8,985	5,258	41,096
Additions	—	7,458	—	1,783	9,241
Disposal	—	—	—	(1,517)	(1,517)
Transfers from construction in progress	—	2,208	—	(2,208)	—
Exchange adjustments	—	201	393	—	594
At December 31, 2018 (restated)	**432**	**36,288**	**9,378**	**3,316**	**49,414**
Additions	**—**	**4,263**	**—**	**24,682**	**28,945**
Transfers from construction in progress	**—**	**19,922**	**—**	**(19,922)**	**—**
Exchange adjustments	**—**	**(1)**	**138**	**1**	**138**
At December 31, 2019	**432**	**60,472**	**9,516**	**8,077**	**78,497**
ACCUMULATED AMORTIZATION					
At January 1, 2018 (restated)	(285)	(6,787)	—	—	(7,072)
Provided for the year	(43)	(8,493)	—	—	(8,536)
At December 31, 2018 (restated)	**(328)**	**(15,280)**	**—**	**—**	**(15,608)**
Provided for the year	**(43)**	**(11,139)**	**—**	**—**	**(11,182)**
At December 31, 2019	**(371)**	**(26,419)**	**—**	**—**	**(26,790)**
NET BOOK VALUES					
At January 1, 2018 (restated)	147	19,634	8,985	5,258	34,024
At December 31, 2018 (restated)	104	21,008	9,378	3,316	33,806
At December 31, 2019	**61**	**34,053**	**9,516**	**8,077**	**51,707**

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.

20. INTANGIBLE ASSETS (CONTINUED)

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 1% to 30% 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 RMB16.5 million as at December 31, 2019 (December 31, 2018: RMB16.4 million), exceeding the licenses' carrying value by RMB7.0 million (December 31, 2018: RMB7.0 million) as at December 31, 2019. As the recoverable amount was above the carrying value, no impairment was identified as at December 31, 2019 and 2018. The Group has performed a sensitivity analysis on key assumptions used in management's annual impairment test of intangible assets with indefinite useful life. Had the estimated discount rate during the forecast period been 1% higher/lower, the recoverable amount would be decreased/increased by RMB0.7 million as at December 31, 2019 (December 31, 2018: RMB0.7 million), which is still greater than the carrying amount. Reasonably possible changes in key assumptions would not lead to impairment as of December 31, 2019 and 2018. During the years ended December 31, 2019 and 2018, there was no impairment of licenses recognized.

21. 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,	
	2019	2018
	RMB'000	RMB'000
		(restated)
Deferred tax assets	**130,574**	106,425
Deferred tax liabilities	**(27,286)**	(7,656)
	103,288	98,769

21. DEFERRED TAX ASSETS/LIABILITES (CONTINUED)

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

	Impairment losses on assets RMB'000	Changes in fair value of financial instruments RMB'000	Tax loss RMB'000	Accrued bonus RMB'000	Temporary differences relating to right-of-use assets and lease liabilities RMB'000	Subtotal RMB'000	Changes in fair value of financial instruments RMB'000	Total RMB'000
At January 1, 2018 (restated)	2,189	–	68,521	22,966	–	93,676	(4,246)	89,430
Credit/(charge) to profit or loss	1,048	–	9,626	2,471	–	13,145	(2,293)	10,852
Charge to other comprehensive income	–		–	–		–	(1,003)	(1,003)
Exchange adjustments	36	–	(1,122)	690	–	(396)	(114)	(510)
At December 31, 2018 (restated)	3,273	–	77,025	26,127	–	106,425	(7,656)	98,769
Adjustments (Note 2)	–		–	–	1,053	1,053	–	1,053
At January 1, 2019 (restated)	**3,273**	**–**	**77,025**	**26,127**	**1,053**	**107,478**	**(7,656)**	**99,822**
(Charge)/credit to profit or loss	**(216)**	**14,700**	**10,864**	**(3,506)**	**544**	**22,386**	**(20,034)**	**2,352**
Credit to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**781**	**781**
Exchange adjustments	**(3)**	**174**	**130**	**389**	**20**	**710**	**(377)**	**333**
At December 31, 2019	**3,054**	**14,874**	**88,019**	**23,010**	**1,617**	**130,574**	**(27,286)**	**103,288**

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, 2019, the Group had unused tax losses amounting to RMB577,812,000 (December 31, 2018: RMB495,624,000), available for offset against future profits. As at December 31, 2019, deferred tax assets have been recognized in respect of tax losses of RMB367,207,000 (December 31, 2018: RMB323,751,000). As at December 31, 2019, no deferred tax asset has been recognized for the remaining tax losses of RMB210,605,000 (December 31, 2018: RMB171,873,000), due to the unpredictability of future profit streams. Unrecognized tax losses of RMB14,202,000 (December 31, 2018: RMB64,579,000) will expire in 2022 and 2024, respectively, and the remaining tax losses will be carried forward indefinitely.

22. INVESTMENTS IN ASSOCIATES

	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)
Investments in unlisted companies (a)	**64,501**	20,163
Investments in funds (b)	**596,014**	509,000
	660,515	529,163

(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, 2019	2018	Proportion of voting rights held by the Group At December 31, 2019	2018	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 1)	Cayman Islands	Cayman Islands	11.80%	11.80%	11.80%	11.80%	Wealth management
Guangzhou Zhan Ze Investment Management Limited ("GZZZ")	Guangzhou, PRC	PRC	20.00%	20.00%	20.00%	20.00%	Investment management
Beijing Yuan Ji Hua Yi Sheng Wu Technology Co., Ltd ("HYSW") (Note 1)	Beijing, PRC	PRC	13.64%	N/A	13.64%	N/A	Technology development
Beijing Jiushi Zhulu Technology Limited ("JSZL") (Note 2)	Beijing, PRC	PRC	45.22%	N/A	45.22%	N/A	Marketing and business information services

Notes:

1) The Group is able to exercise significant influence because it has the power to appoint one out of the five directors under the Articles of Association of respective investee.

2) In the prior year, the Group held a 56% interest in JSZL and accounted for as a subsidiary. With other shareholder's capital injection on February 28, 2019, the Group's equity interest was diluted to 45.22% and lost control on JSZL. The fair value of the Group's equity interest in JSZL at disposal date was RMB47,203,000, which was evaluated using discounted cash flow method based on the business development projection estimated at the disposal date (note 45). As at December 31, 2019, the operation and development of JSZL has deteriorated significantly, the carrying amount of the investment in JSZL is tested for impairment in accordance with IAS 36 by comparing its recoverable amount with its carrying amount, and impairment loss was recognized in other income, gains or losses.

22. INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) Investments in unlisted companies (continued)

None of above associates is individually material to the Group.

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

	As at December 31	
	2019	2018
	RMB'000	RMB'000
		(restated)
Cost of unlisted investments in associates	**107,997**	13,939
Share of post-acquisition profit or loss and other comprehensive income	**(4,000)**	6,016
Impairment loss	**(39,026)**	—
Exchange adjustments	**(470)**	208
	64,501	20,163

These 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 except for JSZL, there were no significant and adverse changes in the operation in these companies during the years ended December 31, 2019 and 2018, or in the technological, market, economic or legal environment in which these companies operate in the near future. Therefore, except for an impairment loss on investment in JSZL of RMB39,026,000 was recognized during the year ended December 31, 2019, no impairment losses on other investments in associates were recognized.

22. INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Investments in funds

The Group invested in associates that are investment funds it manages, and 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	
	2019	2018
	RMB'000	RMB'000 (restated)
Cost of investments in funds	**438,508**	409,628
Fair value change in funds (note)	**140,587**	91,321
Exchange adjustments	**16,919**	8,051
	596,014	509,000

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

	Place of incorporation	Ownership interest held As at December 31, 2019	2018
Material Funds			
Shanghai Huasheng Lingshi Venture Capital Partnership (Limited Partnership)	Shanghai, PRC	**1.94%**	1.94%
Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership) ("HSLF")	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%
Huaxing Capital Partners, III L.P.	Cayman Islands	**3.64%**	8.92%
East Image Limited	BVI	**20.50%**	20.50%
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)	Ningbo, PRC	**1.73%**	1.09%

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.

22. INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Investments in funds (continued)

Summarized financial information of material fund investments

	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)
Funds		
Shanghai Huasheng Lingshi Venture Capital Partnership (Limited Partnership)		
Net asset value	**1,423,334**	1,808,239
Total comprehensive (expense) income for the year	**(218,266)**	56,342
HSLF		
Net asset value	**9,272,443**	8,311,708
Total comprehensive income for the year	**1,919,871**	1,411,951
Huaxing Capital Partners, L.P.		
Net asset value	**693,696**	922,987
Total comprehensive (expense) income for the year	**(67,468)**	6,082
Huaxing Capital Partners, II L.P.		
Net asset value	**1,593,461**	1,712,738
Total comprehensive income for the year	**3,958**	380,934
Huaxing Capital Partners, III L.P.		
Net asset value	**932,559**	370,688
Total comprehensive expense for the year	**(348)**	(6,976)
East Image Limited		
Net asset value	**779,103**	611,418
Total comprehensive income (expense) for the year	**155,770**	(72,398)
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)		
Net asset value	**2,935,263**	1,266,440
Total comprehensive expense for the year	**(37,654)**	(44,131)

Aggregate information of fund investments that are not individually material

	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)
The Group's share of fair value change in funds	**9,989**	(621)
Carrying amount of the Group's investments in funds	**79,052**	95,836

23. INVESTMENT IN A JOINT VENTURE

Details of the Group's investment in a joint venture are as follows:

	As at December 31	
	2019	2018
	RMB'000	RMB'000 (restated)
Cost of unlisted investments in a joint venture	**7,000**	—
Share of post-acquisition profit or loss and other comprehensive income	**(1,339)**	—
Exchange adjustments	**(12)**	—
	5,649	—

Details of the Group's joint venture at the end of the reporting period are as follow:

Name of entity	Place of registration	Principal place of business	Proportion of ownership interest held by the Group At December 31, 2019	Proportion of ownership interest held by the Group At December 31, 2018	Proportion of voting rights held by the Group At December 31, 2019	Proportion of voting rights held by the Group At December 31, 2018	Principal activity
Shanghai Huayou Business Consulting Limited ("Huayou")	Shanghai, PRC	PRC	**35%**	N/A	**35%**	N/A	Consulting services

The Group and another three shareholders held 35%, 45%, 15% and 5% equity interests in Huayou, respectively. The Articles of Association specifies that at least two-third of the shareholding is required to approve for decision on directing the relevant activities of Huayou. Based on the current shareholding structure, decisions about relevant activities require mutual consent of the Group and the shareholder held 45% equity interests in Huayou, and hence the Group's interest in Huayou is accounted for as a joint venture. Investment in Huayou is not individually material.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)
Current		
Unlisted cash management products (Note i)	**2,613,525**	2,182,416
Money market funds (Note ii)	**78,370**	188,048
Listed financial bonds (Note iii)	**409,451**	69
Trust products (Note iv)	**121,006**	—
	3,222,352	2,370,533

	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)
Non-current		
Trust products (Note iv)	**27,820**	—
Listed equity security investments (Note v)	**97,806**	—
Unlisted investment funds at fair value (Note vi)	**414,015**	314,888
Unlisted debt security investments (Note vii)	**143,268**	173,947
Unlisted equity security investments (Note viii)	**724,517**	47,436
Warrant arising from investment in Sumscope (Note ix)	**—**	3,912
Restricted shares arising from investment in Sumscope (Note ix)	**2,093**	2,059
Call option for obtaining non-controlling interests (Note x)	**97,667**	96,771
	1,507,186	639,013

Note i: The Group purchased cash management products with expected rates of return per annum ranging from 1.46% to 3.13% as at December 31, 2019 (December 31, 2018: 3.60% to 4.40%). The fair values are based on cash flow discounted using the expected rate of return based on management judgement and are within level 2 of the fair value hierarchy.

