

# 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

# 2020

## ANNUAL REPORT



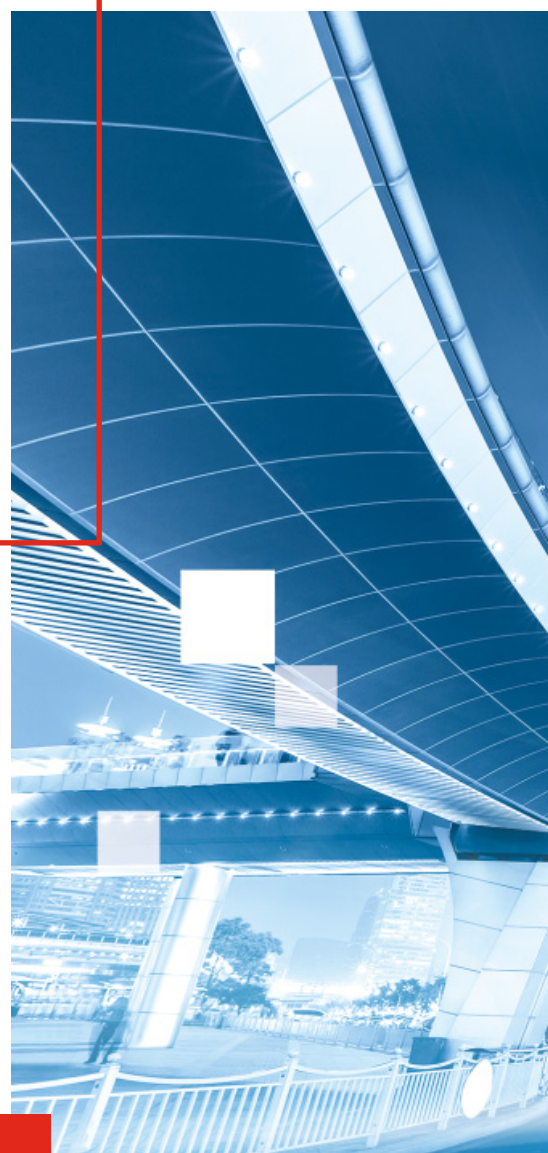
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# COMPANY PROFILE

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. Wang Lixing

### Non-Executive Directors

Mr. Li Shujun  
Mr. Li Eric Xun  
Mr. Liu Xing

### 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  
*Registered Public Interest Entity Auditors*  
35/F One Pacific Place, 88 Queensway  
Hong Kong

## COMPANY ADDRESS

### Registered Office

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

### Principal Place of Business in China

Pacific Century Place, Gate 1, Space 8  
No. 2A Workers' Stadium North Road  
Chaoyang District  
Beijing 100027, China

### Principal Place of Business in Hong Kong

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

## LEGAL ADVISORS

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

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

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



## CORPORATE INFORMATION (CONTINUED)

### **HONG KONG SHARE REGISTRAR**

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

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **PRINCIPAL BANKS**

Silicon Valley Bank  
China Merchants Bank  
China Minsheng Bank  
Bank of Communications  
Bank of China  
Bank of Hangzhou  
Shanghai Pudong Development Bank

### **STOCK CODE**

1911

### **COMPANY WEBSITE**

<http://www.huaxing.com/>

# CHAIRMAN'S STATEMENT



China had an epic year of 2020 in fighting COVID-19, the menacing pandemic that upended many lives. The country also secured a great historic achievement of fully building a moderately prosperous society in all respects, reshaping the nation's growth story.

For China Renaissance, in the past year we have essentially launched a second curve of our business through the sustainable profitability of our investment management business, entering a new growth stage.

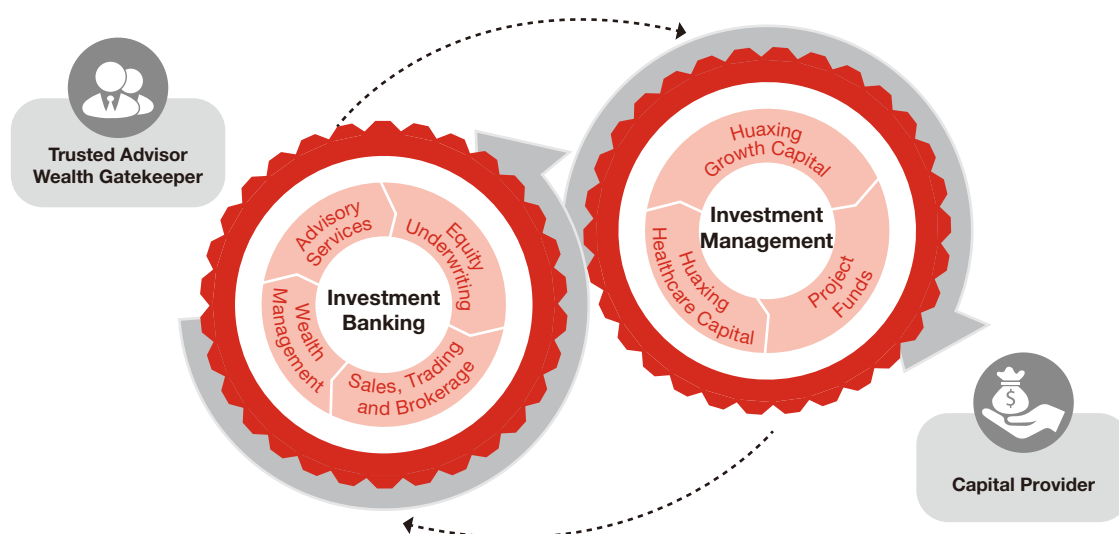


## CHAIRMAN'S STATEMENT (CONTINUED)

Our twin-engine business model enabled us to emerge from the pandemic relatively unscathed, with investment banking and investment management complementary and synergistic to each other.

Regardless of market conditions, throughout our company history, China Renaissance's long-term mission remains intact: we search for and partner with the new economy champions of the future; we seek to create values for them and consequently participate in their value creation.

We have established our own ecosystem for new economy companies' value creation — private placement financial advisory serves as our forefront hallmark for client acquisition, uncovering potential unicorn companies, and sourcing deals for investment management; investment management's rigorous research-driven investment strategy helps investment banking shape their sector focus and client selection, while also solidifying client relationship through multi-faceted service offering. All this is integral to achieving our long-term mission.



In our earlier years, we participated in our partners' value creation mainly through fee-based services such as financial advisory, while now investment management affords us a more substantial and straightforward way of creating and sharing such value. Based on our study, in 2020 among the top 100 companies in China by market cap, 38 were private companies 10 years ago, and we acted as a banker for 15 of them and were an investor in 11 of them. Our excellent track record of capturing new economy champion serves to prove the effectiveness of our winning strategy. As our resources become increasingly enriched and fund scale enlarges, we are confident to deliver even stronger results in our future investments.



## CHAIRMAN'S STATEMENT (CONTINUED)

Our business model provides us the toolbox to add values, often unique, to our partners. We are a combination of capital provider, trusted advisor and wealth gatekeeper, thus optimally positioned to participate in all economic activities related to the value creation of our partners, which include investment returns, transaction fees and advisory. Instead of transactional approaches, we take extremely long-term views on our clients and investee companies. We strive to become their preferred partner in their journey to accomplish greatness. Through our past 16 years' company history, we have established a proven track record of creating significant values for our clients, partners, as well as shareholders, and always aligning our interests with theirs.

China Renaissance is a distinctive proxy on the public market that allows investors to participate in the rapid value creation of new economy companies in the primary market, while we are also able to benefit from public market gains throughout the companies' life cycles. Looking back on our company history, about every three years, we double the scale of our business. Despite inherent short-term volatilities in the market, over the cycles we have successfully executed our growth strategy, and will continue to do so.

The road ahead is long. Upwards and onwards, here we come.

**Bao Fan**  
*Chairman and CEO*

Hong Kong  
March 25, 2021



# BUSINESS REVIEW

China Renaissance's profitability upscaled to a new level in 2020. Our Group's net profit exceeded RMB1 billion for the first time, up 320.5% YoY, and ROE reached 18.8% for the year.

Our record profit growth resulted not from fortuitous changes in the market environment or our businesses, but was in fact consonant with our unwavering adherence to our long-term mission of creating value for new economy companies as well as participating in their value creation. It is an embodiment of our unique twin engine business model, with investment banking and investment management complementing each other, and generating notable synergies in the meantime. Our investment banking business gives us the advantage of hundreds of in-house bankers, supporting deal sourcing and exit solutions for our investment funds, as well as being the forefront of our client acquisition. Our investment management business serves as a more direct and significant way of participating in new economy value creation, with its research-driven investment strategy helping investment banking in terms of sector focus and client selection, while also solidifying our client relationship through multi-faceted service offering.

Investment Management segment accounted for 50% of Group revenue in 2020, with total AUM exceeding RMB57 billion. The strong profitability benefited from the build-up of investments ever since our establishment of Investment Management business in 2013. Our investment capability has been proven in the strong performance of our PE funds, plus relevant net investment gains (amounting to RMB933.1 million in 2020). Considering the relatively high returns, China Renaissance also plans to commit more principal investments into our funds.

Since our Group's first foray into Investment Management, our funds have accrued over RMB1.6 billion in net unrealized carried interests, and we intend to accelerate our pace of exits in public market in 2021. Currently the accrued carried interests mostly derived from our Fund I and Fund II which were raised in 2013–2015, while we are also expectant on seeing notable carried interests generated from our Fund III, as we complete the investment period and projects start getting listed this year. The strong performance of our previous funds have paved way for better prospects of future fundraising and AUM expansion.

Investment banking segment revenue also reached historical high, despite challenging industry environment with COVID-19 forcing delays upon various projects. Notwithstanding external conditions, China Renaissance has long prepared for the seismic shift of Chinese companies' listing preferences, thus having obtained licenses across mainland China, Hong Kong, and the US in 2013–2016. This strategic positioning had particularly been paying off since 2nd half of 2020, with our firm serving as sponsors/bookrunners in a rising number of landmark Hong Kong and U.S. Initial Public Offerings, such as Beke and JD Health, as well as Kuaishou in early 2021. It took us a few years to build up our underwriting capacity, and we expect stronger revenue momentum from our investment banking pipelines in the coming year.

## BUSINESS REVIEW (CONTINUED)

Our unremitting commitment to domestic markets, i.e. A share and Hong Kong, resonates at every entity within our Group, as we strive towards our goal of becoming the consummate investment bank for new economy. We maintained our leading position in private placement business with major deals completed most notably in technology-media-telecom (“TMT”) and consumer sectors, in addition to a dominating franchise in healthcare sector. Our investment banking businesses have been increasingly integrated with CR Securities, thus able to better capitalize on our prominent market position and client relationship in private placement business. With CR Securities having obtained principal investment and financial product distribution licenses in November 2020, it stands as the linchpin to our domestic operations.

Our 2020 annual results saw substantial investment gains realized as a result of optimized capital allocation towards higher return assets, such as principal investments into our actively managed investment management funds. Not only are such investment gains conducive to our earnings, they are also highly synergistic with our fee-generating business operations, galvanized into accelerated motion. Our cash position at Group level as at December 31, 2020 amounted to RMB4.3 billion, of which RMB2.9 billion sat at CR Securities. Returns on CR Securities’s use of funds had been hampered by license restrictions in preceding reporting periods, but there is notable upside with principal investment license effective onwards.

Wealth management business development stayed on track for 2020, with AUM about RMB6 billion as of March 2021. It continues to gain traction amongst new economy clients, and well poised to attain synergies with our investment banking and investment management businesses. We are confident that wealth management over time will equip us with the third engine for future growth.

We remain dedicated to delivering higher returns to our Shareholders, in both ROE and dividend payments. For the year 2020, our Group has declared RMB38 cents per Share for dividend payment, or 20% dividend payout.

Overall, we are pleased to see our 2020 annual results shine through amid challenging macro conditions, and we expect our future will be even brighter.

# 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.

## FINANCIAL HIGHLIGHTS (CONTINUED)

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

	For the Year Ended	
	December 31,	
	2020	2019
	RMB'000	RMB'000
		(restated)
<b>Total revenue</b>	<b>1,589,274</b>	1,304,050
<b>Total revenue and net investment gains</b>	<b>2,731,446</b>	1,621,737
<b>Total operating expenses</b>	<b>(1,606,064)</b>	(1,183,722)
<b>Operating profit</b>	<b>1,125,382</b>	438,015
<b>Profit before tax</b>	<b>1,160,410</b>	388,592
Income tax expense	(136,153)	(78,337)
<b>Profit for the year</b>	<b>1,024,257</b>	310,255
<b>Profit for the year attributable to owners of the Company</b>	<b>1,037,752</b>	246,778

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.



## FINANCIAL HIGHLIGHTS (CONTINUED)

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

	For the Year Ended	
	December 31,	
	2020	2019
	RMB'000	RMB'000
<b>Profit for the year attributable to owners of the Company</b>	<b>1,037,752</b>	246,778
Add:		
Share-based payment expense	<b>67,966</b>	74,907
Change in fair value of call option	<b>(19,801)</b>	689
<b>Subtotal before adjustments relating to carried interest</b>	<b>1,085,917</b>	322,374
Add:		
Unrealized net carried interest <sup>(1)</sup>	<b>1,090,211</b>	140,928
<b>Non-IFRS Measure: Adjusted net profit attributable to owners of the Company (unaudited)<sup>(2)</sup></b>	<b>2,176,128</b>	463,302

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,	
	2020	2019
	RMB'000	RMB'000
Unrealized income from carried interest	<b>3,343,368</b>	461,442
Carried interest to management team and other parties	<b>(2,253,157)</b>	(320,514)
<b>Unrealized net carried interest</b>	<b>1,090,211</b>	140,928

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.