Note ii: The Group invested in money market funds through its consolidated asset management schemes. 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.

Note iii: The Group invested in financial bonds with fixed interest rates ranging from 3.60% to 7.20% as at December 31, 2019 (December 31, 2018: 3.15% to 7.20%) 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.

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

Note iv: The Group invested in trust products with expected return rate ranging from 8.50% to 9.85% per annum as at December 31, 2019 (December 31, 2018: nil). As trust products held by the Group was managed within a business model whose objective is to sell the investment 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.

Note v: These investments represent equity investments in listed companies, and subsequent fair value change of the investments are recorded in the net investment gains in the consolidated statement of profit or loss and other comprehensive income.

Note vi: 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 fair value changes are recorded in the Passive Investment Income in the consolidated statement of profit or loss and other comprehensive income.

Note vii: These investments represent investments in the preferred shares of unlisted companies, and subsequent fair value change of the investments are recorded in the Passive Investment Income in the consolidated statement of profit or loss and other comprehensive income.

Note viii: These investments represent equity investments in the unlisted companies, and subsequent fair value change of the investments are recorded in the Passive Investment Income in the consolidated statement of profit or loss and other comprehensive income.

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 (equivalent to approximately RMB69 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 (equivalent to approximately RMB96 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. The investments in preferred shares, warrant and restricted shares are measured at fair value, and changes in fair value are recognised in profit or loss. The warrant was exercised during the year of 2019. 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. The fair value as at December 31, 2019 amounted to RMB97,667,000 (December 31, 2018: RMB96,771,000). 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 and the estimate of the exercisability of the call option.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)
Current		
Listed financial bonds	–	355,741

The Group does not have any listed financial bonds recognized as financial assets at FVTOCI as of December 31, 2019.

The total cost of the financial bonds as of December 31, 2018 was RMB343,143,000 and the fair value as of December 31, 2018 was RMB355,741,000, 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 RMB59,000 as of December 31, 2018 was recognized in other reserves.

26. LOANS TO THIRD PARTIES

	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)
Current		
Shenzhen Qianhai Dadao Financial Service Co., Ltd. ("QD") (note a)	–	20,328
Tianjin Airuijie Enterprise Management Partnership (Limited Partnership) ("ARJ") (note b)	7,061	6,662
Ningbo Free Trade Zone YingWeiLi Management LP ("YWL") (note c)	33,089	–
Less: Impairment loss allowance	(1,905)	(540)
	38,245	26,450

26. LOANS TO THIRD PARTIES (CONTINUED)

	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)
Non-current		
YWL (note c)	–	33,029
Winsor Holdings LLC ("WH") (note d)	**34,401**	30,440
Beijing Yuanjing Mingde Management Advisory Co., Ltd. ("YJMD") (note e)	**31,052**	31,052
Less: Impairment loss allowance	**(390)**	(1,890)
	65,063	92,631

Notes:

a. In October 2018, the Group entered into a loan agreement with QD, a third party. A loan amounting to RMB20,000,000, 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 was repaid in 2019.

b. In July 2018, the Group entered into an agreement with ARJ, a third party. A loan amounting to RMB6,500,000, at an interest rate of 6% per annum was made to ARJ in July 2018. The loan was unsecured. The Group renewed the agreement in August 2019 to provide additional RMB10,000 loan to ARJ and extended the loan maturity for one year.

c. In December 2017, the Group entered into a loan agreement with YWL, a third party. A loan amounting to RMB33,000,000, 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 (equivalent to approximately RMB27,786,000) as at December 31, 2019 (December 31, 2018: US$3,983,000, equivalent to approximately RMB27,336,000), 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, 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.

Details of impairment assessment of loans to third parties for the year ended December 31, 2019 and 2018 are set out in note 47.3.

27. OTHER FINANCIAL ASSETS

	As at December 31, 2019 RMB'000	2018 RMB'000
Current		
Notes receivable (note a)	**142,709**	—
Less: Impairment loss allowance	**(14)**	—
	142,695	—

	As at December 31, 2019 RMB'000	2018 RMB'000
Non-current		
Private equity fund with fixed interest rate (note b)	**139,664**	—
Less: Impairment loss allowance	**(14)**	—
	139,650	—

Notes:

a. On June 18, 2019, the Group purchased notes issued by Evergrande Real Estate Group Limited with a par value of HK$195 million (equivalent to approximately RMB174,677,000) at consideration of HK$187.3 million (equivalent to approximately RMB167,743,000), and disposed HK$29.8 million (equivalent to approximately RMB26,666,000) during the year ended December 31, 2019. The floating interest rate is higher of 8% per annum and 3-month Hibor plus Margin and the maturity date is October 15, 2020. As the Group intends to hold this investment until the maturity date and its contractual cash flow is solely payments of principal and interest, the note receivable is recognized using the amortized cost method.

b. On December 17, 2019, the Group invested in a private equity fund with principal amounting to US$20,020,000 (equivalent to approximately RMB139,664,000), and the fixed interest rate is 7% per annum. The repayment of the investment principal and interest income was guaranteed by a related party of the fund's general partner. The maturity date is the third anniversary of the investment origination. As the Group intends to hold this investment until the maturity date and its contractual cash flow is solely payments of principal and interest, the investment is recognized using the amortized cost method.

Details of impairment assessment of other financial assets for the year ended December 31, 2019 and 2018 are set out in note 47.3.

28. ACCOUNTS AND OTHER RECEIVABLES

	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)
Accounts receivables		
— Accounts receivable (Note i)	**139,634**	295,195
— Open trade receivable (Note ii)	**584,285**	99,461
Advance to suppliers	**23,126**	21,041
Other receivables		
— Refundable deposits	**95,881**	158,641
— Staff loans	**22,324**	—
— Value-added tax recoverable	**7,688**	10,551
Others (Note iii)	**7,896**	49,956
Subtotal	**880,834**	634,845
Less: Impairment loss allowance	**(1,740)**	(4,110)
Total	**879,094**	630,735

As at January 1, 2018, accounts receivable amounted to RMB158,469,000.

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, 2019 RMB'000	2018 RMB'000 (restated)
0–30 days	**114,698**	105,349
31–60 days	**15,800**	655
61–90 days	**502**	157,400
91–180 days	**5,873**	17,831
181–360 days	**1,561**	1,476
Over 1 year	**214**	9,663
	138,648	292,374

Details of impairment assessment of accounts and other receivables for the year ended December 31, 2019 and 2018 are set out in note 47.3.

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: An aggregated amount of RMB40,307,000 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.

29. TERM DEPOSITS

Term deposits represent short-term bank deposits at effective interest rates ranging from 1.94% to 2.60% as at December 31, 2019 (from 2.25% to 3.24% as at December 31, 2018).

30. CASH AND CASH EQUIVALENTS, CASH HELD ON BEHALF OF BROKERAGE CLIENTS AND PLEDGED BANK DEPOSITS

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 1.47% (December 31, 2018: 0.30% to 1.85%) per annum.

The Group maintains segregated deposit account to hold cash on behalf of brokerage clients arising from its brokerage business, amounting to RMB685,842,000 as at December 31, 2019 (December 31, 2018: nil). The Group has recognized the corresponding amount in payable to brokerage clients (note 31 and 43).

The pledged bank deposits of US$16,500,000 (equivalent to approximately RMB115,107,000) and US$19,500,000 (equivalent to approximately RMB136,036,000) carry fixed interest rate of 2.48% and 2.32% per annum, respectively (December 31, 2018: nil). Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The pledged bank deposits will be released after the settlement of all relevant secured bank borrowings as disclosed in note 33. As deposits have been pledged to secure short-term bank loans and are therefore classified as current assets.

31. ACCOUNTS AND OTHER PAYABLES

	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)
Salaries, bonus and other benefit payables	**381,040**	447,879
Open trade payable (note)	**584,285**	99,461
Payable to brokerage clients (note)	**232,933**	—
Other payables	**37,298**	31,020
Consultancy fee payables	**18,735**	17,869
Carried interests to management team and other parties	**3,561**	—
Other tax payables	**14,679**	15,062
Accrued listing expenses and issue costs	**2,016**	7,652
Accrued expenses	**12,243**	3,853
	1,286,790	622,796

Note: No aging analysis is disclosed in the opinion of the directors of the Company, the aging analysis does not give additional value to the readers of these consolidated financial statements in view of the nature of these business.

32. CONTRACT LIABILITIES

	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)
Prepaid management fees	**27,656**	39,090
Advance from related parties (note 43)	**3,617**	1,859
Advance from customers	**4,088**	6,359
	35,361	47,308
Less: non-current portion	**(13,747)**	(18,827)
	21,614	28,481

As at January 1, 2018, the contract liabilities amounted to RMB46,974,000.

32. 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,	
	2019	2018
	RMB'000	RMB'000
		(restated)
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	**28,481**	22,122

33. BANK BORROWINGS

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
Secured bank borrowing at fixed rate	**99,478**	—
Unsecured bank borrowing at fixed rate	**30,026**	—
Total	**129,504**	—

From July 2019 to December 2019, under the credit facilities of RMB300,000,000 from China Merchants Bank for the purpose of daily operation in mainland China, the Group utilized loan of RMB99,356,000 and was expected to be repaid from July 2020 to December 2020. The interest rate is 4.35% per annum. These loans were secured by a pledge of US$ deposits of US$36,000,000 (equivalent to approximately RMB251,143,000).

From July 2019 to December 2019, under the credit facilities of RMB40,000,000 from Bank of Hangzhou for the purpose of daily operation in mainland China, the Group utilized loan of RMB30,000,000 and was expected to be repaid from July 2020 to December 2020. The interest rate is 5.22% per annum.