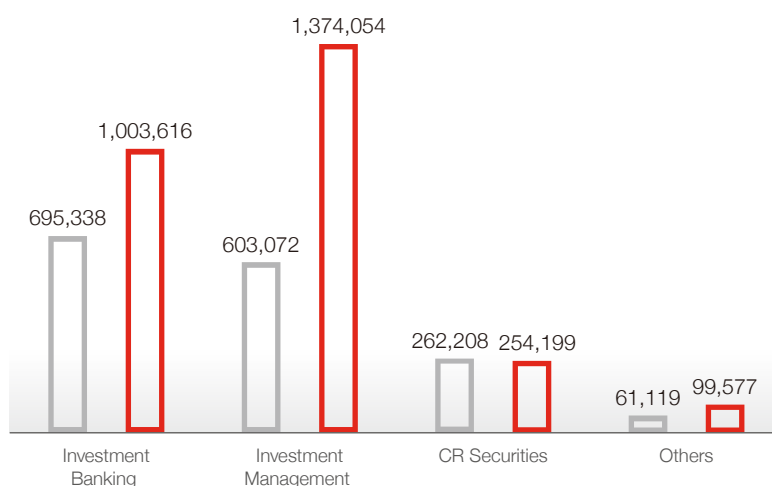
- (2) We define adjusted net profit attributable to owners of the Company as profit or loss for the year or period attributable to owners of the Company adjusted for the impact of (i) share-based payment expense, (ii) change in fair value of call option, (iii) unrealized income from carried interest,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

## FINANCIAL HIGHLIGHTS (CONTINUED)

### SEGMENT PERFORMANCE

#### Revenue and Net Investment Gains by Segment

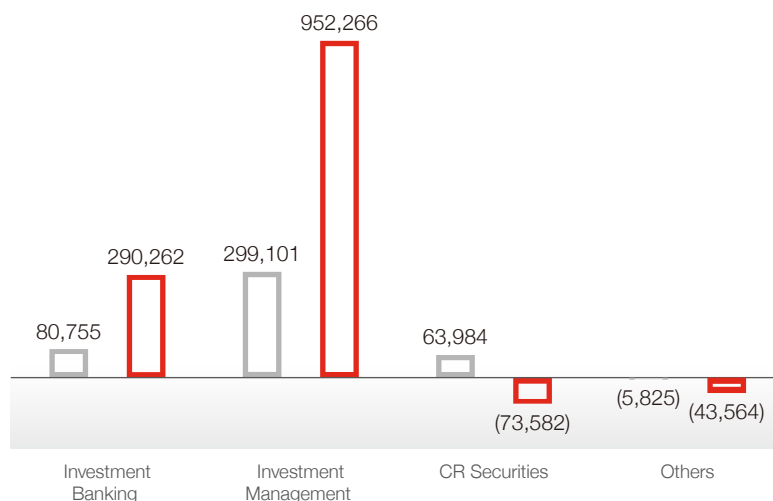
(RMB'000)



□ 2019 (restated)    □ 2020

#### Operating Profit (loss) by Segment

(RMB'000)



□ 2019 (restated)    □ 2020

In the prior period, we had four operating segments (a) investment banking; (b) investment management; (c) Huajing and (d) new business. In the current period, we changed our internal reporting structure and reallocated structured financing from new business segment to investment banking segment. Subsequent to the change of the internal reporting structure, we have four reportable operating segments, which are (a) investment banking; (b) investment management; (c) CR Securities, formerly named Huajing, and (d) others.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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,			
	2020	2019	Change	% of change
	RMB'000	RMB'000 (restated)	RMB'000	
<b>Business Segment</b>				
Investment Banking	1,003,616	695,338	308,278	44.3%
Investment Management	1,374,054	603,072	770,982	127.8%
CR Securities	254,199	262,208	(8,009)	-3.1%
Others	99,577	61,119	38,458	62.9%
<b>Total revenue and net investment gains</b>	<b>2,731,446</b>	<b>1,621,737</b>	<b>1,109,709</b>	<b>68.4%</b>

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

	For the Year Ended			
	December 31,			
	2020	2019	Change	% of change
	RMB'000	RMB'000 (restated)	RMB'000	
<b>Business Segment</b>				
Investment Banking	290,262	80,755	209,507	259.4%
Investment Management	952,266	299,101	653,165	218.4%
CR Securities	(73,582)	63,984	(137,566)	n.m.
Others	(43,564)	(5,825)	(37,739)	647.9%
<b>Operating profit</b>	<b>1,125,382</b>	<b>438,015</b>	<b>687,367</b>	<b>156.9%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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,			
	2020	2019	Change	% of change
	RMB'000	RMB'000	RMB'000	
		(restated)		
<b>Investment Banking</b>				
Advisory services	595,135	551,530	43,605	7.9%
Equity underwriting	259,332	44,965	214,367	476.7%
Sales, trading, and brokerage	131,165	86,049	45,116	52.4%
Interest Income	4,824	5,603	(779)	-13.9%
<b>Segment revenue</b>	<b>990,456</b>	688,147	302,309	43.9%
Net investment gains	13,160	7,191	5,969	83.0%
<b>Segment revenue and net investment gains</b>	<b>1,003,616</b>	695,338	308,278	44.3%
Compensation and benefit expenses	(556,179)	(429,598)	(126,581)	29.5%
Impairment loss under expected credit loss model, net of reversal	(1,787)	865	(2,652)	n.m.
Other operating expenses	(155,388)	(185,850)	30,462	-16.4%
<b>Segment operating expenses</b>	<b>(713,354)</b>	(614,583)	(98,771)	16.1%
<b>Segment operating profit</b>	<b>290,262</b>	80,755	209,507	259.4%
Segment operating margin	28.9%	11.6%		

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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			
	2020	2019	Change	% of change
	RMB in million	RMB in million	RMB in million	
<b>Transaction Value</b>				
Advisory services	<b>61,823</b>	84,520	(22,697)	-26.9%
Equity underwriting	<b>171,865</b>	19,085	152,780	800.5%
<b>Total</b>	<b>233,688</b>	103,605	130,083	125.6%

#### Segment Revenue and Net Investment Gains

Investment banking revenue and net investment gains was RMB1,003.6 million for the year ended December 31, 2020, an increase of 44.3% from the year ended December 31, 2019. This increase was primarily due to (i) an increase in equity underwriting services resulting from the increase of IPOs by new economy companies, (ii) an increase in private placement advisory fees and mergers and acquisitions advisory revenue, and (iii) an increase in sales, trading, and brokerage fees.

Interest income and net investment gain mainly come from the structured finance related products. Structured financing is dedicated to exploring and developing non-equity financing services to new economy firms. The interest income and net investment gains from the structured finance related products increased from RMB12.8 million for the year ended December 31, 2019 to RMB18.0 million for the year ended December 31, 2020 mainly due to increase in structure finance related products from second half of 2019.

#### Segment Operating Expenses

For the investment banking segment, segment operating expenses increased by 16.1% from RMB614.6 million for the year ended December 31, 2019 to RMB713.4 million for the year ended December 31, 2020, which was primarily attributed to the increase in compensation and benefit expenses from RMB429.6 million for the year ended December 31, 2019 to RMB556.2 million for the year ended December 31, 2020.

#### Segment Operating Profit

For the investment banking segment, segment operating profit increased significantly from RMB80.8 million for the year ended December 31, 2019 to RMB290.3 million for the year ended December 31, 2020. Segment operating margin improved from 11.6% for the year ended December 31, 2019 to 28.9% for the year ended December 31, 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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,			
	2020	2019	Change	% of change
	RMB'000	RMB'000	RMB'000	
		(restated)		
<b>Investment Management</b>				
Management fees	419,708	433,762	(14,054)	-3.2%
Realized income from carried interest	21,268	42,044	(20,776)	-49.4%
<b>Segment revenue</b>	<b>440,976</b>	475,806	(34,830)	-7.3%
Net investment gains	933,078	127,266	805,812	633.2%
<b>Segment revenue and net investment gains</b>	<b>1,374,054</b>	603,072	770,982	127.8%
Compensation and benefit expenses	(245,221)	(162,474)	(82,747)	50.9%
Carried interest to management team and other parties	(14,114)	(26,273)	12,159	-46.3%
Investment gains attributable to interest holders of consolidated structured entities	(61,753)	(19,605)	(42,148)	215.0%
Impairment loss under expected credit loss model, net of reversal	(448)	—	(448)	n.m.
Other operating expenses	(100,252)	(95,619)	(4,633)	4.8%
<b>Segment operating expenses</b>	<b>(421,788)</b>	(303,971)	(117,817)	38.8%
<b>Segment operating profit</b>	<b>952,266</b>	299,101	653,165	218.4%
Segment operating margin	69.3%	49.6%		
Unrealized income from carried interest	3,343,368	461,442	2,881,926	624.5%
Carried interest to management team and other parties	(2,253,157)	(320,514)	(1,932,643)	603.0%
<b>Unrealized net carried interest</b>	<b>1,090,211</b>	140,928	949,283	673.6%
<b>Adjusted segment operating profit</b>	<b>2,042,477</b>	440,029	1,602,448	364.2%

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### SEGMENT PERFORMANCE (CONTINUED)

#### Investment Management (Continued)

The following table sets forth a movement of investments in our own private equity funds and investments in third-party private equity funds for the year indicated.

	<b>Investments in our own funds RMB'000</b>	<b>Investments in third-party funds RMB'000</b>
Balance at December 31, 2019	596,014	414,015
Capital contribution	269,798	276,706
Distribution	(48,994)	(32,533)
Changes in value	805,108	127,970
Effect of exchange rate change	(25,179)	(15,023)
Balance at December 31, 2020	1,596,747	771,135

As of December 31, 2020, IRR of investments in our own private equity funds and investments in third-party private equity funds was 43.0% and 17.1%, respectively.

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

	<b>As of December 31,</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB in million</b>	<b>RMB in million</b>
Committed Capital	27,547	26,055
Invested Capital	21,946	16,629
Fair Value of Investments	57,416	28,214
Fee-earning AUM	21,874	22,461
AUM	57,443	34,236

The management fees for each of our main funds are calculated on a percentage ranging from 1.5% to 2.0% of capital commitments or cost of undisposed investments during investment period or after investment period. For our project funds, the percentage may vary from 0% to 2%. The income from carried interest from each of our funds is determined only after the fund has achieved its applicable contractual hurdle rate and is based on a percentage of difference of fair value of investments net of expenses over invested capital, which is typically 20% for our main funds and ranges from 0% to 20% for our project funds. The hurdle rate of our funds is typically 8% per annum. Our main funds generally have investment periods of five years. The term of our main funds generally last for 7 to 12 years, subject to a limited number of extensions with the consent of the limited partners.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### SEGMENT PERFORMANCE (CONTINUED)

#### Investment Management (Continued)

The following table sets forth certain performance information for our private equity funds as of the dates indicated.

RMB in million except multiples and percentages	Committed Capital	Realized Investments <sup>(1)</sup>		Unrealized Investments			Gross Multiple of Invested Capital <sup>(2)</sup>	
		Invested capital	Fair Value	Invested capital	Fair Value	% Public		
<b>As of December 31, 2020</b>								
Main Funds <sup>(3)</sup>	21,145	1,782	4,285	14,113	19.5%	35,036	47.7%	2.5
Project Funds	6,402	497	1,013	5,554	60.6%	17,082	80.6%	3.0
<b>Total</b>	<b>27,547</b>	<b>2,279</b>	<b>5,298</b>	<b>19,667</b>	<b>31.2%</b>	<b>52,118</b>	<b>58.5%</b>	<b>2.6</b>
<b>As of December 31, 2019</b>								
Main Fund	20,091	825	2,522	9,872	15.6%	16,567	23.3%	1.8
Project Funds	5,964	194	372	5,738	40.7%	8,753	38.4%	1.5
<b>Total</b>	<b>26,055</b>	<b>1,019</b>	<b>2,894</b>	<b>15,610</b>	<b>24.8%</b>	<b>25,320</b>	<b>28.5%</b>	<b>1.7</b>

- (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.
- (3) As of December 31, 2019 and 2020, we managed nine main private equity funds, including six under our Huaxing Growth Capital and three under our Huaxing Healthcare Capital.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### SEGMENT PERFORMANCE (CONTINUED)

#### Investment Management (Continued)

##### *Segment Revenue and Net Investment Gains*

For the investment management segment, management fees decreased by 3.2% from RMB433.8 million for the year ended December 31, 2019 to RMB419.7 million for the year ended December 31, 2020. This decrease was primarily due to the slower inflow of new capital commitment in 2020 compared to 2019. Net investment gains from the investment management business mainly represents the investment income from the investments in our own private equity funds and third-party private equity funds. Net investment gains increased significantly from RMB127.3 million for the year ended December 31, 2019 to RMB933.1 million for the year ended December 31, 2020 resulting from the appreciation in value of the portfolio companies investments in our own private equity funds. The committed capital and AUM of our private equity funds were RMB27.5 billion and RMB57.4 billion as of December 31, 2020, representing an increase of 5.7% and of 67.8% from the end of 2019, respectively.

During the year ended December 31, 2020, the total return of a project fund 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 decreased by 49.4% from RMB42.0 million for the year ended December 31, 2019 to RMB21.3 million for the year ended December 31, 2020.

##### *Segment Operating Expenses*

For the investment management segment, segment operating expenses increased by 38.8% from RMB304.0 million for the year ended December 31, 2019 to RMB421.8 million for the year ended December 31, 2020. This increase was primarily due to the (i) increase in our compensation and benefit expenses, (ii) investment gains attributable to interest holders of consolidated structured entities.

##### *Segment Operating Profit*

For the investment management segment, segment operating profit increased by 218.4% from RMB299.1 million for the year ended December 31, 2019 to RMB952.3 million for the year ended December 31, 2020. Segment operating margin improved from 49.6% for the year ended December 31, 2019 to 69.3% for the year ended December 31, 2020.

##### *Unrealized Net Carried Interest*

Unrealized net carried interest, calculated as unrealized income from carried interest subtracting carried interest to management team and other parties, increased by 673.6% from RMB140.9 million for the year ended December 31, 2019 to RMB1,090.2 million for the year ended December 31, 2020. Unrealized income from carried interest increased by 624.5% from RMB461.4 million for the year ended December 31, 2019 to RMB3,343.4 million for the year ended December 31, 2020 resulting from the appreciation in value of the portfolio companies under our investment management business. Carried interest to management team and third parties increased 603.0% from RMB320.5 million for the year ended December 31, 2019 to RMB2,253.2 million for the year ended December 31, 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### SEGMENT PERFORMANCE (CONTINUED)

#### CR Securities

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

	For the year ended			
	December 31,			
	2020	2019	Change	% of change
	RMB'000	RMB'000	RMB'000	
		(restated)		
<b>CR Securities</b>				
Transaction and advisory fees	57,275	77,823	(20,548)	-26.4%
Interest income	31,044	27,344	3,700	13.5%
<b>Segment revenue</b>	<b>88,319</b>	105,167	(16,848)	-16.0%
<b>Segment revenue and net investment gains</b>	<b>254,199</b>	262,208	(8,009)	-3.1%
Compensation and benefit expenses	(209,932)	(130,917)	(79,015)	60.4%
Investment (gains) losses attributable to interest holders of consolidated asset management schemes	(49,674)	2,919	(52,593)	n.m.
Impairment loss under expected credit loss model, net of reversal	(1,131)	—	(1,131)	n.m.
Finance cost	(2,690)	(1,096)	(1,594)	145.4%
Other operating expenses	(64,354)	(69,130)	4,776	-6.9%
<b>Segment operating expenses</b>	<b>(327,781)</b>	(198,224)	(129,557)	65.4%
<b>Segment operating (loss) profit</b>	<b>(73,582)</b>	63,984	(137,566)	n.m.

#### Segment Revenue and Net Investment Gains

For the CR Securities segment, segment revenue and net investment gains were RMB254.2 million for the year ended December 31, 2020, a decrease of 3.1% from RMB262.2 million for the year ended December 31, 2019. This decrease was primarily due to a decrease in equity underwriting revenue resulting from challenges in domestic economic landscapes and delay on execution due to the impact of COVID-19, and offset by an increase in interest income and net investment gains generated from bank deposit, term-deposit, investment in an listed equity in the STAR market of Shanghai Stock Exchange and other cash management products.

#### Segment Operating Expenses

For the CR Securities segment, segment operating expenses increased by 65.4% from RMB198.2 million for the year ended December 31, 2019 to RMB327.8 million for the year ended December 31, 2020. This increase was primarily due to the increase in compensation and benefit expenses and investment gains attributable to interest holders of consolidated structured entities.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### SEGMENT PERFORMANCE (CONTINUED)

#### CR Securities (Continued)

##### Segment Operating (Loss) Profit

For the CR Securities segment, segment operating loss for the year ended December 31, 2020 was RMB73.6 million, which was shift from segment operating profit of RMB64.0 million for the year ended December 31, 2019.

#### Others

The others segment mainly comprises of wealth management business, and investment and management of our own funds. Wealth management business provides value-added wealth management services for high net worth individuals and other high net worth groups represented by new-economy entrepreneurs.