On October 23, 2017, the Group entered into a borrowing agreement with ICBCI Investment Management Limited for total facilities of US$200,000,000 (the "ICBCI Loan") (equivalent to approximately RMB1,326,760,000). The Group utilized loan of US$150,000,000 (equivalent to approximately RMB995,070,000) on November 17, 2017. 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. Upon the completion of the Company's Initial Public Offering ("IPO"), all outstanding borrowings, together with accrued interest thereon and all other amounts outstanding were repaid on September 28, 2018. 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.

34. LEASE LIABILITIES

	As at December 31, 2019 RMB'000
Lease liabilities payable:	
Within one year	**53,461**
Within a period of more than one year but not more than two years	**40,857**
Within a period of more than two years but not more than five years	**16,019**
	110,337
Less: Amount due for settlement with 12 months shown under current liabilities	**(53,461)**
Amount due for settlement after 12 months shown under non-current liabilities	**56,876**

35. CONVERTIBLE NOTES

On May 8, 2018, the Company issued convertible notes with an aggregate principal amount of US$86,000,000 (equivalent to approximately RMB570,506,000), 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 38).

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 (equivalent to approximately RMB26,535,000) 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%.

35. CONVERTIBLE NOTES (CONTINUED)

Conversion (continued)

The movement of the liability component of convertible notes is set out below:

	RMB'000
Carrying amount at January 1, 2018 (restated)	—
Issuance of convertible notes	543,971
Interest charge up to September 27, 2018	15,885
Conversion of convertible notes into ordinary shares	(559,856)
As at December 31, 2018	—

36. 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 (equivalent to approximately RMB199,014,000).

On August 10, 2015, the Company and four third party investors-Bamboo Prime, L.P. ("Bamboo"), Greenhouse CR Holdings II Co., Ltd. ("Greenhouse"), JenCap CR ("JenCap") and Smart Group Global Limited ("Smart Group") (collectively, the "Series B Investors") entered into a purchase agreement whereby the Company issued in aggregate 16,304,348 Series B preferred shares ("Series B Preferred Shares") for gross proceeds of US$100,000,000 (equivalent to approximately RMB663,379,000). 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 (equivalent to approximately RMB66,338,000). In addition, the convertible notes previously issued by the Company 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 set out in the Group's annual financial statements for the year ended December 31, 2018.

36. CONVERTIBLE REDEEMABLE PREFERRED SHARES (CONTINUED)

The movement of the convertible redeemable preferred shares is set out below:

	RMB'000
At January 1, 2018 (restated)	1,716,212
Changes in fair value up to September 27, 2018	1,939,356
Conversion of Series A Preferred Shares into ordinary shares	(1,530,120)
Conversion of Series B Preferred Shares into ordinary shares	(2,151,603)
Effect of exchange rate change	26,155
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.

37. RECOMCILIATION 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.

37. RECOMCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Bank borrowings RMB'000	Lease liabilities RMB'000	Accrued issue costs RMB'000	Dividend payable RMB'000	Payables to interest holders of consolidated structured entities RMB'000	Total RMB'000
At December 31, 2018 (restated)	—	—	467	—	184,880	185,347
Adjustment upon application of IFRS 16	—	113,282	—	—	—	113,282
As at January 1, 2019 (restated)	**—**	**113,282**	**467**	**—**	**184,880**	**298,629**
Financing cash flows	**127,799**	**(44,058)**	**(467)**	**(7,543)**	**540,075**	**615,806**
Non-cash changes:						
Accrued interest expense	**1,679**	**4,495**	**—**	**—**	**—**	**6,174**
New leases entered	**—**	**34,823**	**—**	**—**	**—**	**34,823**
Dividends declared to non-controlling shareholders	**—**	**—**	**—**	**7,543**	**—**	**7,543**
Investment gain attributable to other holders of consolidated funds	**—**	**—**	**—**	**—**	**19,605**	**19,605**
Investment loss attributable to other holders of consolidated asset management schemes	**—**	**—**	**—**	**—**	**(2,919)**	**(2,919)**
Effect of exchange rate change	**26**	**1,795**	**—**	**—**	**5,643**	**7,464**
At December 31, 2019	**129,504**	**110,337**	**—**	**—**	**747,284**	**987,125**

37. RECOMCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

	Bank borrowings RMB'000	Convertible redeemable preferred shares RMB'000	Convertible notes RMB'000	Accrued issue costs RMB'000	Dividend payable RMB'000	Payables to interest holders of consolidated structured entities RMB'000	Total RMB'000
At January 1, 2018 (restated)	989,256	1,716,212	–	–	–	34,456	2,739,924
Financing cash flows	(1,064,279)	–	543,971	(80,614)	(41,390)	134,740	(507,572)
Non-cash changes:							
Accrued interest expense	59,944	–	15,885	–	–	–	75,829
Accrued issue costs	–	–	–	81,066	–	–	81,066
Fair value changes of convertible redeemable preferred shares	–	1,939,356	–	–	–	–	1,939,356
Conversion of convertible redeemable preferred shares to ordinary shares	–	(3,681,723)	–	–	–	–	(3,681,723)
Conversion of convertible notes to ordinary shares	–	–	(559,856)	–	–	–	(559,856)
Dividends declared to shareholders and non-controlling shareholders	–	–	–	–	41,390	–	41,390
Investment gain attributable to other holders of consolidated funds	–	–	–	–	–	11,622	11,622
Investment gain attributable to other holders of consolidated asset management schemes	–	–	–	–	–	(1,730)	(1,730)
Effect of exchange rate change	15,079	26,155	–	15	–	5,792	47,041
At December 31, 2018 (restated)	–	–	–	467	–	184,880	185,347

Note: The cash flows from bank borrowing, lease liabilities, convertible redeemable preferred shares, convertible notes, dividend payable, payables to interest holders of consolidated structured entities and accrued issue costs make up the net amount of proceeds and repayments in the consolidated statement of cash flows.

38. SHARE CAPITAL

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 RMB2,204,889,000), after deducting all capitalized listing related expenses. Out of the net proceeds from IPO, US$332,371,000 (equivalent to approximately RMB2,204,885,000) was credited to the Company's share premium account.

As of December 31, 2019, the authorized share capital of the Company was US$50,000 made up of 2,000,000,000 ordinary shares with a par value of US$0.000025 made each.

38. 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$	Amount shown in the financial statement RMB
Authorized				
At January 1, 2018	500,000,000	0.0001	50,000	
Share Subdivision	1,500,000,000		—	
At December 31, 2018 and 2019	2,000,000,000	0.000025	50,000	
Issued				
At January 1, 2018	60,000,000	0.0001	6,000	38,830
Shares issued to the Trusts (note 40)	10,000,000	0.0001	1,000	6,634
Exercise of share options before the Share Subdivision (note 40)	3,819,500	0.0001	382	2,534
Subtotal	73,819,500	0.0001	7,382	47,998
Share Subdivision	221,458,500		—	—
After Share Subdivision	295,278,000	0.000025	7,382	47,998
Issuance of ordinary shares	85,008,000	0.000025	2,125	14,097
Conversion of convertible notes into ordinary shares (note 35)	23,783,664	0.000025	595	3,947
Conversion of Series A Preferred Shares into ordinary shares (note 36)	60,000,000	0.000025	1,500	9,951
Conversion of Series B Preferred Shares into ordinary shares (note 36)	84,369,948	0.000025	2,109	13,991
Shares repurchased and cancelled (note)	(4,576,200)	0.000025	(114)	(756)
At January 1, 2019	543,863,412	0.000025	13,597	89,228
Shares repurchased and cancelled (note)	(3,878,400)	0.000025	(97)	(668)
Exercise of share options (note 40)	1,394,000	0.000025	35	240
At December 31, 2019	541,379,012		13,535	88,800

38. SHARE CAPITAL (CONTINUED)

	As at December 31	
	2019	2018
	RMB$'000	RMB$'000
		(restated)
Presented as	**89**	89

Note: The Company repurchased its own shares through the Stock Exchange as follows:

2019

Month of repurchases	No. of ordinary shares	Price paid per share		Aggregate consideration paid (including expenses)
		Highest RMB Equivalent	Lowest RMB Equivalent	RMB'000
January 2019	**138,300**	**18.84**	**17.78**	**2,475**
May 2019	**1,337,700**	**16.14**	**14.45**	**20,105**
June 2019	**443,800**	**15.59**	**14.11**	**6,322**
July 2019	**1,135,700**	**15.12**	**14.39**	**16,057**
August 2019	**127,400**	**12.55**	**12.55**	**1,572**
September 2019	**236,200**	**12.56**	**12.44**	**2,923**
November 2019	**81,000**	**13.59**	**13.46**	**1,082**
December 2019	**283,700**	**13.74**	**12.61**	**3,551**
	3,783,800			**54,087**

During the year ended December 31, 2019, 3,783,800 ordinary shares of the Company were repurchased at an aggregate cost of HK$61,375,000 (equivalent to approximately RMB54,087,000). As of December 31, 2019, out of 3,783,800 ordinary shares repurchased, 3,773,800 ordinary shares were cancelled during the year ended December 31, 2019 while the remaining 10,000 ordinary shares were cancelled in February 2020.

38. SHARE CAPITAL (CONTINUED)

Note: The Company repurchased its own shares through the Stock Exchange as follows: (continued)

2018 (restated)

Month of repurchases	No. of ordinary shares	Price paid per share		Aggregate consideration paid (including expenses)
		Highest RMB Equivalent	Lowest RMB Equivalent	RMB'000
October 2018	1,095,100	13.47	12.54	14,291
November 2018	3,357,000	20.03	13.47	60,256
December 2018	228,700	18.44	16.32	4,044
	4,680,800			78,591

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 RMB78,591,000). As of December 31, 2018, out of 4,680,800 ordinary shares repurchased, 4,576,200 ordinary shares were cancelled during the year ended December 31, 2018 while the remaining 104,600 ordinary shares were cancelled in January 2019.

39. NON-CONTROLLING INTERESTS

	2019 RMB'000	2018 RMB'000 (restated)
Balance at beginning of the year	**1,454,900**	1,496,388
Total comprehensive income (expense) for the year	**62,278**	(30,553)
Acquisition of additional equity interests from non-controlling interests	**—**	(13)
Capital contribution from non-controlling interests	**5,514**	999
Capital reduction from non-controlling interests	**(363)**	—
Disposal of a subsidiary	**(1,746)**	(669)
Dividend distribution	**(7,543)**	(11,252)
Balance at end of the year	**1,513,040**	1,454,900

40. SHARE-BASED PAYMENTS

(a) Details of the employee share option scheme of the Company

The employee share option scheme of the Company (the "Scheme") was adopted pursuant to a resolution passed on August 24, 2012 for the primary purpose of providing incentives to eligible employees. The maximum number of shares that may be issued under the Scheme shall be 18,750,000 ordinary shares. Subsequently in 2015, the maximum number was approved to be expanded to 22,826,087 ordinary shares. 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:

Date of grant	Number of shares	Exercise price
05.11.2012	275,000	US$1.0
01.01.2013	300,000	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

All of these number of shares are before the Share Subdivision.