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

	For the year ended		Change	% of change
	December 31,	2019		
	2020	2019	RMB'000	
	RMB'000	RMB'000		
		(restated)		
<b>Segment revenue</b>	<b>69,523</b>	34,930	34,593	99.0%
<b>Segment revenue and net investment gains</b>	<b>99,577</b>	61,119	38,458	62.9%
Compensation and benefit expenses	<b>(87,446)</b>	(50,226)	(37,220)	74.1%
Impairment loss under expected credit loss model, net of reversal	<b>(12,499)</b>	—	(12,499)	n.m.
Finance cost	<b>(10,065)</b>	(5,501)	(4,564)	83.0%
Other operating expenses	<b>(33,131)</b>	(11,217)	(21,914)	195.4%
<b>Segment operating expenses</b>	<b>(143,141)</b>	(66,944)	(76,197)	113.8%
<b>Segment operating loss</b>	<b>(43,564)</b>	(5,825)	(37,739)	647.9%
Segment operating margin	<b>-43.7%</b>	-9.5%		

##### Segment Revenue and Net Investment Gains

For the others segment, total revenue and net investment gains were RMB99.6 million for the year ended December 31, 2020, an increase of 62.9% from RMB61.1 million for the year ended December 31, 2019. This increase was primarily due to expansion of wealth management business as well as increased returns on cash management products.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### SEGMENT PERFORMANCE (CONTINUED)

#### Others (Continued)

##### Segment Operating Expenses

For others segment, segment operating expenses increased by 113.8% from RMB66.9 million for the year ended December 31, 2019 to RMB143.1 million for the year ended December 31, 2020. This increase was primarily due to (i) an increase in compensation and benefit expense resulting from an increase in number of employees of wealth management business and (ii) an increase in other operating expense in connection with the expansion of wealth management business.

##### Segment Operating Loss

For the others segment, total segment operating loss was RMB43.6 million and RMB5.8 million for the year ended December 31, 2020 and 2019, respectively.

### 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,			
	2020 RMB'000	2019 RMB'000 (restated)	Change RMB'000	% of change
Transaction and advisory fees	1,042,907	760,367	282,540	37.2%
Management fees	443,437	436,147	7,290	1.7%
Interest income	81,662	65,492	16,170	24.7%
Income from carried interest	21,268	42,044	(20,776)	-49.4%
<b>Total revenue</b>	<b>1,589,274</b>	1,304,050	285,224	21.9%
Net investment gains	1,142,172	317,687	824,485	259.5%
<b>Total revenue and net investment gains</b>	<b>2,731,446</b>	1,621,737	1,109,709	68.4%

Total revenue was RMB1,589.3 million for the year ended December 31, 2020, an increase of 21.9%, from RMB1,304.1 million for the year ended December 31, 2019.

- Transaction and advisory fees were RMB1,042.9 million, an increase of 37.2% from the prior year.
- Management fees increased to RMB443.4 million, an increase of 1.7% from the prior year.
- Interest income was RMB81.7 million, an increase of 24.7% from the prior year.
- Realized income from carried interest was RMB21.3 million, a decrease of 49.4% from the prior year.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### RESULTS OF OPERATIONS (CONTINUED)

#### Revenue and Net Investment Gains (Continued)

The net investment gains were mainly derived from investments in our own private equity funds, third-party private equity funds, listed equity investments, wealth management related products, structured finance related products, financial bonds and other cash management products. The net investment gains increased from RMB317.7 million for the year ended December 31, 2019 to RMB1,142.2 million for the year ended December 31, 2020.

Total revenue and net investment gains were RMB2,731.4 million for the year ended December 31, 2020, an increase of 68.4%, from RMB1,621.7 million for the year ended December 31, 2019.

#### Operating Expenses

Total operating expenses increased by 35.7% from RMB1,183.7 million for the year ended December 31, 2019 to RMB1,606.1 million for the year ended December 31, 2020.

Compensation and benefit expenses increased by 42.1% from RMB773.2 million for the year ended December 31, 2019 to RMB1,098.8 million for the year ended December 31, 2020. Among compensation and benefit expenses, share-based compensation decreased by 9.3% from RMB74.9 million for the year ended December 31, 2019 to RMB68.0 million for the year ended December 31, 2020.

Finance costs increased from RMB6.6 million for the year ended December 31, 2019 to RMB12.8 million for the year ended December 31, 2020. This increase in interest expense was primarily due to new bank borrowings drawn during the year of 2020.

Provision of impairment losses under expected credit loss model was RMB15.9 million for the year ended December 31, 2020, as compared to reversal of impairment loss under expected credit loss model of RMB0.9 million for the year ended December 31, 2019.

Investment gains attributable to interest holders of consolidated structured entities increased significantly from RMB16.7 million for the year ended December 31, 2019 to RMB111.4 million for the year ended December 31, 2020.

Other operating expenses decreased by 2.4% from RMB361.8 million for the year ended December 31, 2019 to RMB353.1 million for the year ended December 31, 2020. The decrease was primarily due to the Group's effective cost control.

#### Operating Profit

As a result of the foregoing, the operating profit increased significantly from RMB438.0 million for the year ended December 31, 2019 to RMB1,125.4 million for the year ended December 31, 2020.

#### Other Income, Gains or Losses

Other gains were RMB27.2 million for the year ended December 31, 2020, a decrease of 26.8% from RMB37.1 million for the year ended December 31, 2019. Other gains mainly came from government grants. Please refer to the Note 10 to the consolidated financial statements for further details.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### RESULTS OF OPERATIONS (CONTINUED)

#### Investment Loss 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 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.

Investment loss arising from certain incidental and ancillary investments decreased from RMB74.5 million for the year ended December 31, 2019 to RMB9.3 million for the year ended December 31, 2020, as a result of the relative slow-down of depreciation in value of strategic minority equity investments.

#### Share of Results of Associates

Share of loss of associates decreased from RMB10.0 million for the year ended December 31, 2019 to RMB0.1 million for the year ended December 31, 2020.

#### Share of Results of a Joint Venture

Share of loss of a joint venture increased from RMB1.3 million for the year ended December 31, 2019 to RMB2.5 million for the year ended December 31, 2020.

#### Change in Fair Value of Call Option

The Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Edition) was promulgated on June 28, 2019 and became effective on July 28, 2019, 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 CR Securities thus became substantially exercisable and is mandatorily measured at fair value through profit or loss as a derivative in accordance with IFRS. A gain of RMB19.8 million for the year ended December 31, 2020 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.

#### Profit before Tax

Profit before tax was RMB1,160.4 million and RMB388.6 million for the year ended December 31, 2020 and 2019, respectively.

#### Income Tax Expense

Income tax expense was RMB136.2 million and RMB78.3 million for the year ended December 31, 2020 and 2019, respectively. The increase was primarily due to more taxable income generated for the year ended December 31, 2020.

#### Profit for the Year and Profit for the Year Attributable to Owners of the Company

Profit for the year was RMB1,024.3 million and RMB310.3 million for the year ended December 31, 2020 and 2019, respectively. Profit for the year attributable to owners of the Company was RMB1,037.8 million and RMB246.8 million for the year ended December 31, 2020 and 2019, respectively.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### RESULTS OF OPERATIONS (CONTINUED)

#### 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 RMB322.4 million for the year ended December 31, 2019 to RMB1,085.9 million for the year ended December 31, 2020. Unrealized net carried interest, calculated as unrealized income from carried interest subtracting carried interest to management team and other parties, increased from RMB140.9 million for the year ended December 31, 2019 to RMB1,090.2 million for the year ended December 31, 2020. Adjusted net profit attributable to owners of the Company with unrealized net carried interest increased from RMB463.3 million for the year ended December 31, 2019 to RMB2,176.1 million for the year ended December 31, 2020. See “Financial Highlights” on pages 12 to 13 for details of this non-IFRS measure.

### CASH FLOWS

During the year ended December 31, 2020, 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, 2020, we had aggregate cash and cash equivalents of RMB646.8 million. Excluding CR Securities, we had cash and cash equivalents of RMB354.9 million. Excluding CR Securities and cash held on behalf of customers under our sales and trading business, we had cash and cash equivalents, term deposits, pledged bank deposits, financial assets at fair value through profit or loss (current portion) and other financial assets (current portion) of RMB1,325.5 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 before income tax adjusted for non-cash and non-operating items, such as depreciation of property and equipment, amortization of intangible assets, losses on disposal of property and equipment, change in fair value of call option, net investment gains, interest income, finance costs, investment loss arising from certain incidental and ancillary investments, gain on disposal of subsidiaries, impairment loss on investment in an associate, impairment losses under expected credit loss model, net of reversal, investment gains 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.



## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### CASH FLOWS (CONTINUED)

#### Cash Flows from Operating Activities (Continued)

For the year ended December 31, 2020, we had net cash generated from operating activities of RMB340.1 million, resulting from our profit before income tax of RMB1,160.4 million adjusted for non-cash and non-operating items of RMB943.0 million, income tax payment of RMB82.4 million, interest earned of RMB52.6 million and movements in working capital of RMB152.5 million. Movements in working capital primarily reflected: (i) a decrease of RMB225.1 million in cash held on behalf of brokerage clients, (ii) an increase of RMB2,623.3 million in accounts and other payables, (iii) an increase of RMB18.6 million in contract liabilities; and offset by (iv) an increase of RMB2,036.2 million in accounts and other receivables in connection with our business operations, (v) an increase of RMB1.4 million in amounts due from related parties, (vi) a decrease of RMB402.8 million in amounts due to related parties, (vii) an increase of RMB274.1 million in financial assets at fair value through profit or loss.

For the year ended December 31, 2019, we had net cash used in operating activities of RMB437.5 million, resulting from our loss 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 received of RMB70.1 million and negative movements in working capital of RMB673.9 million mainly from an increase of RMB685.8 million in cash held on behalf of brokerage clients.

#### 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, 2020, net cash used in investing activities was RMB521.4 million, primarily due to (i) net origination of loan receivables of RMB538.7 million, (ii) net cash outflows for the purchase of financial assets at fair value through profit or loss of RMB276.2 million, (iii) cash outflows for the purchase of financial assets at fair value through other comprehensive income of RMB248.1 million, (iv) investments in associates of RMB85.0 million, (v) outflows from disposal of subsidiaries of RMB47.3 million; and offset by (vi) net proceeds of RMB316.7 million from term deposits, (vii) proceeds of pledged bank deposits of RMB248.2 million, and (viii) proceeds from other financial assets of RMB141.6 million.

For the year ended December 31, 2019, net cash generated from investing activities was RMB498.0 million, primarily due to (i) net proceeds of RMB1,503.0 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.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### CASH FLOWS (CONTINUED)

#### Cash Flows from Financing Activities

Financing activities primarily consist of issuances of ordinary shares for share option exercised, 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, proceeds from financial liabilities at fair value through profit or loss, and interest paid on the banking borrowings.

For the year ended December 31, 2020, net cash used in financing activities was RMB95.7 million, primarily due to (i) payment of RMB147.9 million on repurchase of Shares, (ii) cash repayment of RMB111.1 million to third-party holders of consolidated structured entities, (iii) payment of dividends to shareholders of RMB79.9 million, (iv) repayment of RMB52.0 million for the lease liabilities, (v) net cash outflows from bank borrowings of RMB17.3 million, and partially offset by (vi) cash injection by third-party holders to consolidated structured entities of RMB176.0 million, and (vii) proceeds from financial liabilities at fair value through profit or loss of RMB125.1 million.

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 of consolidated structured entities, and (vi) repayment of RMB40.7 million for the lease liabilities.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of December 31, 2020, we had not entered into any off-balance sheet transactions.

### CAPITAL STRUCTURE

We manage our capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of our capital structure.

The Group has maintained sound financial strength during the year ended December 31, 2020. The Group is aware of the need to use capital for further business expansion, continuously seeking various means of financing. As of December 31, 2020, the Group had RMB112.1 million of outstanding bank borrowings and held credit facilities from authorized institutions in aggregate principal amount of RMB1,069.4 million.

### GEARING RATIO

The gearing ratio of the Group, which is calculated as total liabilities divided by total assets, excluding the effect of right-of-use assets, lease liabilities, open trade receivable, open trade payable, payable to interest holders of consolidated structured entities, cash held on behalf of brokerage clients and payable to brokerage clients, receivable on behalf of underwriting clients and payable to underwriting clients was 24.8% as of December 31, 2020, compared with 10.4% as of December 31, 2019. The increase was mainly due to an increase of financial assets sold under repurchase agreements as of December 31, 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### 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,	
	2020	2019
	RMB'000	RMB'000
Investments in our own private equity funds in our capacity as a general partner and limited partner	1,596,747	596,014
Investments in third-party private equity funds in our capacity as a limited partner	771,135	414,015
Strategic minority equity investments		
—Investments in the form of preferred shares of other companies	123,577	145,361
—Passive equity holdings in non-associate companies	400,785	313,433
Investment in a portfolio company of the consolidated fund	—	508,890
<b>Total</b>	<b>2,892,244</b>	<b>1,977,713</b>

As of December 31, 2020, the Group had investments of our primary investment activities amounting to an aggregate of approximately RMB2,892.2 million measured in fair value, which increased by 46.2% as compared to December 31, 2019. Each investment was individually less than 5% of the total assets of the Group as of December 31, 2020, except the following significant investment which accounted for 5.2% of the Group's total assets as of December 31, 2020:

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, 2020 RMB'000	Accumulated unrealized gain/(loss) change in fair value RMB'000	Dividend/
						interest received/receivable during the year ended December 31, 2020 RMB'000
East Image Limited	20.5%	5,125,000	133,760	647,273	513,513	5,326

East Image Limited is a company incorporated in the British Virgin Islands and is principally engaged in investment holding. It is one of the healthcare project funds managed by the Group and it holds a minority stake investment in a leading medical technology company that develops, manufactures and sells high-end interventional medical devices. The Group manages this investment via its subsidiaries in accordance with the investment objectives and strategies set out in the relevant subscription and shareholders agreement.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### **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, 2020.

### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the year ended December 31, 2020, with amendment to the Limited Partnership Agreement of BJRZ on August 1, 2020, the directors of the Company considered the Group had lost the control over this limited partnership as the magnitude and variability associated with the Group's economic interests in this structured entity are less significant to be accounted for as a subsidiary. After the disposal of BJRZ and its subsidiary JXHJ, the Group accounted for BJRZ as investment in an associate measured at fair value.

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, 2020.

### **EMPLOYEE AND REMUNERATION POLICY**

As of December 31, 2020, we had 653 full-time employees, of which over 83% were advisory and investment professionals.

The following table sets forth the number of our employees by function as of December 31, 2020.

Function	Number of Employees	Percentage
Investment Banking	251	39%
Investment Management	64	10%
CR Securities	205	31%
Others	22	3%
Group Middle and Back Office	111	17%
<b>Total</b>	<b>653</b>	<b>100%</b>

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### EMPLOYEE AND REMUNERATION POLICY (CONTINUED)

The following table sets forth the number of our employees by geographic region as of December 31, 2020.

Geographic Region	Number of Employees	Percentage
Beijing, China	313	48%
Shanghai, China	187	29%
Other cities in China	22	3%
Hong Kong	111	17%
United States	18	3%
Singapore	2	-%
<b>Total</b>	<b>653</b>	<b>100%</b>

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, 2020, 95 grantees held options granted under the ESOP and restricted shares under the RSU Plan which remained outstanding. The total remuneration expenses, including share-based payment expense, for the year ended December 31, 2020 were RMB1,098.8 million, representing an increase of 42.1% as compared to the year ended December 31, 2019.

The Company has provided various training schemes to our employees, further details are disclosed in the “Environmental, Social and Governance Report” in 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, 2020, we did not hedge or consider it necessary to use financial instruments for hedging purposes.

### PLEDGE OF ASSETS

As of December 31, 2020, no assets of the Group were pledged.

## MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

### CONTINGENT LIABILITIES

As of December 31, 2020, 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,	
	2020	2019
	RMB'000	RMB'000
Dividends to shareholders of the Company	79,896	—

The Board resolved to recommend the payment of a final dividend of RMB38 cents per Share for the year ended December 31, 2020 out of the Company's share premium account (the "**Final Dividend**"), being approximately RMB204.8 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 July 9, 2021, 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 July 9, 2021.

It is expected that the Final Dividend will be paid within two months (i.e. on or before August 31, 2021) after it is approved by Shareholders at the forthcoming annual general meeting.

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

# REPORT OF DIRECTORS

The Board of the Company is pleased to present this Report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2020.