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 (equivalent to approximately RMB2,797,000) 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 (equivalent to approximately RMB1,829,000) 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.

40. 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 01.01.2019	Granted during 2019	Exercised during 2019	Forfeited during 2019	Cancelled during 2019	Outstanding at 31.12.2019
Employees:								
05.11.2012	1.0	0.25	540,000	–	–	–	–	540,000
01.01.2013	1.0	0.25	1,200,000	–	(300,000)	–	–	900,000
13.05.2013	1.0	0.25	300,000	–	–	–	–	300,000
01.01.2014	1.0	0.25	2,600,000	–	(465,000)	(240,000)	–	1,895,000
01.01.2015	1.0	0.25	9,980,000	–	(95,000)	–	–	9,885,000
01.10.2015	1.0	0.25	200,000	–	–	–	–	200,000
01.01.2016	1.0	0.25	350,000	–	–	–	–	350,000
01.01.2016	2.5	0.625	5,020,000	–	(150,000)	(1,480,000)	–	3,390,000
01.07.2016	2.5	0.625	800,000	–	(100,000)	–	–	700,000
01.01.2017	2.5	0.625	200,000	–	(50,000)	–	–	150,000

40. SHARE-BASED PAYMENTS (CONTINUED)

(a) Details of the employee share option scheme of the Company (continued)

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 01.01.2019	Granted during 2019	Exercised during 2019	Forfeited during 2019	Cancelled during 2019	Outstanding at 31.12.2019
Executive directors:								
Bao Fan	2.5	0.625	16,000,000	–	–	–	–	16,000,000
			16,000,000	–	–	–	–	16,000,000
Employees	2.5	0.625	6,092,000	–	(176,000)	(900,000)	–	5,016,000
01.04.2017	2.5	0.625	22,092,000	–	(176,000)	(900,000)	–	21,016,000
Employees: 01.10.2017	2.5	0.625	800,000	–	–	(480,000)	–	320,000
Executive directors:								
Bao Fan	3.0	0.75	400,000	–	–	–	–	400,000
Du Yongbo	3.0	0.75	400,000	–	–	–	–	400,000
Xie Yi Jing	3.0	0.75	400,000	–	–	–	–	400,000
			1,200,000	–	–	–	–	1,200,000
Employees	3.0	0.75	11,500,000	–	(58,000)	(2,340,000)	–	9,102,000
01.04.2018	3.0	0.75	12,700,000	–	(58,000)	(2,340,000)	–	10,302,000
			56,782,000	–	(1,394,000)	(5,440,000)	–	49,948,000
Exercisable at the end of the year								23,093,333
Weighted average exercise price			US$0.55	–	US$0.40	US$0.66	–	US$0.55

40. 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:

			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
Employees:											
05.11.2012	1.0	0.25	275,000	–	(140,000)	–	–	–	–	405,000	540,000
01.01.2013	1.0	0.25	300,000	–	–	–	–	–	–	900,000	1,200,000
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	–	(120,000)	–	–	–	–	3,765,000	5,020,000
01.07.2016	2.5	0.625	250,000	–	(10,000)	–	–	(40,000)	–	600,000	800,000
01.01.2017	2.5	0.625	350,000	–	–	(300,000)	–	–	–	150,000	200,000

Note: All of the movements occurred before the Share Subdivision.

40. SHARE-BASED PAYMENTS (CONTINUED)

(a) Details of the employee share option scheme of the Company (continued)

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
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.

40. 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	05.11.2012
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	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	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%	40.00%
Expected life (years)	10	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%	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%	0.00%

The weighted average remaining contractual life of share options outstanding as at December 31, 2019 was 7.11 years (2018: 8.17 years).

A share-based compensation expenses of RMB52,208,000 for share options has been recognized in profit or loss for the year ended December 31, 2019 (2018: RMB76,697,000).

40. SHARE-BASED PAYMENTS (CONTINUED)

(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. The Trusts purchase the Company's shares in the open market using cash contributed by the Company to satisfy awards made under the share award scheme. For the year ended December 31, 2019, the Trusts purchased 4,496,940 shares of the Company in the open market at a total consideration of RMB69,176,000 for the RSU Plan.

(1) Time-based RSU

On April 1, 2019, the Company granted 4,626,909 time-based RSU to employees and non-employees, and will be vested yearly over four years with yearly instalments after April 1, 2019. The Group used share price of HK$21.60 on April 1, 2019 and discount for lack of marketability ("DLOM") of 13.66% to determine the fair value of the time-based RSU, as 40%, 30% and 10% of vested shares cannot be disposed of during the lockup period of three years from vested date.

On October 1, 2019, the Company granted 500,000 time-based RSU to employees, and will be vested yearly over four years with yearly instalments after October 1, 2019. The Group used share price of HK$15.14 on October 1, 2019 and DLOM of 13.32% to determine the fair value of the time-based RSU, as 40%, 30% and 10% of vested shares cannot be disposed of during the lockup period of three years from vested date.

On October 1, 2019, the Company granted 100,000 time-based RSU to employees, of which 50% will be vested on October 1, 2021 and 50% will be vested yearly over two years with yearly instalments after October 1, 2021. The Group used share price of HK$15.14 on October 1, 2019 and DLOM of 13.83% to determine the fair value of the time-based RSU, as 40%, 30% and 10% of vested shares cannot be disposed of during the lockup period of three years from vested date.

No time-based RSU vested or forfeited during the year ended December 31, 2019, and 5,226,909 shares of time-based RSU were outstanding as at December 31, 2019.

(2) Performance-based RSU

On April 1, 2019, the Company granted 1,429,879 performance-based RSU to employees, and will be vested on the date that is four years following the vesting commencement date of July 1, 2019 only if the performance conditions of the Company's average share price has been satisfied. 40%, 30% and 10% of vested shares cannot be disposed of during the lockup period of three years from vested date.

40. SHARE-BASED PAYMENTS (CONTINUED)

(c) Details of the employee restricted share scheme of the Company (continued)

(2) Performance-based RSU (continued)

The valuation of the performance-based RSU was performed by an independent qualified professional valuation firm. Performance-based RSU were priced using binomial option-pricing and Black Scholes model. The main inputs used in the model include grant date share price, performance target share price, expected life, expected volatility, risk-free interest rate, expected dividend yield and DLOM.

	April 1, 2019
Grant date share price	**HK$21.60**
Performance target share price	**HK$40.00**
Expected life	**4.3 years**
Expected volatility	**36.00%**
Risk-free interest rate	**1.40%**
Expected dividend yield	**0.00%**
DLOM	**6.00%**

No performance-based RSU vested or forfeited during the year ended December 31, 2019, and 1,429,879 shares of performance-based RSU were outstanding as at December 31, 2019.

Share-based compensation expenses of RMB22,699,000 for restricted shares has been recognised in profit or loss for the year ended December 31, 2019 (2018: nil).

41. RETIREMENT BENEFITS SCHEMES

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the scheme 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 14.

42. MAJOR NON-CASH TRANSACTIONS

During the year ended December 31, 2019, the Group entered into a new lease agreement for the use of leased properties for 2 to 3 years. On the lease commencement, the Group recognised RMB38,240,000 of leased properties and RMB34,823,000 of lease liabilities.

On May 22, 2018, the Group entered into a series of agreements to dispose of its 30% equity interest in Shanghai Fan Run Technology Co., Ltd ("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 RMB19,999,000, which exceeded the net carrying amount of RMB15,422,000, and the gain from the disposal of RMB4,577,000 was recognized.

A special dividend of US$10,870,000 (equivalent to approximately RMB72,105,000) 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 (equivalent to approximately RMB72,105,000) 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.

43. 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

	Note	As at December 31, 2019 RMB'000	As at December 31, 2018 RMB'000 (restated)
HSLF	i(a)	–	1,385
Less: Impairment loss allowance		–	(28)
		–	1,357

43. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Amounts due from related parties

Amounts due from related parties — trade nature

	As at December 31, 2019 RMB'000	2018 RMB'000 (restated)
Huaxing Yihui LLC	**—**	2,323
Huaxing Capital Partners, L.P.	**3,321**	6,191
Huaxing Capital Partners II, L.P.	**31,853**	19,793
Green Galaxy LLC	**—**	871
CR HB XI Venture Feeder, LP	**307**	—
Glory Galaxy LLC	**—**	57
Huaxing Growth Capital III, L.P.	**2,363**	1,557
Shenzhen Huashi Pengyi Investment Partnership (Limited Partnership) ("HSPY")	**4,012**	—
Less: Impairment loss allowance	**(551)**	(312)
	41,305	30,480

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 and carried interest provided by the Group, which is non-interest bearing.

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, 2019 RMB'000	2018 RMB'000 (restated)
0–30 days	**8,858**	4,400
31–60 days	**2,183**	2,786
61–90 days	**2,184**	2,775
91–180 days	**6,572**	8,358
181–360 days	**21,508**	12,161
	41,305	30,480

43. 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, 2019 RMB'000	2018 RMB'000 (restated)
Huaxing Capital Partners II, L.P.	ii	—	14
Dazi Huashun Investment Consulting Co., Ltd.	iii(a)	—	20
Dazi Chonghua Enterprise Management Co., Ltd.	iii(b)	**5,304**	5,301
Du Yongbo	iv	**2,700**	—
East Image Limited	ii	**42**	—
HSPY	ii	**3,800**	—
Less: Impairment loss allowance		**(565)**	(133)
		11,281	5,202

Advance to related parties

	Notes	As at December 31, 2019 RMB'000	2018 RMB'000
JSZL	v(a)	**321**	—
Beijing Pengyang Enterprise Management Co., Ltd. ("PYEM")	vi(a)	**474**	—
		795	—

43. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Amounts due to related parties

Amounts due to related parties — trade nature

	Notes	As at December 31, 2019 RMB'000	2018 RMB'000
HSLF	i(b)	**218,948**	—
FBH Partners Limited ("FBH")	vii(a)	**307**	—
Bao Fan	vii(a)	**202**	—
CR High Growth I, L.P.	viii	**172,807**	—
Ray Galaxy Limited	viii	**3,725**	—
Fortune Triumph Holdings Limited	viii	**4,423**	—
Sky Galaxy Investment Limited	viii	**3,432**	—
World Legend Limited	viii	**9,990**	—
CR Leading Future Limited	viii	**39,075**	—
JSZL	v(b)	**921**	—
		453,830	—

The credit period granted by the related parties ranges from 30 to 360 days. Aging of amounts due to related parties—trade nature are as follows:

	As at December 31, 2019 RMB'000	2018 RMB'000
0–30 days	**453,300**	—
31–60 days	**77**	—
61–90 days	**77**	—
91–180 days	**223**	—
181–360 days	**153**	—
	453,830	—

43. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Amounts due to related parties (continued)

Advance from related parties

	At 31 December	
	2019	2018
	RMB'000	RMB'000
		(restated)
Shanghai Huasheng Lingshi Venture Investment Partnership (Limited Partnership)	**264**	295
Ningbo Meishan Bonded Port Area Huahao Investment Management Partnership (Limited Partnership)	**711**	710
Shanghai Peixi Investment Management Partnership (Limited Partnership)	**655**	854
HSLF	**1,604**	—
Shenzhen Huasheng Lingxiang Equity Investment Partnership (Limited Partnership)	**383**	—
	3,617	1,859

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:

		Year ended December 31,	
		2019	2018
	Notes	**RMB'000**	RMB'000
Marketing service from:			
JSZL	v(c)	**1,544**	—

43. 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, 2019 RMB'000	2018 RMB'000 (restated)
Fund raising commission to:			
PYEM	vi(b)	**496**	—
Dazi Huasheng Venture Investment Partnership (Limited Partnership)	ix	**331**	836

	Notes	Year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)
Consulting service to:			
Huayou	x	**469**	—
Genus	xi	**—**	1,045
JSZL	v(d)	**662**	—
Beijing RaiseTech Holding limited	xii	**5,571**	—

	Year ended December 31, 2019 RMB'000	2018 RMB'000
Realized carried interest income from:		
HSPY	**3,965**	—
Huaxing Capital Partners, L.P.	**38,079**	—

Funds managed by the Group, and the Group recognized carried interest from these entities during the year ended December 31, 2019.

	Notes	Year ended December 31, 2019 RMB'000	2018 RMB'000
Accrued carried interest to:			
FBH	vi(b)	**8,949**	—
High Fortune Investments Limited	iii(c)	**1,700**	—

43. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Transactions conducted with related parties during the year are listed out below: (continued)

	Year ended December 31,	
	2019	2018
	RMB'000	RMB'000 (restated)
Management fees from:		
Huaxing Capital Partners L.P.	**3,261**	6,846
Huaxing Capital Partners II, L.P.	**23,055**	21,096
Shenzhen Huasheng Lingxiang Equity Investment Partnership (Limited Partnership)	**771**	—
Shanghai Huasheng Lingshi Venture Investment Partnership (Limited Partnership)	**18,915**	19,326
HSLF	**100,717**	102,363
Huajie (Tianjin) Health Investment Partnership (Limited Partnership)	**19,724**	20,363
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)	**123,563**	85,237
Ningbo Meishan Bonded Port Area Huaxing Linghong Equity Investment Partnership (Limited Partnership)	**17,566**	19,256
Green Galaxy LLC	**1,000**	842
Huaxing Yihui LLC	**2,516**	2,246
Glory Galaxy LLC	**134**	55
Huaxing Growth Capital III, L.P.	**86,843**	2,498
Shanghai Peixi Investment Management Partnership (Limited Partnership)	**849**	842
CR HB XI Venture Feeder, L.P.	**496**	344
Ningbo Meishan Bonded Port Area Huahao Investment Management Partnership (Limited Partnership)	**1,698**	1,039
Shanghai Huasheng Lingjin Equity Investment Partnership (Limited Partnership)	**358**	591
Tianjin Huajie Haihe Health Investment Partnership (Limited Partnership)	**1,795**	—
Huaxing Yichong LLC	**200**	—
	403,461	282,944

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.

43. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Transactions conducted with related parties during the year are listed out below: (continued)

Notes:

i. HSLF is a fund managed by the Group.

   a. In December 2018, the Group entered into an agreement with HSLF. Pursuant to the agreement, a loan of RMB1,385,000 was made to HSLF in December 2018. The interest rate of the loan is 6% per annum. The principal together with relevant interests were repaid by HSLF in May 2019.

   b. The balance represents the amount that is received from HSLF in respect of dealing in securities, which is kept in a segregated account.

ii. Funds managed by the Group in which the Group has significant influence and the balances are unsecured, interest free and repayable on demand.

iii. Entities controlled by shareholders of the Company,

   a. The balances are unsecured, interest free and repayable on demand.

   b. The balance represents amount due from the entity in relation to certain investments disposed of by the Group.

   c. The Group distributed carried interest to the entity during the year ended December 31, 2019.

iv. Du Yongbo is the executive director of the Company, and the balance is unsecured, interest free and repayable on demand.

v. JSZL is the Group's associate after February 28, 2019,

   a. The balance represents advance payment to JSZL in relation to marketing services received by the Group.

   b. The balance represents amount due to the entity in relation to consulting services received by the Group.

   c. The Group received marketing services from the entity during the year ended December 31, 2019.

   d. The Group provides consulting services to the entity during the year ended December 31, 2019.

vi. Mr. Bao Fan is the Chief Executive Officer of the Company. A close member of Mr. Bao Fan's family has significant influence over PYEM.

   a. The balance represents advance payment to the entity in relation to the fund raising service during the year ended December 31, 2019.

   b. The entity provides fund raising services to the Group during the year ended December 31, 2019.

vii. FBH and Mr. Bao Fan are controlling shareholders of the Group,

   a. The balances represent amounts due to the controlling shareholders in respect of dealing in securities, which are kept in segregated accounts.

   b. The Group distributed carried interest to the controlling shareholders during the year ended December 31, 2019.

viii. Entities managed by the Group in which the Group has significant influence and the balances represent amounts due to the entities in respect of dealing in securities, which are kept in segregated accounts.

43. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Transactions conducted with related parties during the year are listed out below: (continued)

Notes: (continued)

ix. An entity managed by the Group in which the Group has significant influence, provided fund raising services to the Group during the year ended December 31, 2019.

x. A joint venture of the Group, and the Group received consulting services from the entity during the year ended December 31, 2019.

xi. The Group provided due diligent service to Genus during the year ended December 31, 2018.

xii. An entity which the Group has significant influence, and the Group provided consulting services to the entity during the year ended December 31, 2019.

(e) Compensation of key management personnel

The remunerations of the key management during the year were as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
		(restated)
Salaries, bonus and other allowance	**47,921**	37,156
Retirement benefit scheme contributions	**799**	469
Equity-settled share-based payments expenses	**42,925**	39,873
	91,645	77,498

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 33).

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 and 2019, the Group purchased cash management products at market price from Pengyang. The cash management products held by the Group amounted to RMB425,986,000 as of December 31, 2019 (December 31, 2018: RMB775,334,000).

44. STRUCTURED ENTITIES

44.1 Consolidated structured entities

The consolidated structured entities of the Group mainly included general partners of investment funds, funds managed by the Group and asset management plans where the Group involves as manager. As at December 31, 2019, the aggregate net assets of the consolidated structured entities amounted to RMB577,142,000 (December 31, 2018: RMB325,257,000).

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.

44.2 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, 2019 and 2018 in the structured entities managed by third party institutions.

	As at December 31, 2019			
	Other financial assets RMB'000	Financial assets at FVTPL RMB'000	Maximum risk exposure (Note) RMB'000	Type of income
Cash management products	–	2,613,525	2,613,525	Net investment gains
Investments in funds	–	414,015	414,015	Passive Investment Income
Trust products	–	148,826	148,826	Net investment gains
Money market funds	–	78,370	78,370	Net investment gains
Private equity fund with fixed interest rate	139,650	–	139,650	Interest income
Total	139,650	3,254,736	3,394,386	

44. STRUCTURED ENTITIES (CONTINUED)

44.2 Unconsolidated structured entities (continued)

(1) Structured entities managed by third party institutions in which the Group holds interests (continued)

	As at December 31, 2018 (restated)		
	Financial assets at FVTPL RMB'000	Maximum risk exposure (Note) RMB'000	Type of income
Cash management products	2,182,416	2,182,416	Net investment gains
Investments in funds	314,888	314,888	Passive Investment Income
Money market funds	188,048	188,048	Net investment gains
Total	2,685,352	2,685,352	

Note: All of these unconsolidated structured entities are recorded in financial assets at fair value through profit or loss and other financial assets. The maximum exposures to loss in the above investments are the carrying amounts of the assets held by the Group at the end of each reporting period.

(2) 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 Passive Investment Income from these structured entities.

For the year ended December 31, 2019, the management fee recognized amounting to RMB433,762,000 (2018: RMB313,962,000).

For the year ended December 31, 2019, the Passive Investment Income recognized amounting to RMB73,820,000 (2018: RMB19,491,000).

As at December 31, 2019, the Group's interests in these structured entities amounted to RMB596,014,000 (December 31, 2018: RMB509,000,000).

As at December 31, 2019, the amount of assets held by the funds managed by the Group amounted to RMB29,560 million (December 31, 2018: RMB22,690 million).

45. DISPOSAL OF SUBSIDIARIES

(1) Disposal of JSZL

During the current year, with other shareholder's capital injection into JSZL on February 28, 2019, the Group's equity interest was diluted from 56% to 45.22% and lost control of JSZL. After the disposal, the Group accounted for JSZL as investment in an associate.

	February 28, 2019 **RMB'000**
Analysis of assets and liabilities over which control was lost:	
Property and equipment	**236**
Goodwill (note)	**30,052**
Financial assets at FVTPL	**6,844**
Accounts and other receivables	**6,590**
Cash and cash equivalents	**2,218**
Accounts and other payables	**(2,667)**
Net assets disposed of	**43,273**

	RMB'000
Gain on disposal of JSZL	
Remaining interests in JSZL	47,203
Net assets disposed of	(43,273)
Non-controlling interests	19,918
Gain on disposal	23,848

Note: JSZL acquired a subsidiary on February 28, 2019 for a total consideration of RMB49,163,000 and recognised goodwill of RMB30,052,000.

	RMB'000
Net cash outflow arising on disposal	
Total cash consideration received	–
Bank balance and cash disposed of	(2,218)
	(2,218)

45. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(1) Disposal of JSZL (continued)

During the year, JSZL contributed RMB188,000 (2018: outflow RMB620,000) to the Group's net operating cash flows, received nil (2018: outflow RMB8,000) in respect of investing activities and paid nil (2018: nil) in respect of financing activities.

(2) Disposal of Xing Rui No. 3 Assets Management Scheme ("Xing Rui")

During the current period, with disposal of its shares in Xing Rui on July 31, 2019, the Group's interest was decreased to 11.46% and lost control of Xing Rui. After the disposal, the Group accounted for remaining interest in Xing Rui as financial assets at FVTPL.