## DIRECTORS

The Directors who held office during the year ended December 31, 2020 and up to the date of this Annual Report are:

### Executive Directors:

Mr. Bao Fan (*Chairman*)  
Mr. Xie Yi Jing  
Mr. Wang Lixing <sup>(Note 1)</sup>  
Mr. Du Yongbo <sup>(Note 2)</sup>

### Non-executive Directors:

Mr. Li Shujun  
Mr. Li Eric Xun  
Mr. Liu Xing <sup>(Note 3)</sup>  
Mr. Neil Nanpeng Shen <sup>(Note 4)</sup>

### Independent non-executive Directors:

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

Notes:

1. Mr. Wang Lixing has been appointed as an executive Director with effect from August 22, 2020.
2. Mr. Du Yongbo has resigned as an executive Director with effect from August 22, 2020 due to he desires to focus on the management and development of the Group's investment management business.
3. Mr. Liu Xing has been appointed as a non-executive Director with effect from June 11, 2020.
4. Due to Mr. Neil Nanpeng Shen's other business engagement which require more of his time and dedication, Mr. Neil Nanpeng Shen has retired as a non-executive Director on June 11, 2020.

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 54 to 60 in 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, 2020 is set out in Note 47 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.



## REPORT OF DIRECTORS (CONTINUED)

### **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, 2020, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

### **CONNECTED TRANSACTIONS**

The following are transactions of the Group which constituted continuing connected transactions for the Group for the year ended December 31, 2020.

## REPORT OF DIRECTORS (CONTINUED)

### CONNECTED TRANSACTIONS (CONTINUED)

During the year ended December 31, 2020, save as disclosed below, no other related party transactions disclosed in Note 41 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.

#### Continuing connected transactions

##### *Non-exempt continuing connected transactions*

Set out below is a summary of the continuing connected transactions of 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 of the Company (the “**Connected Investment Team Members**”, which were, as disclosed in the Prospectus, Mr. Bao (our Director), Mr. Du Yongbo (our former Director who resigned on August 22, 2020), 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.

## REPORT OF DIRECTORS (CONTINUED)

### CONNECTED TRANSACTIONS (CONTINUED)

#### Continuing connected transactions (Continued)

#### Non-exempt continuing connected transactions (Continued)

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

###### Background (Continued)

In 2020, FBH Partners Limited proposed to transfer its economic interest in receiving any and all the carried interest distribution from Huaxing Associate III, L.P. (“**USD Fund III GP**”), the general partner of Huaxing Growth Capital USD Fund III (“**USD Fund III**”), to Running Goal Limited (a company wholly-owned by Mr. Bao and hence his associate) (the “**Assignment**”), pursuant to an amended and restated limited partnership agreement of USD Fund III GP. USD Fund III is one of the 22 investment funds included and subject to the Carried Interest Distribution Framework Agreement. The aforesaid Assignment would not affect the overall percentage of carried interest to be allocated to the investment team members of USD Fund III, and did not result in any change in Mr. Bao and his associates’ entitlement to carried interest distribution. To facilitate this Assignment, Running Goal Limited entered into a joinder agreement of the Carried Interest Distribution Framework Agreement on December 30, 2020 to assume the obligations of the Connected Investment Team Members under the Carried Interest Distribution Agreement, and became a Connected Investment Team Member.

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 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.

For the year ended December 31, 2020, carried interest in the total amount of RMB25,279,707 was received by the general partner of the relevant investment funds as set out below:

Name of relevant investment funds	Amount of carried interest received by the general partner of the fund (RMB)
Project fund(s)	25,279,707

## REPORT OF DIRECTORS (CONTINUED)

### 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, 2020, carried interest in the total amount of RMB1,275,501 received by the general partner of Huaxing Growth Capital USD Fund I during the year ended December 31, 2019 was distributed to the Group.

For the year ended December 31, 2020, carried interest in the total amount of RMB1,426,548 received by the general partner of Huaxing Growth Capital USD Fund I during the year ended December 31, 2019 was distributed to the Connected Investment Team Members as set out below:

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)	1,198,780
High Fortune Investments Limited (an associate of Mr. Wang Xinwei)	227,768

Save as disclosed above, for the year ended December 31, 2020, 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, 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.

## REPORT OF DIRECTORS (CONTINUED)

### 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, 2020:

- (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 their respective registered shareholders (the "**Registered Owners**"). As of December 31, 2020, (i) the Registered Owners with respect to Shanghai Quanyuan and Dazi Huashi were Mr. Du Yongbo ("**Mr. Du**"), our former director who is now a member of the senior management and a member of the Executive Committee of the Company, and Mr. Wang Xinwei ("**Mr. Wang**"), a substantial shareholders of certain subsidiaries of our Group; and (ii) the Registered Owners with respect to Dazi Hualing and Dazi Huafeng, were Ms. Xin Xin ("**Ms. Xin**"), the Group's Head of CEO Office and Ms. Zheng Yi, the Group's Finance Controller ("**Ms. Zheng**").

## REPORT OF DIRECTORS (CONTINUED)

### CONNECTED TRANSACTIONS (CONTINUED)

#### Continuing connected transactions (Continued)

#### Non-exempt continuing connected transactions (Continued)

##### 2. Contractual Arrangements (Continued)

###### Background to the Contractual Arrangements (Continued)

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 Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) promulgated by the Standing Committee of the PRC National People’s Congress and became effective on January 1, 2020 (the “**FIL**”) and the Special Entry Management Measures (Negative List) for the Access of Foreign Investment (2020 Version) (《外商投資准入特別管理措施（負面清單）（2020年版）》) (the “**2020 Negative List**”) jointly promulgated by National Development and Reform Commission of China (中華人民共和國國家發展和改革委員會) (“**NDRC**”) and the Ministry of Commerce of the People’s Republic of China (中華人民共和國商務部) (“**MOFCOM**”) and became effective on June 23, 2020, whilst a limited number of these RMB Funds invest in investee companies whose businesses are not subject to FI Restrictions. We derive our investment management revenue primarily from two sources, namely collection of management fees and carried interest from the investment funds.

The investment fund management entities currently are not subject to the FI Restrictions, and therefore our equity interests in all of our current and future investment fund management entities for our RMB Funds that we control are and will be held by Huagan Shanghai (or its wholly owned subsidiaries) unless there is any change to the FI Restrictions.

We collect carried interest from the general partners of our RMB Funds. In the private equity investment fund industry, to ensure compliance with applicable PRC laws and regulations and to conform with the industry practice, the investee companies usually adopt a “look-through” approach in determining eligibility of their investors when they engage in businesses subject to FI Restrictions (in the case of investors which are limited partnerships, the investee companies will assess the shareholders of both general partners and limited partners). As such, given the Company’s RMB Funds primarily invest in new economy companies involved in innovative and emerging businesses, many of which are subject to FI Restrictions, we control the general partners of these RMB Funds through the Contractual Arrangements at the time of their establishment.

We also have certain strategic investments (either in the capacity of limited partner in private equity funds managed by third parties, or other minority investments) in businesses that are subject to the FI Restrictions and are currently held through the Contractual Arrangements.

### CONNECTED TRANSACTIONS (CONTINUED)

#### Continuing connected transactions (Continued)

#### Non-exempt continuing connected transactions (Continued)

##### 2. Contractual Arrangements (Continued)

###### Background to the Contractual Arrangements (Continued)

In order to comply with the PRC laws and regulations to the extent practicable, while availing ourselves of international capital markets and maintaining effective control over all of our operations, we entered into the Existing Contractual Arrangements and the 2020 Terminated Contractual Arrangements. Further, on June 15, 2020, Huagan Shanghai, Ms. Xin, Ms. Zheng and each of Dazi Hualing and Dazi Huafeng entered into the 2020 New Contractual Arrangements, pursuant to which, among other things, Ms. Xin and Ms. Zheng replaced Mr. Du and Mr. Wang as nominee shareholders of Dazi Hualing and Dazi Huafeng, and the Contractual Arrangements (other than the exclusive business cooperation agreements) relating to Dazi Hualing and Dazi Huafeng were terminated concurrently (the “**2020 Terminated Contractual Arrangements**”). The 2020 New Contractual Arrangements, which have terms and conditions substantially the same as those of the 2020 Terminated Contractual Arrangements are a reproduction of the 2020 Terminated Contractual Arrangements save for numerical amounts of the new registered capital, the identity of the new nominee shareholders of Dazi Hualing and Dazi Huafeng and other corresponding changes. 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.

###### PRC Laws and Regulations Relating to Foreign Ownership Restrictions

Foreign investment activities in China are mainly governed by the FIL, the Encouraged Industry Catalogue for Foreign Investment (2020 Version) (《鼓勵外商投資產業目錄(2020年版)》) (the “**2020 Encouraged Catalogue**”) jointly promulgated by the NDRC and the MOFCOM and became effective January 27, 2021 and the 2020 Negative List, which have been promulgated and amended from time to time. The FIL, the 2020 Encouraged Catalogue and the 2020 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.



## REPORT OF DIRECTORS (CONTINUED)

### 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 (Continued)

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 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 sections headed "Contractual Arrangements" and "Regulations" in the Prospectus.

#### 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;

## REPORT OF DIRECTORS (CONTINUED)

### **CONNECTED TRANSACTIONS (CONTINUED)**

#### **Continuing connected transactions (Continued)**

#### **Non-exempt continuing connected transactions (Continued)**

#### **2. Contractual Arrangements (Continued)**

##### **Risks relating to the Contractual Arrangements (Continued)**

- 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;
- The 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.

##### **Contractual Arrangements in Place**

The Contractual Arrangements that were in place during the year ended December 31, 2020 are as follows:

##### **Existing Contractual Arrangements**

- (a) exclusive call option agreements dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du, Mr. Wang and Dazi Huashi pursuant to which Mr. Du and Mr. Wang agreed to grant Huagan Shanghai an exclusive option to purchase (or through its designated person(s) to purchase) from them all or part of their equity interests in Dazi Huashi;
- (b) exclusive call option agreements dated January 31, 2019 entered into between Huagan Shanghai, Mr. Du, Mr. Wang and Shanghai Quanyuan pursuant to which Mr. Du and Mr. Wang 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;

## REPORT OF DIRECTORS (CONTINUED)

### CONNECTED TRANSACTIONS (CONTINUED)

#### Continuing connected transactions (Continued)

#### Non-exempt continuing connected transactions (Continued)

#### 2. Contractual Arrangements (Continued)

##### Existing Contractual Arrangements (Continued)

- (c) 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;
- (d) equity pledge agreements dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du, Mr. Wang and Dazi Huashi, pursuant to which Mr. Du and Mr. Wang agreed to pledge all of their existing and future equity interests in Dazi Huashi to Huagan Shanghai;
- (e) equity pledge agreements dated January 31, 2019 entered into between Huagan Shanghai, Mr. Du, Mr. Wang and Shanghai Quanyuan, pursuant to which Mr. Du and Mr. Wang agreed to pledge all of their existing and future equity interests in Shanghai Quanyuan to Huagan Shanghai;
- (f) proxy agreements dated April 25, 2018 entered into between Huagan Shanghai, Mr. Du, Mr. Wang and Dazi Huashi, pursuant to which Mr. Du and Mr. Wang agreed to, among other things, irrevocably authorize Huagan Shanghai or its designated person(s) to exercise all of their rights as shareholders of Dazi Huashi;
- (g) proxy agreements dated January 31, 2019 entered into between Huagan Shanghai, Mr. Du, Mr. Wang and Shanghai Quanyuan, pursuant to which Mr. Du and Mr. Wang 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;
- (h) powers of attorney dated April 25, 2018 made by each of Mr. Du and Mr. Wang, pursuant to which each of Mr. Du and Mr. Wang 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 Dazi Huashi;
- (i) powers of attorney dated January 31, 2019 made by each of Mr. Du and Mr. Wang, pursuant to which each of Mr. Du and Mr. Wang 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;
- (j) spouse undertakings dated April 25, 2018 made by the spouses of Mr. Du and Mr. Wang, pursuant to which they each, among other things, irrevocably undertook to refrain from claiming any interests or rights in the equity interests of Mr. Du and Mr. Wang in Dazi Huashi respectively; and
- (k) spouse undertakings dated January 31, 2019 made by the spouses of Mr. Du and Mr. Wang, 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 Mr. Du and Mr. Wang in Shanghai Quanyuan respectively.

## REPORT OF DIRECTORS (CONTINUED)

### CONNECTED TRANSACTIONS (CONTINUED)

#### Continuing connected transactions (Continued)

#### Non-exempt continuing connected transactions (Continued)

#### 2. Contractual Arrangements (Continued)

##### 2020 Terminated Contractual Arrangements (terminated on June 15, 2020)

- (a) Exclusive call option agreements dated April 25, 2018 entered into between (i) Huagan Shanghai, Mr. Du, Mr. Wang and Dazi Huafeng; and (ii) Huagan Shanghai Mr. Du, Mr. Wang and Dazi Hualing, pursuant to which Mr. Du and Mr. Wang agreed to grant Huagan Shanghai an exclusive option to purchase (or through its designated person(s) to purchase) from them all or part of their equity interests in Dazi Huafeng and Dazi Hualing;
- (b) equity pledge agreements dated April 25, 2018 entered into between (i) Huagan Shanghai, Mr. Du., Mr. Wang and Dazi Huafeng; and (ii) Huagan Shanghai, Mr. Du, Mr. Wang and Dazi Hualing, pursuant to which Mr. Du and Mr. Wang agreed to pledge all of their existing and future equity interests in Dazi Huafeng and Dazi Hualing to Huagan Shanghai;
- (c) proxy agreements dated April 25, 2018 entered into between (i) Huagan Shanghai, Mr. Du, Mr. Wang and Dazi Huafeng; and (ii) Huagan Shanghai, Mr. Du, Mr. Wang and Dazi Hualing, pursuant to which Mr. Du and Mr. Wang agreed to, among other things, irrevocably authorize Huagan Shanghai or its designated person(s) to exercise all of their rights as shareholders of Dazi Huafeng and Dazi Hualing;
- (d) powers of attorney dated April 25, 2018 made by each of Mr. Du and Mr. Wang, pursuant to which each of Mr. Du and Mr. Wang 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 shareholders of Dazi Huafeng and Dazi Hualing; and
- (e) spouse undertakings dated April 25, 2018 made by the spouses of Mr. Du and Mr. Wang, pursuant to which they each, among other things, irrevocably undertook to refrain from claiming any interests or rights in the equity interests of Mr. Du and Mr. Wang in Dazi Huafeng and Dazi Hualing respectively.

##### 2020 New Contractual Arrangements

- (a) Second amended and restated exclusive call option agreements dated June 15, 2020 entered into between (i) Huagan Shanghai, Ms. Xin, Ms. Zheng and Dazi Hualing; and (ii) Huagan Shanghai, Ms. Xin, Ms. Zheng and Dazi Huafeng, pursuant to which Ms. Xin and Ms. Zheng agreed to grant Huagan Shanghai an exclusive option to purchase (or through its designated person(s) to purchase) from them all or part of their equity interests in Dazi Hualing and Dazi Huafeng;
- (b) second amended and restated proxy agreements dated June 15, 2020 entered into between (i) Huagan Shanghai, Ms. Xin, Ms. Zheng and Dazi Hualing; and (ii) Huagan Shanghai, Ms. Xin, Ms. Zheng and Dazi Huafeng, pursuant to which Mr. Xin and Ms. Zheng agreed to, among other things, irrevocably authorize Huagan Shanghai or its designated person(s) to exercise all of their rights as shareholders of Dazi Hualing and Dazi Huafeng;

## REPORT OF DIRECTORS (CONTINUED)

### CONNECTED TRANSACTIONS (CONTINUED)

#### Continuing connected transactions (Continued)

#### Non-exempt continuing connected transactions (Continued)

##### 2. Contractual Arrangements (Continued)

###### 2020 New Contractual Arrangements (Continued)

- (c) second amended and restated equity pledge agreements dated June 15, 2020 entered into between (i) Huagan Shanghai, Ms. Xin, Ms. Zheng and Dazi Hualing; and (ii) Huagan Shanghai, Ms. Xin, Ms. Zheng and Dazi Huafeng, pursuant to which Ms. Xin and Ms. Zheng agreed to pledge all of their existing and future equity interests in Dazi Hualing and Dazi Huafeng to Huagan Shanghai;
- (d) powers of attorney dated June 15, 2020 made by each of Ms. Xin, Ms. Zheng, pursuant to which each of Ms. Xin, Ms. Zheng 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 shareholders of Dazi Huafeng and Dazi Hualing; and
- (e) spouse undertaking dated June 15, 2020 entered into by the spouse of Ms. Xin pursuant to which the spouse of Ms. Xin, among other things, irrevocably undertook to refrain from claiming any interests or rights in the equity interests of Ms. Xin in Dazi Hualing and Dazi Huafeng respectively.

Apart from the above, there were no other new Contractual Arrangements entered into, renewed or reproduced during the financial year ended December 31, 2020. 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, 2020.

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, 2020, 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 RMB31.2 million for the year ended December 31, 2020 and approximately RMB495.2 million as at December 31, 2020 respectively.

The Company has been advised by its PRC Legal Adviser that the Contractual Arrangements do not violate the currently effective and applicable 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.

## REPORT OF DIRECTORS (CONTINUED)

### 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

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

#### Listing Rule Implications and Waiver

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

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

#### Confirmation from independent non-executive Directors

The Company's independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that: (i) the transactions carried out during year ended December 31, 2020 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, 2020; (iii) no new contracts were entered into, renewed or reproduced between the Group and the consolidated affiliated entities during the year ended December 31, 2020 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, 2020:

- (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;

## REPORT OF DIRECTORS (CONTINUED)

### 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)

##### Conclusions from the Company's independent Auditor (Continued)

- (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, 2020, the revenue amounts from the Group's five largest customers accounted for 26.6% (2019: 29.7%) of the Group's total revenue and the revenue amount from our single largest customer accounted for 6.5% (2019: 9.5%) of the Group's total revenue.

Among our five largest customers for the year ended December 31, 2020, three of them are private equity funds managed by our Group, and our Group has interest in these funds as general partner (approximately 1%, 1% and 3.35%). Mr. Bao has approximately 1% indirect interest in one of the three funds which are among our five largest customers. The other one of the five largest customers of the Company for the year ended December 31, 2020 is an investment banking client of the Group, in which certain investment funds whose general partners and/or management shareholder are indirectly controlled by our Group hold in aggregate of approximately 3% financial interest.

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, 2020, purchases from the Group's five largest suppliers accounted for approximately 24.4% (2019: 23.9%) of the Group's total purchase amount in the same year. The Group's largest supplier for the year ended December 31, 2020 accounted for approximately 9.2% (2019: 7.7%) of the Group's total purchase amount for the same year.



## REPORT OF DIRECTORS (CONTINUED)

### MAJOR CUSTOMERS AND SUPPLIERS (CONTINUED)

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, 2020, 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,				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(restated)	(restated)	(restated)	(restated)
<b>Total revenue</b>	<b>1,589,274</b>	1,304,050	1,398,825	939,969	887,253
<b>Total revenue and net investment gains</b>	<b>2,731,446</b>	1,621,737	1,577,846	1,003,704	942,193
Total operating expenses	<b>(1,606,064)</b>	(1,183,722)	(1,209,310)	(988,801)	(627,582)
<b>Operating profit (loss)</b>	<b>1,125,382</b>	438,015	368,536	14,903	314,611
<b>Profit (loss) for the year</b>	<b>1,024,257</b>	310,255	(1,651,487)	(91,057)	190,004
<b>Profit (loss) for the year attributable to owners of the Company</b>	<b>1,037,752</b>	246,778	(1,619,391)	221	211,786
<b>Subtotal before adjustments relating to carried interest</b>	<b>1,085,917</b>	322,374	319,010	232,405	346,327
<b>Non-IFRS Measure: Adjusted net profit attributable to owners of the Company (unaudited)</b>	<b>2,176,128</b>	463,302	446,451	391,752	367,104

## REPORT OF DIRECTORS (CONTINUED)

### Condensed Consolidated Statement of Financial Position

	As at December 31,				
	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
<b>Current assets</b>	<b>8,528,536</b>	6,789,658	5,495,738	3,740,439	1,944,235
<b>Current liabilities</b>	<b>5,012,755</b>	2,740,376	895,533	557,653	607,896
<b>Net current assets</b>	<b>3,515,781</b>	4,049,282	4,600,205	3,182,786	1,336,339
<b>Non-current assets</b>	<b>4,008,793</b>	2,720,772	1,820,019	1,116,856	615,547
<b>Non-current liabilities</b>	<b>142,596</b>	97,909	26,483	2,728,239	1,417,334
<b>NET ASSETS</b>	<b>7,381,978</b>	6,672,145	6,393,741	1,571,403	534,552
<b>Equity attributable to the owners of the Company</b>	<b>5,895,842</b>	5,159,105	4,938,841	75,015	18,338
<b>Non-controlling interest</b>	<b>1,486,136</b>	1,513,040	1,454,900	1,496,388	516,214
<b>CAPITAL AND RESERVES</b>	<b>7,381,978</b>	6,672,145	6,393,741	1,571,403	534,552

### 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 47 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, 2020 are set out in Note 18 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, 2020 and details of the Shares issued during the year ended December 31, 2020 are set out in the section headed "Other Information — Purchase, Sale or Redemption of the Company's Listed Securities" of this Annual Report and in Note 36 to the consolidated financial statements.

## REPORT OF DIRECTORS (CONTINUED)

### **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, 2020, the Group made charitable donations of approximately RMB5.2 million (2019: RMB6.3 million).

### **DEBENTURE ISSUED**

The Group did not issue any debenture during the year ended December 31, 2020.

### **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, 2020.

### **DIVIDENDS**

The Board has resolved to recommend the payment of a Final Dividend of RMB38 cents per Share for the year ended December 31, 2020 out of the Company's share premium account, being approximately RMB204.8 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 July 9, 2021, 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 July 9, 2021.

It is expected that the Final Dividend will be paid within two months (i.e. on or before August 31, 2021) 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, 2020. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

## REPORT OF DIRECTORS (CONTINUED)

### **DISTRIBUTABLE RESERVES**

Details of the movements in the reserves of the Group and the Company during the year ended December 31, 2020 are set out in the section of consolidated statement of changes in equity on page 126 and Note 49 in the consolidated financial statements respectively. The distributable reserves of the Company as at December 31, 2020 were RMB3,516.8 million.

### **BANK LOANS AND OTHER BORROWINGS**

Particulars of bank loans and other borrowings of the Group as at December 31, 2020 are set out in the section headed “Management Discussion and Analysis” in this Annual Report and Note 32 to the consolidated financial statements.

### **DIRECTORS’ SERVICE CONTRACTS**

Each of Mr. Bao and Mr. Xie Yi Jing, as the executive Directors of the Company, 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). Mr. Wang Lixing, as the executive Director of the Company, has entered into a service contract with the Company for an initial term of three years with effect from August 22, 2020 or until the third annual general meeting of the Company since August 22, 2020 (whichever is sooner).

Each of Mr. Li Shujun and Mr. Li Eric Xun, as the non-executive Directors, and 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). Mr. Liu Xing, as the non-executive Director of the Company, has entered into a service contract with the Company for an initial term of three years with effect from June 11, 2020 or until the third annual general meeting of the Company since June 11, 2020 (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 of this Annual Report, 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, 2020.

## REPORT OF DIRECTORS (CONTINUED)

### **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 15 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, 2020.

### **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, 2020.

### **AUDITOR**

The Shares were 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, 2020 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, 2021

# 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 50, 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 Asialnfo 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<sup>(1)</sup> and Credit Suisse<sup>(2)</sup> 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 was an independent director of KE Holdings Inc. (NYSE Ticker: BEKE) from December 2018 to March 2021. He was 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 on Quotations with stock code 430127 from February 2018 to February 2021.

**Mr. Xie Yi Jing (謝屹璟)**, aged 50, 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<sup>(2)</sup> 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.

**Mr. Wang Lixing (王力行)**, aged 40, is an executive Director of our Company and the managing director, head of investment banking division of our Group. Mr. Wang started his investment banking career with the Group in July 2007. From July 2007 to December 2015, 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. From January 2016 to December 2018, he served as head of advisory of our Group, before serving as his current role since January 2019.

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 other listed companies.

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### DIRECTORS (CONTINUED)

#### Non-executive Directors

**Mr. Li Shujun (李曙軍)**, aged 49, 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. (Nasdaq Ticker: 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 52, 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.

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.

**Mr. Liu Xing (劉星)**, aged 50, is a non-executive director of the Company, responsible for providing professional opinion and judgment to the Board. He is a partner of Sequoia Capital China, which he joined in May 2007.

Mr. Liu received an MBA degree from The Wharton School of the University of Pennsylvania in May 2004, a master's degree in computer engineering from Syracuse University in December 1995, and a bachelor's degree in management information systems from Fudan University in July 1992.

Mr. Liu has been a non-executive director of ZTO Express (Cayman) Inc. (NYSE Ticker: ZTO; SEHK stock code: 2057) since May 2013 and an independent non-executive director of Vipshop Holdings Limited (NYSE Ticker: VIPS) since January 2011.



## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### DIRECTORS (CONTINUED)

#### Independent non-executive Directors

**Ms. Yao Jue (姚珏)**, aged 47, 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.

Ms. Yao is an independent director of CooTek (Cayman) Inc., whose American depositary shares are listed on the New York Stock Exchange with stock code CTK since September 2018. Ms. Yao was an independent director of Yintech Investment Holdings Limited (Nasdaq Ticker: YIN) from April 2016 to November 2020.

**Mr. Ye Junying (葉俊英)**, aged 57, 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.

**Mr. Zhao Yue (肇越)**, aged 54, 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.

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### SENIOR MANAGEMENT

**Mr. Cong Lin (叢林)**, aged 56, is the President of the Group, and also as the Chairman of CRSHK and member of the Executive Committee of the Company, in charge of the development and management of our Group's investment banking business.

Mr. Cong has over 30 years of experience in the banking and finance industry. Prior to joining the Group, he served at the Industrial and Commercial Bank of China Group (“**ICBC Group**”) since 1990. Mr. Cong served in a variety of senior executive roles during his tenure with ICBC Group, including Chairman of the board of directors and Chief Executive Officer of ICBC International Holdings Limited, Executive Director and President of ICBC Financial Leasing Co., Ltd., and Chief Representative of the Beijing Office and Vice President of ICEA Finance Holdings Limited.

Mr. Cong holds a Bachelor's degree in Economics (major in Finance) from Renmin University of China, School of Finance in 1987, a Master's degree in Economics from the Graduate School of the People's Bank of China Research Institute of Finance in 1990, and a Master of Business Administration from Cheung Kong Graduate School of Business in 2006. During the past three years, Mr. Cong has not been a director of any listed companies.

**Mr. Du Yongbo (杜永波)**, aged 50, is a managing director of Huaxing Growth Capital of the Group, responsible for overseeing the new economy investment business of our Group. Mr. Du has resigned as an executive Director of the Company with effect from August 22, 2020. 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. 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 (HKEX Stock Code: 3700).

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### SENIOR MANAGEMENT (CONTINUED)

**Mr. Cui Qiang (崔強)**, aged 47, 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 CR 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.

**Mr. Lam Ka Cheong Jason (林家昌)**, aged 46, is the president of China Renaissance International, 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<sup>(2)</sup>, 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<sup>(3)</sup>, ABN AMRO Bank N.V. and Credit Suisse<sup>(2)</sup> 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.

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### SENIOR MANAGEMENT (CONTINUED)

**Ms. Chen Yang (陳楊)**, aged 34, is the managing director of the Group, responsible for Human Resources Department and Legal Department. Since joining our Group, Ms. Chen has been working as a core member, taking part in multiple key projects, strategic planning and operation management of the Group. Ms. Chen also built up the legal team of the Group from scratch, and led the team winning the honor of 2020 ALB China Top 15 New Economy In-House Teams Award.

Prior to joining our Group, Ms. Chen worked at Han Kun Law Offices, with main practice areas in PE and VC investment, during which Ms. Chen accumulated rich project experience in the fields including Foreign Direct Investment, Mergers & Acquisitions, Venture Capital & Private Equity Investment and overseas Listings.

Ms. Chen holds a master's degree in law from Vanderbilt University, and a bachelor's degree in law from China University of Political Science and Law. During the past three years, Ms. Chen 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, and also a director of CRSHK. 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, 2020.

### CHANGES IN DIRECTORS' AND SENIOR MANAGEMENT'S INFORMATION

After the date of the Company's 2020 interim report, the changes in information of Directors and senior management of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below.

Mr. Bao Fan has served as director of KE Holdings Inc. (Nasdaq Ticker: BEKE) since December 2018 and has become an independent director when KE Holdings Inc.'s American Depositary Shares were listed on the New York Stock Exchange on August 13, 2020. Since February 2021, Mr. Bao Fan ceased to act as director of Hero Entertainment Co., Ltd (英雄互娱科技股份有限公司), whose shares are listed on the PRC National Equities Exchange and Quotations with stock code 430127.

Ms. Yao Jue ceased to act as independent director of Yintech Investment Holdings Limited (Nasdaq Ticker: YIN) since November 2020.

Mr. Xiang Wei ceased to act as chief operating officer of the Company, and has become the general manager of CR Securities since March 23, 2021.

Save as above, as at the date of this Annual Report, there is no change in information of Directors and senior management of the Company which shall be disclosed pursuant to Rule 13.51 B(1) of the Listing Rules.

## DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

### 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, 2020, 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. Li Shujun is the founding and managing partner of Trustbridge Partners. Mr. Li Eric Xun is the founding and managing partner of Chengwei Capital. Mr. Liu Xing is the partner of Sequoia Capital China. Each of Trustbridge Partners, Chengwei Capital and Sequoia Capital China 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. Li Shujun, Mr. Li Eric Xun and Mr. Liu Xing 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. Li Shujun's position with Trustbridge Partners (or any of its underlying investment vehicles or investees), Mr. Li Eric Xun's position with Chengwei Capital (or any of its underlying investment vehicles or investees) and/ or Mr. Liu Xing's position with Sequoia Capital China (or any of its underlying investment vehicles or investees), Mr. Li Shujun, Mr. Li Eric Xun and Mr. Liu Xing 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, 2020.

## **CORPORATE GOVERNANCE PRACTICES AND COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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.

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 provision A.2.1 and as disclosed in this Annual Report, for the year ended December 31, 2020, the Company has complied with all applicable code provisions set out in the CG Code.