	RMB'000
Consideration received	
Cash	51,265
Financial assets at FVTPL	6,506
Total consideration received	57,771

	July 31, 2019 RMB'000
Analysis of assets and liabilities over which control was lost:	
Financial assets at FVTPL	**81,254**
Accounts and other receivables	**11,991**
Cash and cash equivalents	**1,697**
Payables to interest holders of consolidated structured entities	**(11,800)**
Accounts and other payables	**(25,048)**
Net assets disposed of	**58,094**

	RMB'000
Loss on disposal of	
Total consideration received	57,771
Net assets disposed of	58,094
Loss on disposal	(323)

45. DISPOSAL OF SUBSIDIARIES (CONTINUED)

(2) Disposal of Xing Rui No.3 Assets Management Scheme ("Xing Rui") (continued)

	RMB'000
Net cash inflow arising on disposal	
Total cash consideration received	51,265
Bank balance and cash disposed of	(1,697)
	49,568

During the year, Xing Rui used RMB5,298,000 (2018: nil) in respect of the Group's net operating activities and received RMB6,975,000 (2018: nil) in respect of investing activities.

46. 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 RMB'000 (restated)
Within one year	42,527
From the second to fifth year, inclusive	90,673
	133,200

(b) Capital commitments

At the end of the reporting period, the Group had commitments for future minimum investments in funds and associate invested by the Group as follows:

	At December 31, **2019** **RMB'000**	 2018 RMB'000 (restated)
Committed investments	**178,905**	228,497

47. FINANCIAL RISK MANAGEMENT

47.1 Categories of financial instruments

	At 31 December	
	2019	2018
	RMB'000	RMB'000
		(restated)
Financial assets		
Financial assets at amortized cost	**3,757,571**	3,200,142
Financial assets at FVTPL	**4,729,538**	3,009,546
Financial assets at FVTOCI	**—**	355,741
Financial liabilities		
Financial liabilities at amortized cost	**1,470,844**	159,855
Financial liabilities at FVTPL	**747,284**	184,880

47.2 Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, financial assets at FVTOCI, other financial assets, cash and cash equivalents, cash held on behalf of brokerage clients, pledged bank deposits, rental deposits, accounts and other receivables, term deposits, loans to third parties and related parties, amounts due from related parties, accounts and other payables, bank borrowings, lease liabilities, amounts due to related parties 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.

47.3 Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial loss to the Group. The Group's credit risk exposures are primarily attributable to accounts receivables, amounts due from related parties, rental deposits, other receivables, other financial assets, loans to third parties, loans to related parties, financial assets at FVTPL and debt instruments at FVTOCI.

The carrying amount of the Group's financial assets at FVTPL as disclosed in note 24 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.3 Credit risk and impairment assessment (continued)

Except for financial assets at FVTPL, the Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

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.

In order to minimize credit risk, the Group has tasked its credit management team to develop and maintain the Group's other receivables, rental deposits, amounts due from related parties of non-trade nature, other financial assets 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, rental deposits, amounts due from related parties of non-trade nature, other financial assets 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

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.3 Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	2019 Gross carrying amount RMB'000	2018 Gross carrying amount RMB'000 (restated)
Debt instruments at FVTOCI						
Investments in listed bonds	25	A+ (Standard & Poor's Ratings)	N/A	12m ECL	–	316,492
		A (Standard & Poor's Ratings)	N/A	12m ECL	–	39,249
					–	355,741
Financial assets at amortized costs						
Loans to third parties	26	N/A	Performing	12m ECL	**105,603**	121,511
Loans to related parties	43	N/A	Performing	12m ECL	–	1,385
Other receivables	28	N/A	Performing	12m ECL	**126,101**	208,597
Rental deposits	N/A	N/A	Performing	12m ECL	**16,847**	14,306
Other financial assets	27	N/A	Performing	12m ECL	**282,373**	–
Amounts due from related parties of non-trade nature	43	N/A	Performing	12m ECL	**11,846**	5,335
Accounts receivables	28	N/A	(Note)	Lifetime ECL (provision matrix)	**723,919**	394,656
Amounts due from related parties of trade nature	43	N/A	(Note)	Lifetime ECL (provision matrix)	**41,856**	30,792

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.

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.3 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.

As at December 31, 2019

	Accounts receivables and amounts due from related parties of trade nature			
	0–180 days	181–360 days	Over 360 days	Total
High risk type customers				
Total gross carrying amount at default (RMB'000)	9,628	1,935	–	11,563
Lifetime ECL (RMB'000)	(481)	(481)	–	(962)
	9,147	1,454	–	10,601

	Accounts receivables and amounts due from related parties of trade nature			
	0–180 days	181–360 days	Over 360 days	Total
Normal risk type customers				
Total gross carrying amount at default (RMB'000)	93,686	–	203	93,889
Lifetime ECL (RMB'000)	–	–	(20)	(20)
	93,686	–	183	93,869

	Accounts receivables and amounts due from related parties of trade nature			
	0–180 days	181–360 days	Over 360 days	Total
Low risk type customers				
Total gross carrying amount at default (RMB'000)	638,122	22,170	31	660,323
Lifetime ECL (RMB'000)	–	(555)	–	(555)
	638,122	21,615	31	659,768

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.3 Credit risk and impairment assessment (continued)

As at December 31, 2018 (restated)

	Accounts receivables and amounts due from related parties of trade nature			
	0–180 days	181–360 days	Over 360 days	Total
High risk type customers				
Estimated total gross carrying amount at default (RMB'000)	32,067	535	—	32,602
Lifetime ECL (RMB'000)	(1,603)	(134)	—	(1,737)
	30,464	401	—	30,865

	Accounts receivables and amounts due from related parties of trade nature			
	0–180 days	181–360 days	Over 360 days	Total
Normal risk type customers				
Estimated total gross carrying amount at default (RMB'000)	73,098	—	10,405	83,503
Lifetime ECL (RMB'000)	—	—	(1,040)	(1,040)
	73,098	—	9,365	82,463

	Accounts receivables and amounts due from related parties of trade nature			
	0–180 days	181–360 days	Over 360 days	Total
Low risk type customers				
Estimated total gross carrying amount at default (RMB'000)	295,453	13,576	314	309,343
Lifetime ECL (RMB'000)	—	(340)	(16)	(356)
	295,453	13,236	298	308,987

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.3 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, rental deposits and amounts due from related parties of non-trade nature	Other financial assets	Financial assets at FVTOCI	Total
	Lifetime ECL (not-credit impaired) RMB'000	Lifetime ECL (credit impaired) RMB'000	12m ECL RMB'000	12m ECL RMB'000	12m ECL RMB'000	12m ECL RMB'000	12m ECL RMB'000	RMB'000
As at January 1, 2018 (restated)	1,613	–	660	290	616	–	80	3,259
Impairment losses recognized	1,697	701	1,677	–	719	–	–	4,794
Impairment losses reversal	(315)	–	–	(265)	–	–	(23)	(603)
Write-offs	–	(701)	–	–	–	–	–	(701)
Effect of exchange rate change	138	–	93	3	87	–	2	323
As at December 31, 2018 (restated)	3,133	–	2,430	28	1,422	–	59	7,072
Impairment losses recognized	229	608	–	–	379	28	–	1,244
Impairment losses reversal	(1,857)	–	(165)	(28)	–	–	(59)	(2,109)
Write-offs	–	(608)	–		–	–	–	(608)
Effect of exchange rate change	32	–	30	–	(1)	–	–	61
As at December 31, 2019	**1,537**	**–**	**2,295**	**–**	**1,800**	**28**	**–**	**5,660**

Note: The changes in loss allowance are mainly due to financial instruments originated or derecognized during the reporting period.

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.4 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 RMB'000	Second to fifth year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At December 31, 2019					
Accounts and other payables	–	887,510	–	887,510	887,510
Amounts due to related parties	–	453,830	–	453,830	453,830
Bank borrowings	4.55%	131,960	–	131,960	129,504
Lease liabilities	3.93%	53,461	61,920	115,381	110,337
Payables to interest holders of consolidated structured entities	–	747,284	–	747,284	747,284
Total		2,274,045	61,920	2,335,965	2,328,465

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.4 Liquidity risk (continued)

	Weighted average effective interest rate %	On demand or within one year RMB'000	Second to fifth year RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At December 31, 2018 (restated)					
Accounts and other payables	—	159,855	—	159,855	159,855
Payables to interest holders of consolidated structured entities	—	184,880	—	184,880	184,880
Total		344,735	—	344,735	344,735

47.5 Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and lease liabilities as disclosed in notes 33 and 34 as at December 31, 2019. The Group currently does not have any interest rate hedging policy. The management of the Group monitors the Group's exposure on an on-going basis and will consider hedging interest rate risk should the need arises.

The Group is exposed to fair value interest rate risk in relation to fixed-rate term deposits, fixed-rate pledged bank deposits and loans to third parties as disclosed in note 29, 30 and 26. 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 30.

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 profit after income tax for the year ended December 31, 2019 would increase/decrease by RMB3,833,000 (2018: RMB1,659,000).

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.5 Market risk (continued)

Currency risk

The Group's exposure to foreign currency risk related primarily to cash and cash equivalents, cash held on behalf of brokerage clients, term deposits, financial assets at FVTPL, accounts and other payables and amounts due to related parties that are denominated in HK$ and US$.

The carrying amounts of the Group's foreign currencies denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	31/12/2019	31/12/2018	**31/12/2019**	31/12/2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
HK$	**2,888**	88,603	**–**	–
US$	**620,690**	102,897	**403,846**	–

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.

If a 5% appreciation and depreciation in RMB against HK$, and all other variables were held constant, the Group's profit after income tax for the year ended December 31, 2019 would increase/decrease by RMB108,000 (2018: RMB3,323,000). If a 5% appreciation and depreciation in RMB against US$, and all other variables were held constant, the Group's profit after income tax for the year ended December 31, 2019 would increase/decrease by RMB8,132,000 (2018: RMB3,859,000).

Other price risk

The Group is exposed to price risk through its investments in money market funds, financial bonds and listed equity security investments measured at FVTPL and FVTOCI. 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.

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.5 Market risk (continued)

Other price risk (continued)

Sensitivity analysis

If the prices of the respective listed financial instruments had increased/decreased by 5%, the profit after income tax for the year ended December 31, 2019 would increase/decrease by approximately RMB21,961,000 (2018: RMB20,395,000).

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 profit after income tax for the year ended December 31, 2019 would increase/decrease by approximately RMB21,643,000 (2018: RMB12,197,000).

47.6 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,				
	2019 RMB'000	2018 RMB'000 (restated)	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)
Financial assets					
Unlisted investment funds at fair value	**414,015**	314,888	Level 3	Note (1)	Note (1)
Unlisted debt security investment	**143,268**	173,947	Level 2	Recent transaction price	N/A
Call option for obtaining non-controlling interests	**97,667**	96,771	Level 3	Note (2)	Note (2)
Restricted shares	**2,093**	2,059	Level 2	Recent transaction price	N/A
Warrant	**–**	3,912	Level 3	Note (3)	Note (3)
Financial bonds	**409,451**	355,810	Level 1	Open market transaction price	N/A
Money market funds	**78,370**	188,048	Level 2	Quoted price from a financial institution	N/A

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.6 Fair value measurement (continued)

	Fair value as at December 31, 2019 RMB'000	2018 RMB'000 (restated)	Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)
Cash management products	**2,613,525**	2,182,416	Level 2	Quoted price from a financial institution	N/A
Unlisted equity investments	**724,517**	47,436	Level 2	Recent transaction price	N/A
Listed equity security investments	**97,806**	–	Level 1	Open market transaction price	N/A
Trust products	**148,826**	–	Level 2	Quoted price from a financial institution	N/A
Associates measured at fair value	**596,014**	509,000	Level 3	Note (4)	Note (4)
Financial liabilities					
Payables to interest holders of consolidated structured entities in which the Group is the general partner of the investment funds	**582,105**	79,390	Level 3	Note (5)	Note (5)
Payables to interest holders of consolidated structured entities which are assets management schemes managed by the Group	**165,179**	105,490	Level 2	Fair value of the underlying investments with observable prices	N/A

There were no transfers between level 1 and 2 during the year.

Notes:

(1) The Group's investments in unlisted investment funds which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB414,015,000 as at December 31, 2019 (December 31, 2018: RMB314,888,000). 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 RMB20,701,000 as at December 31, 2019 (December 31, 2018: RMB15,744,000).

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.6 Fair value measurement (continued)

Notes: (continued)

(2) The Group's call option to obtain non-controlling interests amounting to RMB97,667,000 as at December 31, 2019 (December 31, 2018: RMB96,771,000) 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 as well as estimate of the exercisability of the option. Discounted cash flow method was used to determine the fair value of underlying net assets' of Huajing Securities. The fair value of underlying net assets' of Huajing Securities is most significantly affected by estimated cash flows. The higher the estimated cash flows, the higher the fair value of the call option will be. A 5% increase/decrease in the estimated cash flows, holding all other variables constant, would increase/decrease the carrying amount of the call option by RMB6,976,000 and RMB8,922,000 as at December 31, 2019 and December 31, 2018, respectively.

(3) The Group's warrant to acquire additional preferred shares in Sumscope Inc. amounting to RMB3,912,000 as at December 31, 2018 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 RMB892,000 as of December 31, 2018.

(4) The Group's associates measured at fair value amounting to RMB596,014,000 as at December 31, 2019 (December 31, 2018: RMB509,000,000) 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 RMB29,801,000 as at December 31, 2019 (December 31, 2018: RMB25,450,000).

(5) 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 RMB582,105,000 as at December 31, 2019 (December 31, 2018: RMB79,390,000) 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 RMB29,105,000 as at December 31, 2019 (December 31, 2018: RMB3,970,000).

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.6 Fair value measurement (continued)

Reconciliation of level 3 fair value measurements is as follows:

	Unlisted investment funds at fair value RMB'000
At January 1, 2018 (restated)	241,516
Capital contribution	35,658
Disposal	(61,026)
Distribution	(4,642)
Changes in fair value	96,959
Effect of exchange rate change	6,423
Balance at December 31, 2018 (restated)	**314,888**
Capital contribution	**53,302**
Disposal	**(5,971)**
Changes in fair value	**48,385**
Effect of exchange rate change	**3,411**
Balance at December 31, 2019	**414,015**

	Associates measured at fair value RMB'000
At January 1, 2018 (restated)	251,964
Capital contribution	251,320
Distribution	(523)
Changes in fair value	1,077
Effect of exchange rate change	5,162
Balance at December 31, 2018 (restated)	**509,000**
Capital contribution	**44,298**
Distribution	**(15,418)**
Changes in fair value	**49,266**
Effect of exchange rate change	**8,868**
Balance at December 31, 2019	**596,014**

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.6 Fair value measurement (continued)

Reconciliation of level 3 fair value measurements is as follows: (continued)

	Call option for obtaining non-controlling interests RMB'000
At January 1, 2018	—
Change in fair value	93,537
Effect of exchange rate change	3,234
Balance at December 31, 2018 (restated)	**96,771**
Change in fair value	**(689)**
Effect of exchange rate change	**1,585**
Balance at December 31, 2019	**97,667**

	Warrant RMB'000
At January 1, 2018	—
Purchase	4,667
Change in fair value	(755)
Balance at December 31, 2018 (restated)	**3,912**
Change in fair value	**(3,930)**
Effect of exchange rate change	**18**
Balance at December 31, 2019	**—**

47. FINANCIAL RISK MANAGEMENT (CONTINUED)

47.6 Fair value measurement (continued)

Reconciliation of level 3 fair value measurements is as follows: (continued)

	Payables to interest holders of consolidated structured entities in which the Group is the general partner of the investment funds RMB'000
At January 1, 2018 (restated)	34,456
Capital contribution	34,816
Distribution	(3,770)
Changes in fair value	11,622
Effect of exchange rate change	2,266
Balance at December 31, 2018 (restated)	**79,390**
Capital contribution	**486,575**
Distribution	**(9,143)**
Changes in fair value	**19,605**
Effect of exchange rate change	**5,678**
Balance at December 31, 2019	**582,105**

Of the total gains or losses for the period included in profit or loss, RMB122,647,000 (2018: RMB210,528,000) 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 "Passive Investment Income" and "change in fair value of call option".

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.

48. 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 bank borrowings, 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.

49. 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, 2019	2018	Principal activities
Directly held					
China Renaissance Capital Limited	Hong Kong, PRC	HK$1	**100%**	100%	Investment holding
China Renaissance Enterprises Limited (a)	BVI	US$1	**N/A**	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

49. 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, 2019	2018	Principal activities
China Renaissance Wealth and Asset Management Limited	Hong Kong, PRC	HK$5,000,000	**100%**	100%	Provision of asset management services
CR HOLDINGS Investments Limited	BVI	US$1	**100%**	100%	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
Helix Capital Partners	Cayman Islands	US$50,000	**51%**	51%	General partner of a private
Huaxing Associate L.P.(b)	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

49. 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, 2019	2018	Principal activities
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%	General partner of a private equity fund
上海全源投資有限公司 ("Shanghai Quanyuan Investment Limited")	Shanghai, PRC	RMB100,000,000	**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.(b)	Cayman Islands	US$3,000,000	**60%**	60%	General partner of a private equity fund
China Renaissance Broking Services (Hong Kong) 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
達孜鏵峰創業投資合夥企業（有限合夥） ("Dazi Huafeng Venture Capital Partnership (Limited Partnership)")	Tibet, PRC	RMB500,000,000	**60%**	60%	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

49. 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, 2019	2018	Principal activities
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)")	Shanghai, PRC	RMB17,893,005	**30%**	30%	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 Limited")	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)")	Shanghai, PRC	RMB193,639,900	**25%**	25%	General partner of a private equity fund
北京就是逐鹿科技有限公司 ("Beijing Jiushi Zhulu Technology Limited") (c)	Beijing, PRC	RMB1,607,140	**N/A**	56%	Provision of financial advisory services and technical services
天津鏵峰資產管理合夥企業（有限合夥）("Tianjin Huafeng Asset Management Partnership (Limited Partnership)")	Tianjin, PRC	RMB2,000,000	**60%**	60%	General partner of a private equity fund
華菁證券有限公司("China Renaissance Securities (China) Co. Ltd" or "Huajing Securities") (d)	Shanghai, PRC	RMB3,024,000,000	**48.82%**	48.82%	Provision of securities brokerage securities underwriting and sponsorship, securities asset management, securities investment consultancy services

49. 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, 2019	2018	Principal activities
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	RMB10,000,000	**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
寧波梅山保税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
寧波梅山保税港區鏵杰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%	Management services for private equity funds
寧波梅山保税港區瓴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

49. 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, 2019	2018	Principal activities
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)") (e)	Ningbo, PRC	RMB100,020,000	**59.99%**	30%	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
天津華杰企業管理諮詢合夥企業（有限合夥）("Tianjin Huajie Enterprise Management Consulting Partnership (Limited Partnership)") (f)	Tianjin, PRC	RMB50,000,000	**37%**	25%	General partner of private equity funds
Grand Eternity Limited	BVI	US$8,252.15	**100%**	100%	General partner of 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)") (g)	Tianjin, PRC	RMB15,000,000	**73.32%**	30%	General partner of private equity funds
天津鏵宇諮詢有限公司 ("Tianjin Huayu Consultants Limited")	Tianjin, PRC	RMB1,000,000	**100%**	100%	Provision of financial advisory services

49. 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, 2019	2018	Principal activities
天津瑞豐企業管理合夥企業（有限合夥）("Tianjin Ruifeng Enterprise Management Partnership (Limited Partnership)") (h)	Tianjin, PRC	RMB30,100,000	**60.66%**	99.51%	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)") (i)	Tianjin, PRC	RMB5,000,000	**45.60%**	99.51%	General partner of a private equity fund
Huaxing Associates GP III, Ltd.	Cayman Islands	US$0.01	**100%**	100%	General partner of a private equity fund
Huaxing Associates III L.P. (b)	Cayman Islands	US$20,000,000	**100%**	100%	General partner of a private equity fund
Huaxing Growth Capital Management, Ltd	Cayman Islands	US$0.01	**100%**	100%	Provision of advisory services for a private equity fund
瑞智天津醫療股權投資合夥企業（有限合夥）("Ruizhi (Tianjin) Medical Equity Investment Part nership (Limited Partnership)") (j)	Tianjin, PRC	RMB350,000,000	**28.57%**	N/A	A private equity fund
嘉兴華杰一號股權投資合夥企業（有限合夥）("No.1 Jiaxing Huajie Equity Investment Partnership (Limited Partnership)")	Zhejiang, PRC	RMB425,160,000	**68.88%**	N/A	A private equity fund

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) China Renaissance Enterprises Limited was inactive and liquidated by the Group with no gain or loss in 2019.

(b) The amount in issued/registered capital represents the total capital commitment of partners of the limited partnership.

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Notes: (continued)

(c) On February 28, 2019, the Group's equity interest in JSZL was diluted from 56% to 45.22% and lost control of JSZL. After the disposal, JSZL ceased to be a subsidiary of the Group (note 45).

(d) The Group holds 48.82% equity interest at December 31, 2019 and 2018 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 2019 and 2018.