## **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, 2020.

## **BOARD OF DIRECTORS**

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

As at the date of this Annual Report, the composition of the Board is as followings:

### **Executive Directors**

Mr. Bao Fan (*Chairman*)  
Mr. Xie Yi Jing  
Mr. Wang Lixing

### **Non-executive Directors**

Mr. Li Shujun  
Mr. Li Eric Xun  
Mr. Liu Xing

### **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 54 to 60 of this Annual Report.

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### **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, 2020, four Board meetings were held. The main resolutions considered and approved in these meetings include (i) the Company's profit update in respect of the 2019 annual reporting; (ii) the Company's 2019 annual reporting; (iii) the Company's profit update in respect of the 2020 interim reporting; (iv) the Company's 2020 interim reporting; (v) the proposed appointment of a non-executive Director; and (vi) the change of executive Directors. 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.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### BOARD MEETINGS AND COMMITTEE MEETINGS (CONTINUED)

A summary of the attendance record of the Directors at general meeting, Board meetings and Board committees meetings during the year ended December 31, 2020 is set out in the following table below:

Name of Director	Number of meeting(s) attended/ number of meeting(s) held during the year ended December 31, 2020						
	Annual General Meeting	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	Executive Committee Meeting	Environmental, Social and Governance Committee Meeting
<b>Executive Directors:</b>							
Mr. Bao Fan	1/1	4/4	N/A.	1/1	1/1	5/5	N/A.
Mr. Xie Yi Jing	1/1	4/4	N/A.	N/A.	N/A.	5/5	2/2
Mr. Wang Lixing*	0/1	0/4	N/A.	N/A.	N/A.	5/5	N/A.
Mr. Du Yongbo***	1/1	4/4	N/A.	N/A.	N/A.	N/A.	N/A.
<b>Non-executive Directors:</b>							
Mr. Li Shujun	1/1	4/4	N/A.	N/A.	N/A.	N/A.	N/A.
Mr. Li Eric Xun	1/1	4/4	N/A.	N/A.	N/A.	N/A.	N/A.
Mr. Liu Xing**	1/1	2/4	N/A.	N/A.	N/A.	N/A.	N/A.
Mr. Neil Nanpeng Shen****	0/1	2/4	N/A.	N/A.	N/A.	N/A.	N/A.
<b>Independent non-executive Directors:</b>							
Mr. Yao Jue	0/1	4/4	3/3	N/A.	1/1	N/A.	N/A.
Mr. Ye Junying	0/1	4/4	3/3	1/1	N/A.	N/A.	N/A.
Mr. Zhao Yue	1/1	4/4	3/3	1/1	1/1	N/A.	N/A.

\* Mr. Wang Lixing was appointed as an executive director of the Company with effect from August 22, 2020;

\*\* Mr. Liu Xing was appointed as a non-executive director of the Company with effect from June 11, 2020;

\*\*\* Mr. Du Yongbo has resigned as an executive director of the Company with effect from August 22, 2020; and

\*\*\*\* Mr. Neil Nanpeng Shen has retired as a non-executive director of the Company with effect from June 11, 2020.

### NON-EXECUTIVE DIRECTORS

Each of Mr. Li Shujun and Mr. Li Eric Xun, as the non-executive Directors of the Company 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). Mr. Liu Xing, as the non-executive Director of the Company, has entered into a service contract with the Company for an initial term of three years with effect from June 11, 2020 or until the third annual general meeting of the Company since June 11, 2020 (whichever is sooner).

### 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.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

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

#### **Audit Committee**

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

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

During the year ended December 31, 2020, three Audit Committee meetings were held. The main resolutions considered and approved in these meetings include: (i) the Company's 2019 annual reporting; (ii) the Company's 2020 interim reporting and (iii) audit planning meeting for the 2020 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### BOARD COMMITTEES (CONTINUED)

#### Remuneration Committee (Continued)

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, 2020, 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, 2019; (ii) the Company's policy and structure for the remuneration of the Directors and senior management for the year ended December 31, 2020; (iii) internal promotion and remuneration package of members of the Designated Business Unit (as defined in the Prospectus) and (iv) the remuneration package of Mr. Liu Xing and Mr. Wang Lixing.

Details of the remuneration paid or payable to each Director of the Company for the year ended December 31, 2020 are set out in Note 15 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, 2020 is set out below:

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

#### 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, 2020, one Nomination Committee meeting was held. The main resolution considered and approved by the Nomination Committee include: (i) Re-election of the Directors retiring by rotation at the annual general meeting; (ii) the independence of independent non-executive Directors; (iii) the board Diversity Policy and the structure, size and composition of the board (iv) the proposed appointment of Mr. Liu Xing; (v) the proposed appointment of Mr. Wang Lixing; and (vi) the relevant director nomination policy.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### BOARD COMMITTEES (CONTINUED)

#### Executive Committee

The Company has established an Executive Committee as the highest power and decision-making body of the Group at the level of operation and management. The primary duties of the Executive Committee are (i) to hear reports of significant events from various departments and functional units, (ii) to formulate and implement significant strategies and policies as well as make significant decisions for the Group, including but not limited to structure planning, significant investment and performance targets of the Group, and (iii) to authorize a member or members to exercise specific and decision-making events of Group's operation and management.

The Executive Committee comprises three executive Directors, namely Mr. Bao Fan, Mr. Xie Yi Jing, Mr. Wang Lixing, and five additional members of senior management of the Company, namely Mr. Cong Lin, Mr. Du Yongbo, Mr. Cui Qiang, Mr. Lam Ka Cheong and Ms. Chen Yang. Mr. Bao Fan is the chairman of the Executive Committee.

During the year ended December 31, 2020, five Executive Committee meetings were held. The main resolution considered and approved in the meetings include (i) making significant strategies for the Group, and (ii) hearing to reports of significant events from various departments and functional units.

#### Environmental, Social and Governance Committee

The Company has established an Environmental, Social and Governance Committee in compliance with the CG Code and Environmental, Social and Governance Reporting Guide set out in Appendix 27 of the Listing Rules. The primary duties of the Environmental, Social and Governance Committee are to assist the Board in guiding and supervising the development and implementation of environmental, social and governance works of the Company and its subsidiaries.

The Environmental, Social and Governance Committee comprises one executive Director, namely Mr. Xie Yi Jing, and four additional members, namely Mr. Yee Ming Cheung Lawrence, Ms. Chen Yang, Ms. Tang Qian and Ms. Xin Xin. Mr. Xie Yi Jing is the chairman of the Environmental, Social and Governance Committee.

During the year ended December 31, 2020, one Environmental, Social and Governance Committee meeting was held. The main resolutions considered and approved in the meeting include (i) the environmental, social and governance working plan of year 2020; and (ii) environmental, social and governance related suggestions to business sections.

#### 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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### BOARD COMMITTEES (CONTINUED)

#### Board Diversity Policy (Continued)

During the year ended December 31, 2020, 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 continue review the Diversity Policy, as appropriate, and recommend revision to the Board for considering and approval to ensure its effectiveness. The Nomination Committee has reviewed the Board Diversity Policy during the year ended December 31, 2020.

#### 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.

#### 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, 2020.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### **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, 2020.

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

### **CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS**

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

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

During the year ended December 31, 2020, the Company arranges regular trainings to provide Directors (namely Mr. Bao Fan, Mr. Xie Yi Jing, Mr. Wang Lixing, Mr. Du Yongbo, Mr. Li Shujun, Mr. Li Eric Xun, Mr. Liu Xing, Mr. Neil Nanpeng Shen, Ms. Yao Jue, Mr. Ye Junying and Mr. Zhao Yue) 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, 2020. A statement by Deloitte about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 116 to 121.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### AUDITOR'S RESPONSIBILITY AND REMUNERATION (CONTINUED)

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte for the year ended December 31, 2020 are set out in the table below:

Services rendered for the Company	Fees paid/payable RMB'000
<b>Audit services:</b>	
Audit services	6,652
<b>Non-audit services:</b>	
Tax advisory services	69
<b>TOTAL</b>	<b>6,721</b>

### 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, 2020 and considered the system effective and adequate.

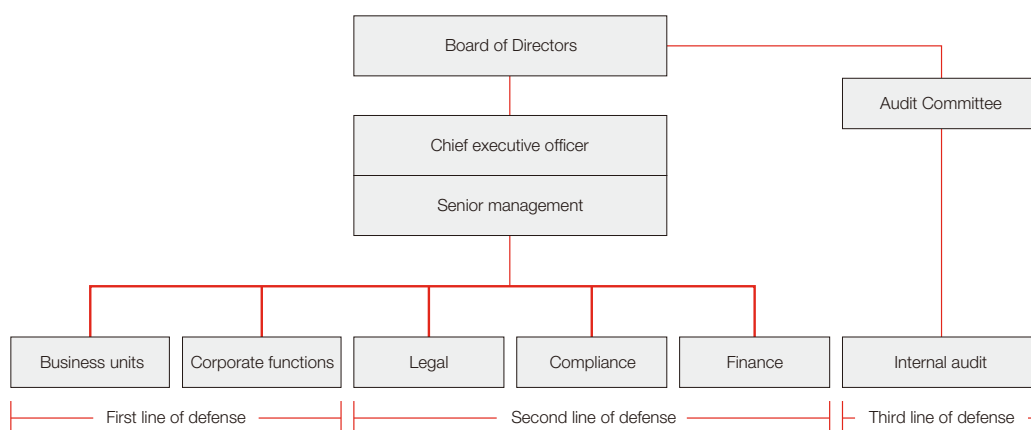
We have established a corporate governance structure with the Board at the top of our risk management hierarchy being responsible for overall risk management and oversees the risk management functions. Audit Committee provides an independent oversight on our Company. Our senior management is responsible for risk management through their regular managerial responsibilities. Our Chief Executive Officer and Chairman of the Board and members of our senior management hold regular executive committee meetings to review, among others, risks that may have reputational implications, cross-business or cross-jurisdictional impacts on us.

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

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)

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:



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.

## CORPORATE GOVERNANCE REPORT (CONTINUED)

### **RISK MANAGEMENT AND INTERNAL CONTROLS (CONTINUED)**

The Board considers there being no material changes to the Company's risk management and internal control systems since the Listing and is of the view that the systems are effective and adequate throughout the year ended December 31, 2020.

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.

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.



## CORPORATE GOVERNANCE REPORT (CONTINUED)

### SHAREHOLDERS' RIGHTS (CONTINUED)

#### Putting Forward Enquiries to the Board and Contact Details

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

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

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

Telephone: +852 2287 1600

Fax: +852 2287 1609

Email: [ir@chinarenaissance.com](mailto: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, 2020, the Company did not make any significant changes to its constitutional documents.

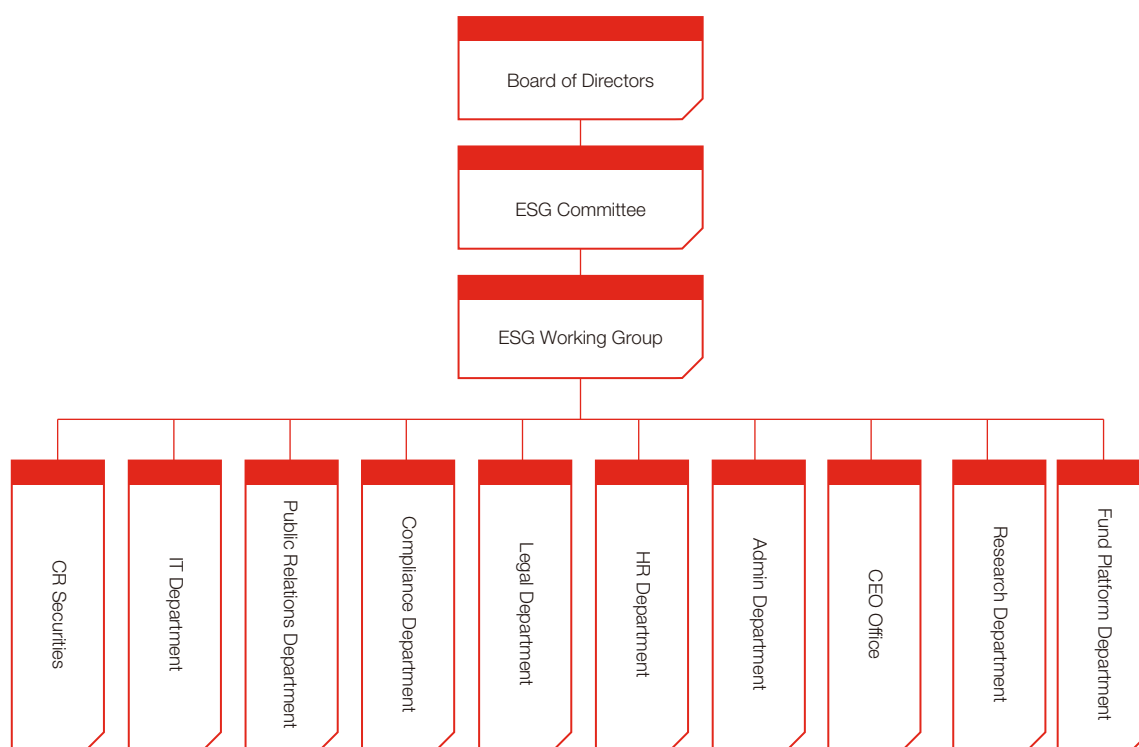
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. ABOUT THE REPORT

The 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 Listing Rules on The Stock Exchange of Hong Kong to present the 2020 Environmental, Social and Governance performance of China Renaissance Holdings Limited from January 1, 2020 to December 31, 2020. Unless otherwise stated, the scope of this ESG Report only covers the businesses of the Company, and statistical methods or KPIs disclosed in this ESG Report are consistent with that in the last year’s ESG Report. This ESG report should be read in conjunction with the “Corporate Governance Report” section in the 2020 Annual Report of the Company to better understand our ESG performance.

## 2. STATEMENT OF THE BOARD OF DIRECTORS

To effectively manage and undertake ESG responsibilities, the Company has constantly improved the ESG management system. In August 2020, the Company’s Board of Directors approved the establishment of the Environmental, Social and Governance Committee (“**ESG Committee**”), which is responsible for comprehensively supervising and reviewing the Company’s ESG performance. In addition, several functional departments form an ESG working group, which is responsible for specific ESG tasks.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The Board of Directors of China Renaissance comprehensively supervises the Company's ESG management and disclosure, and holds at least one ESG communication meeting every year to discuss the important ESG issues. The ESG Committee of China Renaissance is responsible for the formulation of the Company's overall ESG strategy, the review of ESG-related policies and routines, the inspection of communication with stakeholders, the review of ESG-related risks and opportunities and ESG report disclosures. For details of the duties of the ESG Committee, please refer to the *Terms of Reference of the Environmental, Social and Governance Committee* of the Company.

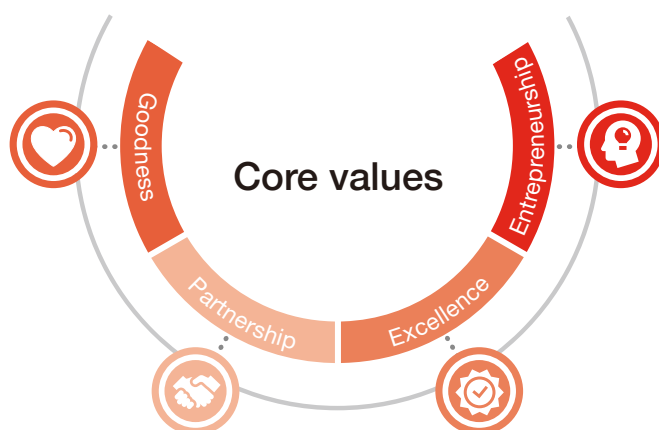
At the Board meeting held on March 25, 2021, the Board of Directors focused on the evaluation of the Company's material ESG issues.

At the two meetings of ESG Committee held in August and December 2020, the ESG Committee focused on the review of ESG governance structure, the terms of reference of the meetings of ESG Committee, the ESG work plan, the stakeholder questionnaire distribution plan, ESG recommendations for business and other matters.

The information disclosed in this report was reviewed and approved by the Company's Board of Directors on March 25, 2021.

### 3. ESG CONCEPT AND MANAGEMENT

Our mission is to provide "the world's best-in-class capital for excellent new economy businesses", and our common vision is "to become a new generation of investment banking that contributes to the development of China's new economy". China Renaissance has always been committed to internally establishing corporate ethics and upholding goodness and integrity. While creating economic values for the shareholders and society, we actively assume social responsibilities. We firmly believe that a good corporate culture is the cornerstone of fulfilling our mission and realizing our vision. We adhere to high standards of corporate governance, integrate environmental, social and governance concepts into corporate culture, promote sustainable development, create more values for stakeholders, and contribute to social development.