(e) 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 30% of equity interest as at December 31, 2018. After the capital injection in 2019, the Group's equity interest increased to 59.99% as at December 31, 2019. The directors of the Company concluded that the Group has a control over this limited partnership throughout the years ended December 31, 2019 and 2018.

(f) 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 25% of equity interest as at December 31, 2018. After the capital injection in 2019, the Group's equity interest increased to 37% as at December 31, 2019. 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, 2019 and 2018.

(g) 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. After the capital injection in 2019, the Group's equity interest increased to 73.32% as at December 31, 2019. The directors of the Company concluded that the Group has a control over this limited partnership throughout the years ended December 31, 2019 and 2018.

(h) The Group's subsidiary acts as the general partner of Tianjin Ruifeng Enterprise Management Partnership (Limited Partnership) and can direct all relevant activities of it. The Group held 99.51% of equity interest as at December 31, 2018. After the capital injection from new investors in 2019, the Group's equity interest was diluted to 60.66% as at December 31, 2019. The directors of the Company concluded that the Group has a control over this limited partnership throughout the years ended December 31, 2019 and 2018.

(i) The Group's subsidiary acts as the general partner of Tianjin Ruizhi Enterprise Management Partnership (Limited Partnership) and can direct all relevant activities of it. The Group held 99.51% of equity interest as at December 31, 2018. After the capital injection from new investors in 2019, the Group's equity interest was diluted to 45.60% as at December 31, 2019. 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, 2019 and 2018.

(j) Ruizhi (Tianjin) Medical Equity Investment Partnership (Limited Partnership) is newly established by the Group in 2019. The Group held 28.57% of equity interest as at December 31, 2019. 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, 2019 as the magnitude and variability associated with the Group's economic interests in this structured entity are significant.

50. 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 income (expense) allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31, 2019 RMB'000	December 31, 2018 RMB'000	**December 31, 2019 RMB'000**	December 31, 2018 RMB'000 (restated)	**December 31, 2019 RMB'000**	December 31, 2018 RMB'000 (restated)
Huajing Securities	Shanghai, PRC	**51.18%**	51.18%	**32,870**	(37,605)	**1,434,017**	1,403,940
Individually immaterial subsidiaries with non-controlling interests						**79,023**	50,960
Total						**1,513,040**	1,454,900

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.

Huajing Securities:

	As at December 31,	
	2019 RMB'000	2018 RMB'000 (restated)
Current assets	**2,814,360**	2,445,447
Non-current assets	**223,152**	475,409
Current liabilities	**221,158**	177,715
Non-current liabilities	**14,446**	—
Equity attributable to owners of the Company	**1,367,891**	1,339,201
Non-controlling interests	**1,434,017**	1,403,940

50. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS (CONTINUED)

Huajing Securities: (continued)

	Year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)
Revenue	**280,213**	177,973
Expenses	**(215,989)**	(251,448)
Total comprehensive income (expense) for the year	**64,224**	(73,475)
Total comprehensive income (expense) attributable to owners of the Company	**31,354**	(35,870)
Total comprehensive income (expense) attributable to non-controlling interests	**32,870**	(37,605)

	Year ended December 31, 2019 RMB'000	2018 RMB'000 (restated)
Net cash outflow from operating activities	**(25,979)**	(1,882,961)
Net cash outflow from investing activities	**(451,327)**	(8,580)
Net cash inflow from financing activities	**62,643**	94,788
Net cash outflow	**(414,663)**	(1,796,753)

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at December 31,	
	2019	2018
	RMB'000	RMB'000
		(restated)
NON-CURRENT ASSETS		
Investments in subsidiaries	**2,601,802**	2,041,589
Investments in associates	**51,289**	62,990
Financial assets at fair value through profit or loss	**57,742**	88,590
	2,710,833	2,193,169
CURRENT ASSETS		
Accounts and other receivables	**726**	686
Financial assets at fair value through profit or loss	**674,942**	137,628
Term deposits	**5,853**	1,331,639
Pledged bank deposits	**254,237**	—
Cash and cash equivalents	**336,671**	183,083
	1,272,429	1,653,036
TOTAL ASSETS	**3,983,262**	3,846,205
CURRENT LIABILITIES		
Accounts and other payables	**6,097**	11,544
	6,097	11,544
NET CURRENT ASSETS	**1,266,332**	1,641,492
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,977,165**	3,834,661
CAPITAL AND RESERVES		
Share capital	**89**	89
Reserves	**3,977,076**	3,834,572
	3,977,165	3,834,661

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movement in the Company's reserves

	Share Premium RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at January 1, 2018 (restated)	13,578	109,546	(662,476)	(539,352)
Total comprehensive income (expense) for the year	—	119,956	(2,155,246)	(2,035,290)
Recognition of equity-settled share-based payment expense	—	76,697	—	76,697
Share options exercised	92,472	(52,093)	—	40,379
Issuance of ordinary shares relating to initial public offering	2,285,951	—	—	2,285,951
Share issue costs	(81,066)	—	—	(81,066)
Conversion of convertible redeemable preferred shares into ordinary shares	3,681,699	—	—	3,681,699
Recognition of equity component of convertible notes	—	26,535	—	26,535
Conversion of convertible notes into ordinary shares	586,387	(26,535)	—	559,852
Shares repurchased and cancelled	(76,831)	—	—	(76,831)
Shares repurchased and yet to be cancelled	—	(1,759)	—	(1,759)
Dividends to shareholders	—	—	(102,243)	(102,243)
Balance at December 31, 2018 (restated)	6,502,190	252,347	(2,919,965)	3,834,572
Total comprehensive income for the year	**—**	**64,073**	**122,753**	**186,826**
Recognition of equity-settled share-based payment expense	**—**	**74,907**	**—**	**74,907**
Share options exercised	**8,294**	**(4,260)**	**—**	**4,034**
Shares held under share award scheme	**—**	**(69,176)**	**—**	**(69,176)**
Shares repurchased and cancelled	**(55,780)**	**1,828**	**—**	**(53,952)**
Shares repurchased but not yet cancelled	**—**	**(135)**	**—**	**(135)**
Balance at December 31, 2019	**6,454,704**	**319,584**	**(2,797,212)**	**3,977,076**

52. EVENT AFTER THE REPORTING PERIOD

The directors of the Company assessed that the outbreak of the 2019 Novel Coronavirus ("COVID-19") in China and the subsequent quarantine measures imposed by the Chinese government as well as the travel restrictions imposed by other countries in early 2020 have not had a severe negative impact on the operations of the Group since January 2020,and will continue to evaluate the impact of COVID-19 on the business in the future.

On March 25, 2020, the board of directors of the Company has resolved to recommend the payment of a final dividend of RMB15 cents per share for the year ended December 31, 2019 out of the Company's share premium account (the "Final Dividend"), being approximately RMB80.2 million in aggregate. The proposed Final Dividend will be paid to Shareholders whose names appear on the register of members of the Company as at the close of business on June 22, 2020, if the proposal is approved by the Shareholders at the forthcoming annual general meeting. The proposed Final Dividend will be paid in HK$, such amount to be calculated by reference to the central parity rate published by the People's Bank of China for the conversion of RMB to HK$ as at June 22, 2020. It is expected that the Final Dividend will be paid within two months after it is approved by Shareholders at the forthcoming annual general meeting.

53. COMPARATIVE FIGURES

As disclosed in note 1, due to the voluntary change in presentation currency during the current period, comparative amounts have been restated to conform with the current period presentation, and a third statement of financial position as at January 1, 2018 has been presented.

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
"AUM"	Assets under management
"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 Annual 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
"CSRC"	China Securities Regulatory Commission
"COVID-19"	The 2019 Novel Coronavirus
"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
"Dazi Jishi"	Dazi Jishi Entrepreneurship Investment L.P. (達孜基石創業投資合夥企業(有限合夥)), a limited partnership registered in China, the general partner of which is Mr. Wang Xinwei
"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
"Existing Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Quanyuan, details of which are described in the section headed "Contractual Arrangements" in the Prospectus

"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
"FVTPL"	Fair value through profit or loss
"Go Perfect"	Go Perfect Development Limited
"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" or "HKSAR"	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
"Hongzhi"	Ningbo Meishan Bonded Port Area Huaxing Hongzhi Investment Partners, L.P. (寧波梅山保税港區華興鴻志投資合夥企業(有限合夥)), a limited partnership registered in China, the general partner of which is Ningbo Xinshou
"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
"JSZL"	Beijing Jinshi Zhulu Technology Limited
"Lingyun"	Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partners, L.P. （寧波梅山保税港區華興領運股權投資合夥企業（有限合夥））, a limited partnership registered in China, the general partner of which is Xinshou
"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
"Loan Agreement"	The loan agreement entered into among Huagan Shanghai, Mr. Du Yongbo and Mr. Wang Xinwei dated January 31, 2019
"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
"New Contractual Arrangements"	the series of contractual arrangements entered into by and among Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Shanghai Quanyuan, details of which are described in the section headed "New Contractual Arrangements" in the announcement of the Company dated January 31, 2019

"Ningbo Xinshou"	Ningbo Meishan Bonded Port Huaxing Xinshou Capital Management Center, L.P. （寧波梅山保稅港區華興信守股權投資管理中心（有限合夥））, a limited partnership registered in China on April 11, 2017. Ningbo Xinshou is the general partner of Huaxing Growth Capital RMB Fund III
"Nomination Committee"	the Nomination Committee of the Board
"No.1 Jiaxing Huajie Fund"	No.1 Jiaxing Huajie Equity Investment Partnership
"PE"	Private equity
"PRC" or "China"	People's Republic of China
"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, 2019
"Remuneration Committee"	the Remuneration Committee of the Board
"Reporting Period"	the year ended December 31, 2019
"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 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)

"Sky Allies"	Sky Allies Development Limited
"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
"Terminated Contractual Arrangements"	the series of contractual arrangements entered into by, among others, Huagan Shanghai, Mr. Du Yongbo, Mr. Wang Xinwei and Shanghai Quanyuan, details of which are described in the section headed "Contractual Arrangements" in the Prospectus
"Tianjin Huahuang"	Tianjin Huahuang Enterprise Management Advisors Partners, L.P. （天津鏵煌企業管理諮詢合夥企業（有限合夥））, a limited partnership registered in China on July 16, 2018. Tianjin Huahuang is the general partner of Huaxing Growth Capital RMB Parallel Fund III
"United States" or "US" or "U.S."	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
"Xing Rui"	Xing Rui No.3 Assets Management Scheme
"Xinshou Limited Partnership Agreement"	the amended and restated limited partnership agreement dated January 31, 2019 entered into among the partners of Ningbo Xinshou
"YoY"	Year-on-Year
"%"	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

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華興資本控股有限公司

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