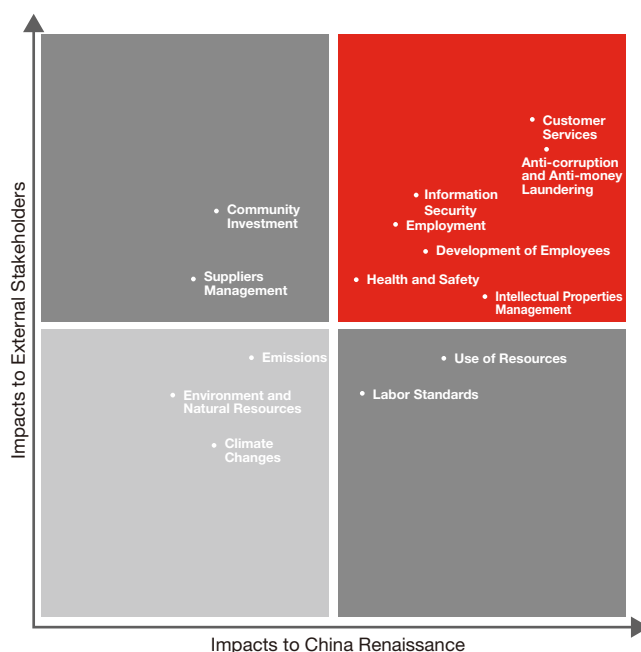


# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

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 of concern	Main communication channels
<b>Shareholders and investors</b>	Employment, Product responsibility, Anti-corruption	Shareholders' meetings, regular announcements, official website and non-deal roadshow
<b>Government and regulators</b>	Employment, Climate change, Supply chain management, Product responsibility, Anti-corruption and Community investment	Policy consultations, incident reporting, information disclosure and participation in meetings of government agency
<b>Clients</b>	Product responsibility	Customer visits, social media and information disclosures
<b>Employees</b>	Employment, Health and safety, Development and training and Labor standards	Employee activities, employee training, communication meetings and social media
<b>Suppliers</b>	Supply chain management and Anti-corruption	Supplier inspections and communication meetings
<b>News media</b>	Emissions, Use of resources, Environment and natural resources, Climate change, Employment, Supply chain management and Product responsibility	Social media, official website, press conferences and communication meetings
<b>Community and the public</b>	Emissions, Use of resources, Environment and natural resources, Climate change and Community investment	Charity activities, community interaction, social media and community investment related projects

In 2020, the Company continued to communicate with our stakeholders and, combined with the Company's strategic and operational focus, we conducted a materiality analysis of the 14 ESG topics identified in the 12 levels involved in the *ESG Reporting Guide* as reference for our actions and reporting.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

The important topics we identified include “Employment”, “Anti-corruption and Anti-money laundering”, “Customer Service”, “Information Security”, “Intellectual Property management”, “Health and Safety” and “Development of Employees”; related topics include “Emissions”, “Use of Resources”, “Environmental and Natural Resources”, “Climate Change”, “Suppliers Management”, “Community Investment” and “Labor Standards”.

We will discuss each of these aspects in this report.

### **4. OPTIMIZE SERVICE AND PURSUE EXCELLENCE**

We adhere to our customer-centric principle, strive to continuously create real value for customers, provide the world’s best-in-class capital for excellent new economy businesses, and effectively support the development of the global new economy. We establish an excellent service concept and a strict compliance operation mechanism to provide customers with high-quality and innovative services and create a good and long-term cooperative relationship with customers. We have the capability and mature system to provide one-stop financial services in mainland China, Hong Kong, and the United States for new economic entrepreneurs and investors. We take our reputation as top priority, and always abide by strict regulations, systems and ethics to become a leading company in the industry and strive to establish a world-class brand.

#### **4.1 Quality Service Guarantee**

We always adhere to the core business principle of “creating value for clients” and the cultural values of “pursuing excellence”, undertake to provide high-quality financial services. We gradually developed multi-dimensional and all-round businesses, and realized coverage of private financing, mergers and acquisitions, securities underwriting and issuance, securities research, securities sales and trading, private equity investment and brokerage asset management. In the process of continuous business expansion and deepening, we still focused on identifying the market positioning of clients, provided targeted and detailed services to clients in different sub-markets with rich cross-sector service experience and new economy market base, and always served the interests of clients with the aim of ensuring service quality.

In 2020, we continued to strengthen investment in technology and ecosystems, and actively leveraged new economy platform, data-driven sustainability platform and expertise in the field of new economy to help analyze, efficiently and accurately identify outstanding entrepreneurs and projects, and improve the efficiency and success rate of capital matching; meanwhile, we built a consultant team to continuously provide professional and detailed services in different stages of clients’ business development cycle. Our platform system combined the risk appetite and business needs of investors to provide a good opportunity for resource matching on a global scale. In the future, we will continue to develop our Internet technology (IT) platform to enhance our ability to identify and price resources, improve our competitiveness, and provide better services to clients.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

During the year, the Company continued to maintain its leading position in private placement consulting, made landmark progress in the offshore financing business of new economy companies, built a bridge between new economy companies and the market, and provided quality services to more cooperative clients to facilitate their development. Besides, this year, we completed a number of milestone transactions in the fields of healthcare and technology, media and telecommunications; continued to strengthen asset allocation, focused on enhancing key capabilities in such aspects as product design, channel, investment and research, expanded the scale of investment management business, effectively promoted the scale construction in asset management and enhance the scale economies effect.

As one of a few Chinese financial institutions approved to provide sponsorship and underwriting services in Mainland China and Hong Kong, and underwriting services in the United States, we provided a variety of sponsorship and underwriting solutions to clients based on our solid foundation in the new economy and industry experience, and strived to promote the development of the new economy market and continuously identify quality investment targets for the market. We attached importance to the quality and development potential of clients and aimed to build long-term relationships and provide clients with a perfect service system covering the life cycle of their business development. We engaged entrepreneurs as clients, opinion leaders and investors to identify and continuously explore in-depth matchmaking and participate in value creation and established close relationships with entrepreneurs and startups. Through information feedback, we formed an effective network of mutual referrals to ensure the project reserve base and service quality, and continued to create value and wealth for our clients, earning us reputation and recognition.

### ***China Renaissance Holdings Limited's Key Awards Received in 2020***

<b>Awarded by</b>	<b>Awards</b>
ChinaVenture Awards 2019	TOP 1 of "Best New Investment Banks in China" TOP 15 "Best Foreign Private Equity Investment Institutions in China"
"List of Investment Competitiveness in Consumption Service Field in 2019–2020" of 21 <sup>st</sup> Century Business Herald	TOP 15 "Private Equity Investment Institutions"
China FOF Alliance	TOP 10 "PE Funds in the 'Red List of Trustworthy' of China Equity Investment Fund Managers" TOP 10 "Best PE Fund Reports"
"Top 100 in 2020" of PEdaily.cn	"TOP 100 Investors" — Bao Fan, Chairman of China Renaissance

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Awarded by	Awards
“2020 China Investor Future Summit List” of 36kr.com	TOP 10 “Private Equity Investment Institutions Most Recognized by LP in China” TOP 50 “Most Popular Private Equity Investment Institutions for Entrepreneurs in China” TOP 50 “Most Popular Investors Among Entrepreneurs in China” — Bao Fan, Chairman of China Renaissance
CYZone	TOP 20 on the “List of Leaders of Times in 2020” — Bao Fan, Chairman of China Renaissance
“List of Investment Competitiveness in TMT Field in 2019–2020” of 21st Century Business Herald	TOP 20 of “Private Equity Investment Institutions”
<i>Fortune</i>	“The 30 Most Influential Investors in China in 2020” — Bao Fan, Chairman of China Renaissance
“2020 China Equity Investment Annual Ranking” of Zero2IPO	TOP 10 “Private Equity Investment Institutions in China” “20-Year 10 Billion Club of China’s Equity Investment Market” TOP 10 “Private Equity Investors in China” — Bao Fan, Chairman of China Renaissance
“2020 China Golden Tripod Award” of National Business Daily	“TOP 20 Investment Institutions of the Year” “TOP 10 Investors of the Year” — Bao Fan, Chairman of China Renaissance
“2020 Annual Venture Capital List” of Lieyunwang.com	TOP 20 “Most Influential Investors” — Bao Fan, Chairman of China Renaissance
“2020 Golden Investment Award List” of China Venture Capital Forum	TOP 10 “Influential PE Investment Institutions in China” TOP 5 “Influential PE Investors in China” — Bao Fan, Chairman of China Renaissance
King of New Economy in 2020 of 36kr.com	TOP 10 “Most Influential Private Equity Investment Institutions in China” TOP 10 “Investment Institutions in Medical Device Field in China” TOP 10 “Investment Institutions in Consumption Life Field in China” TOP 1 “Investment Institution in Intelligent Manufacturing Field in China” TOP 1 “Most Influential New Investment Bank in China”

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Awarded by	Awards
“List of Investment Competitiveness in Equity Investment in China in 2019–2020” of 21st Century Business Herald	TOP 20 “Venture Capital and Private Equity Investment Institutions in China” “TOP 30 Most Influential Elite Investors in China” — Bao Fan, Chairman of China Renaissance
“The 4th China Equity Investment Golden Bull Award” of China Securities Journal	“Golden Bull Superior Institution in Private Equity Investment” “Golden Bull Superior Institution in Internet and Mobile Internet Field Investment”
“2020 EDGE Awards Global Innovation Selection” of TMTpost	TOP 50 “EDGE Investment Institutions”
“FinanceAsia Achievement Awards 2020” of <i>FinanceAsia</i>	“Annual Equity Transaction” “Mainland China/Hong Kong Annual Transaction”
“Triple A Country Awards 2020” of <i>The Asset</i>	“Best Financing Transaction Award” “Best Domestic M&A Transaction Award” “Best Equity Transaction Award”
“Triple A Sustainable Capital Markets Regional Awards 2020” of <i>The Asset</i>	“Best IPO Award in Healthcare Industry” “Best ADS Issuance Award in the Technology Sector”
“Golden Hong Kong Stocks 2020 Annual List” of Zhitong Caijing	“Best CEO Award” — Bao Fan, Chairman of China Renaissance “Best Financial Company”

## 4.2 Compliance of Business Operations

We have business offices in mainland China, Hong Kong, and the United States, and as we continue to grow, we adhere to ethical guidelines and actively identify and strictly abide by relevant local laws and regulations. In Mainland China, we strictly abide by laws and regulations 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 industry regulatory rules such as *Measures for the Compliance Management of Securities Companies and Securities Investment Fund Management Companies* of China Securities Regulatory Commission, *Interim Measures for the Supervision and Administration of Private Investment Funds* and *Measures for the Administration of Fundraising Activities of Private Equity Funds* of the Asset Management Association of China. In Hong Kong and the United States, we have established such policies as the *Code of Business Conduct and Ethics*, the *Policies for Anti-Money Laundering and Counter-Terrorist Financing*, and the *Information Barrier Procedures* with reference to the *Securities and Futures Ordinance*,



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

*Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission, Fit and Proper Guidelines and Guideline on Anti-Money Laundering and Counter-Financing of Terrorism (For Licensed Corporations)* of Hong Kong and rules of U.S. Securities and Exchange Commission and self-governance regulations of the U.S. Financial Industry Regulatory Agency and other local laws and regulations. All local compliance teams have also developed their own compliance policies, procedures or guidelines, based on their specific business scope and contents, in accordance with the Company's group policy and local laws and regulations.

Pursuant to the requirements of regulators including China Securities Regulatory Commission and Securities Association of China and self-regulatory organizations, CR 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 organization 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.

We actively paid attention to policy changes and took the initiative to update the corresponding rules. During the year, the China Securities Regulatory Commission revised the *Provisions on the Calculation Basis for Risk Control Indicators of Securities Companies* and the *Provisions on the Classified Supervision and Administration of Securities Companies* to further improve the risk control indicator system of securities companies and focus on optimizing the classification and evaluation indicator system of the securities industry; the Securities Association of China issued the *Code of Ethics for Securities Practitioners* to accelerate the development of a "compliance, integrity, professionalism and stability" industry culture, providing a professional ethical benchmark for industry practitioners. The Asset Management Association of China newly promulgated the *Implementation Rules for Integrity in Practice of Fund Operators and Their Staff*. Based on the above changes, the Company integrated and developed the *Compliance System Manual* based on the existing system, and China Renaissance Securities (US) Inc. updated the *Compliance Manual of Written Supervision Procedures*.

In 2020, we also actively carried out information technology construction for business compliance, realized the overall compliance control by linking the compliance management system in different regions, and computerized the compliance process online, effectively enhancing the efficiency of the approval process and strengthening informatized management. In addition, the Company released 24 issues of compliance information and held 46 compliance training sessions during the Reporting Period to enhance employees' awareness of compliance in an all-round way.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### 4.3 Information Security Protection

In strict compliance with the *Cybersecurity 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 our 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 identifies and controls the risk of information leakage; to strengthen employees' confidentiality consciousness and ensure their safe-keeping of customer information, we have also 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 to keep improving the system for managing customer privacy information and data confidentiality.

While complying with the Company's policies, CR 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. In 2020, China Renaissance formulated the *Implementation Measures for the Management of Personal Financial Information Protection* and the *Implementation Measures for the Management of Data Classification and Grading* in compliance with the *Technical Specifications for the Protection of Personal Financial Information* of the People's Bank of China and the *Guidelines for the Classification and Grading of Data in the Securities and Futures Sector* of the China Securities Regulatory Commission to strengthen the protection of personal financial information and provide a basis for the implementation of relevant security control measures and security protection measures; at the same time, it completed the revision of the *Information Technology Security Management System*, *Information Asset Security Management Regulations*, and *Measures for the Implementation of Data Security Management* to further establish and improve information asset management system.

In daily operations, the Company strengthened the awareness of information protection at all levels, rationalized the establishment of departmental functions, implemented IT monitoring measures, and established a comprehensive and systematic labor division system; confidentiality related clauses are covered in the agreements signed with customers, investors, partners and employees. In addition, the Company has carried out information security publicity activities for all employees to effectively enhance employees' awareness of information security protection.

In 2020, we completed the construction of a data leakage prevention system to protect the core information and data covering the entire life cycle. We protect the core data assets of China Renaissance by means of strong management and control methods

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

through pre-interception, mid-event audit, and post-event tracing. This year, we have also made great progress in the information security protection of the teleconference system. Through docking of the teleconference system and the corporate Single Sign-On identity authentication system, we strived to ensure as much as possible the validity of the identities of the participants and enhanced a higher level of identity verification capabilities of the teleconference system.

CR Securities upgraded the China Renaissance Winner App and the online account opening App to add the functions of signing confidentiality policy and shielding the display of relevant privacy information. Meanwhile, CR Securities applied technical measures according to customer demands to match transaction amount with the degree of verification.

### 4.4 Customer Complaint Management

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, the Company has worked out the customer complaint management system. In dealing with customer complaints, we proactively accept customer supervision, actively identify and correct deficiencies in the work, and continuously improve our ability to serve customers through mutual evaluation among projects.

We have established clear channels of customer communication for securities business in our places of operations, so as to collect and receive various complaints, suggestions and feedbacks from external customers. CR 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, improved customer complaint management mechanism, making clear the classification of customer complaints, person in charge of complaints, complaint handling and tracking, etc. During the year, CR Securities, CRSHK or China Renaissance Securities (US) Inc. did not receive any direct complaints from customers via hotlines; CR Securities did not receive many complaints but one complaint referred by the regulator. The complaint was handled promptly and properly during the Reporting Period, and CR Securities has reached a settlement with the customer and reported to the regulator. The scope of Company's business does not involve the verification or recovery of physical products.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## 4.5 Protection of Intellectual Property Rights

The Company strictly follows relevant laws and regulations such as *Anti-Unfair Competition Law of the People's Republic of China*, the *Patent Law of the People's Republic of China*, the *Advertisement Law of the People's Republic of China*, and the *Trademark Law of the People's Republic of China*, and has formulated the *Measures for the Administration of Trademarks* to regulate the use and external promotion of brand image and protect its own legitimate rights and interests. In 2020, 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. For any act of infringement, the Company will report them in accordance with relevant laws and regulations and provide evidence to safeguard intellectual property rights and brand image.

## 5. ACHIEVE MUTUAL DEVELOPMENT WITH EMPLOYEES

We regard our employees as the core competitiveness and valuable assets for the development of the Company. We are committed to providing a platform of fast growth for outstanding talents who have aspirations and insightful views and are passionate for challenges and new economy. The Company is dedicated to maximizing the trust and loyalty between employees and the Company to strengthen cohesion. 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.

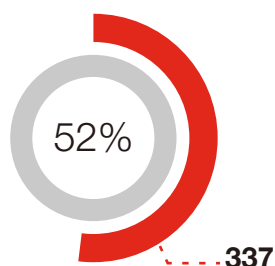
### 5.1 Work in China Renaissance

The Company strictly complies with the *Labor Law of the People's Republic of China*, the *Labor Contract Law of the People's Republic of China*, the *Provisions on the Prohibition of Using Child Labor*, the *Regulation on Work-Related Injury Insurance* and the *Special Rules on the Labor 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, vacation management, compensation and benefits, and promotion and development.

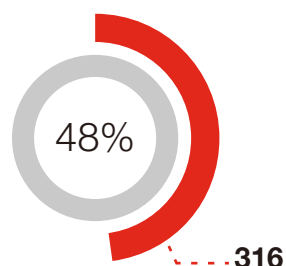
We are committed to establishing a legal, compliant and harmonious labor relationship with our employees by adhering to the principle of fairness and mutual respect. The Company treats all candidates without discrimination based on gender, race, religion or any other aspect in strict accordance with 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 labor or forced labor. As of the end of Reporting Period, there is a total of 653 full-time employees and no part-time employees in the Company. This year, the Company won the "2020 China's Best Human Resources Management Team Award" in the "2020 China Human Resources 'Sirius' Awards" organized by Moka Research Society.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

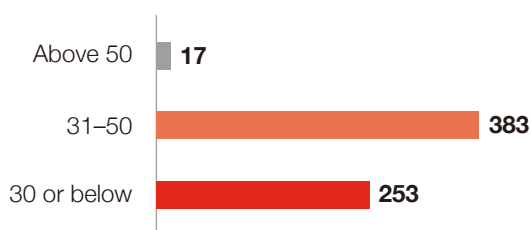
Headcount and percentage of female employees



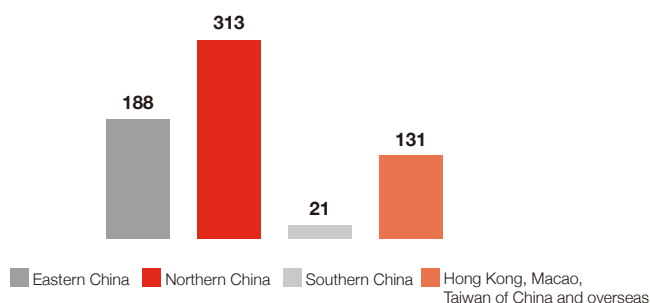
Headcount and percentage of male employees



Number of employees by age (person)



Number of employees by region of operation (person)



## Case: 2021 Campus Recruitment Event “MD Dinner”

We attach great importance to the selection and cultivation of young talents. In November 2020, with the theme of “Where the stars are, where China Renaissance is”, the Company launched the 2021 Campus Recruitment Event “MD Dinner”, inviting candidates of campus recruitment to have face-to-face communication with the Company’s senior management, displaying the unique charm of the Company in an all-round way and enabling young students to understand the Company’s stories and culture from such aspects as the Company’s development history, business introduction, and personal growth and development.

## 5.2 Growth in China Renaissance

The Company has always emphasized long-term development and sustainable cultivation of our employees. 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.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

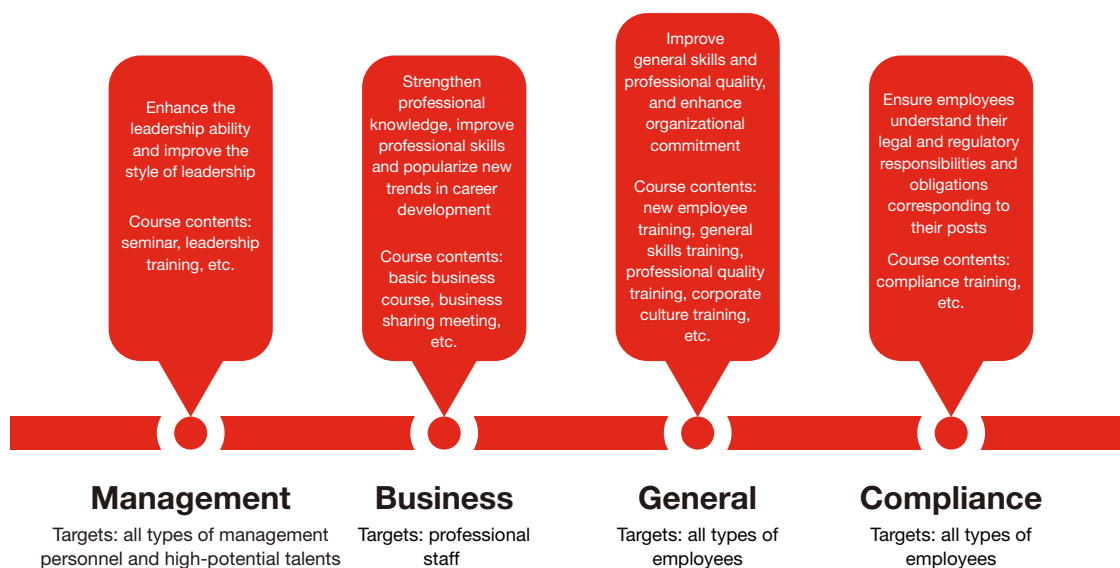
The Company has formulated *Measures for Position Management* and other management systems and built the clear position system and development ladder. The Company is committed to enhancing the value of the employees and helping them clarify development direction. The Company continuously optimizes the position system, providing fair and unobstructed career development path. 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. In addition, 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 also launched the “Clear Spring Scheme” to actively discover internal talents and enrich the occupational experience of employees through job transfer and rotation, enabling them to better understand the various lines of business of the Company and to better know about their strengths and directions of development in work practices.

### **Case: Clear Spring Scheme**

The “Clear Spring Scheme” refers to a job transfer and rotation program for internal talents of the organization, through which the Company has enabled the dynamic flow and effective use of internal talents under the principles of fairness, autonomy and openness, forming a high-quality internal talent pool and a virtuous talent cycle. The job transfer and rotation scheme provides internal talents with a variety of career possibilities and superior career experience, which contributes to the cultivation, motivation and retention of talents; the flexible talent supporting mode and structure effectively promoted business development, timely met the talent demand of key businesses and projects, realized win-win of organizational strategy and employee development, and stimulated organizational creativity and staff enthusiasm.

At the same time, the Company has developed an all-round and multi-faceted training management system integrating management of training organizations, targets, courses and implementation, providing employees with diversified and detailed training courses and encouraging them to innovate, enrich themselves, and continuously improve their work skills.

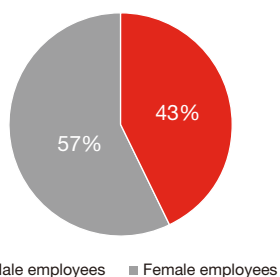
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)



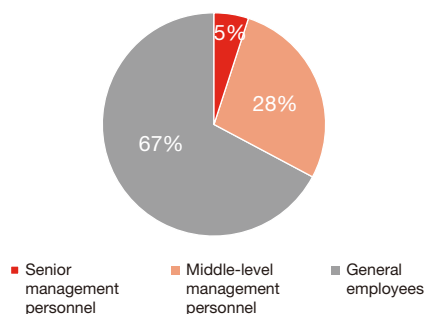
To meet training needs and follow the trend of fragmented learning in the Internet era, the Company has developed an online learning platform covering such modules as competitions in mission completion, content co-creation and knowledge sharing, so that employees can access new knowledge anytime and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

The Company also actively organized courses on regulatory trends, completed the follow-up education and training required by the Securities Association of China and the Asset Management Association of China on time yearly and actively participated in the business and compliance trainings organized by such industrial associations, various regulators and peer companies. 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.

Percentage of employees receiving training by gender



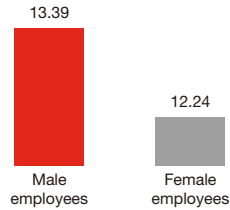
Percentage of employees receiving training by employee type



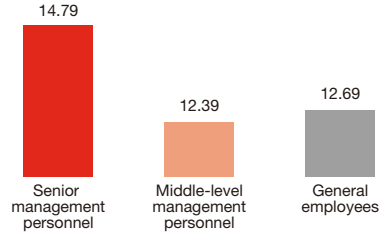


# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

**Average training time by gender**



**Average training time by employee type**



## **Case: “Sailing Training Camp” for New Analysts**

We offered regular trainings for new employees to enable new employees to get familiar with and adapt to our corporate culture, system and code of conduct and learn about our condition and their job duties as soon as possible through company introduction, business introduction, system introduction, team training and skills training, etc., in order to quickly integrate themselves into the work environment and successfully complete the corresponding tasks. Meanwhile, such trainings also helped new employees get acquainted with new workmates and effectively contributed to the construction of a team featuring high quality, high efficiency and strong executive ability to meet the development needs of the Company.



**Figure: “Sailing Training Camp” for New Analysts in 2020**



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### **Case: China Renaissance Forum — Special Training on Corporate Governance**

In May 2020, CR Securities held the “China Renaissance Forum — Special Training on Corporate Governance” in Beijing and Shanghai. Hosted by the Company’s Board Office, the forum introduced the overall governance of the Company to the employees and explained in detail the “general meeting, Board of Directors and Board of Supervisors” and the management of related party transactions. This year, CR Securities invited internal and external experts and famous teachers to hold similar activities many times, of which the contents covered blockchain knowledge training, corporate governance training, credit impairment training for financial instruments and current hot topics, effectively expanding employees’ knowledge and enhanced their business ability, and were well received by the employees.

### **Case: Leadership Training**

The “Leadership Training Plan” of CR Securities have been in operation for several consecutive years and is an important programme to cultivate reserve management talents. In September 2020, we carried out this year’s training on leadership plan themed on “team management and communication” in Shanghai to provide team management knowledge for our leadership team and core backbone. By analyzing the role and function of the team in the organization, the training had the trainees understand the essence of teamwork, helped them strengthen the ability in relation to cross-team communication and effective collaboration, promoted the understanding among the trainees, and improved the team management leadership.



**Figure: Leadership Training Course of CR Securities  
(Formerly Known as Huajing Securities) in 2020**

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## 5.3 Health in China Renaissance

Caring for the physical and mental health and safety of employees, the Company strictly abides by the *Labor 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 according to relevant laws and regulations to establish a comprehensive health and safety management system and effectively ensure the health and safety of employees.

We have been committed to providing a safe workplace for employees by 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 involving employees to take part in fire drills organized by the property company and enhancing employees' capabilities to respond to emergencies. Meanwhile, the Company has been committed to providing a healthy and comfortable work environment for employees by using safe and healthy environment-friendly materials for decoration and maintenance of offices; taking air cleaning and insecticidal treatment measures in the office area on a regular basis; and cleaning the air conditioners and other equipment irregularly.

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

### **2020 Employee Health and Safety-related Performance Indicator**

Indicator	2020	2019	2018
Number of work-related fatalities	0	0	0
Lost days due to work-related injuries	0	0	0

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### **Case: Dental Health Lecture and Volunteer Medical Consultation**

This year, the Company held a “Dental Health Lecture” in Shanghai, in which professional dentists were invited to answer employees’ questions on dental health and care and provided volunteer medical consultation services. This activity conveyed the Company’s care and warmth to employees and provided them with personal health protection.



**Figure: Dental Health Lecture in 2020**

### **5.4 Happiness in China Renaissance**

Caring about achieving a work-life balance for employees, the Company has organized many employee care activities to jointly create a harmonious and happy working and living atmosphere, enhance collective cohesion, and make employees feel the warmth from the big family of China Renaissance.

Moreover, the Company has provided employees with a variety of heart-warming services and other basic facilities caring from details of 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 favorable environment.

In March 2020, CR Securities presented working mothers with beautiful flower bouquets and exclusive gift boxes of “Reading Card”. In addition, to improve employees’ knowledge and enrich their daily lives, CR Securities also initiated a “Reading Club” activity this year, and launched a monthly book recommendation and sharing activity titled “Huajing’s Reading” on the WeChat Official Account to recommend quality book lists for our employees to read and encourage them to keep learning and strengthening their knowledge foundation, which created a good reading and learning atmosphere.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### 6. INTEGRITY AND SELF-DISCIPLINE AND ADHERING TO MORAL PRINCIPLES

The Company insists on standard operation, strengthens anti-money laundering and anti-corruption, promotes information disclosure, and takes the initiative to create a clean and fair corporate culture.

#### 6.1 Preventing Money Laundering Risk

The Company proactively fulfils its anti-money laundering responsibilities as a financial institution by identifying and strictly complying with the laws and regulations of various operation places including Mainland China, Hong Kong and the US, such as the *Anti-Money Laundering Law of the People's Republic of China*, the *Anti-Money Laundering and Counter-Terrorist Financing Ordinance*, the *Bank Secrecy Act and the USA Patriot Act of the United States* as well as the *Anti-Money Laundering Regulations (2019 Revision)*. In addition, the Company formulated the *Policies for Anti-Money Laundering and Counter-Terrorist Financing*, the *Management Measures on Anti-Money Laundering and Counter-Terrorist Financing for RMB Private Investment Funds, USD Cayman Islands Funds — Anti-Money Laundering Compliance Manual, Anti-Money Laundering Manual* and other anti-money laundering regulations and rules, refined the anti-money laundering policies by constantly revising relevant policies, procedures or guidelines, and put them into practice.

We also pay active attention to and strictly abide by the amendments to relevant laws and regulations. In 2020, *Amendment (XI) to the Criminal Law of the People's Republic of China* included “self-money laundering” in the scope of money laundering crime, and SFC revised cross-border agency relationship and third-party deposits and payments under the *Guidelines of Anti-Money Laundering and Counter-Terrorist Financing* and provided risk-oriented methods and stricter and more simplified exemplary measures. Based on the above, the Company revised the *Anti-Money Laundering Manual* and updated the lists of national risks, money laundering risks in various businesses and the corresponding jurisdictions.

Based on our corporate system, CR Securities additionally formulated the *Rules for the Assessment of Risks of Business Money Laundering and Terrorist Financing* and other compliance management systems, and revised the *Rules for Implementing Anti-Money Laundering Work, Detailed Rules of High-Value Transactions and Suspicious Transactions* and other anti-money laundering management systems in the year.

CR Securities carries out assessment on the risk profile of clients in a strict manner according to their identities and corresponding due diligence investigations management procedures for clients at different levels, reviews high-risk clients annually and regularly reviews those clients who have experienced a trigger event (e.g. changes in equity structure). CR Securities also continues to carry out 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

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

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 fully 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 2020, the Company held the annual anti-money laundering and anti-corruption training for all directors and employees, and organized tests respectively; held the annual anti-money laundering training for fund business; and carried out four basic compliance trainings with contents related to anti-money laundering for new employees. CR Securities organized the annual training on anti-money laundering knowledge for all employees and the special training for key personnel. China Renaissance Securities (US) Inc. held the annual compliance meeting for all employees, including an anti-money laundering training.

CR Securities also set up the special column for anti-money laundering on its official website and irregularly released “classroom knowledge on anti-money laundering” to popularize knowledge related to anti-money laundering to the public and customers.

### 6.2 Sticking to Moral Bottom Line

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* 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. We formulated the *Commercial Integrity and Code of Ethics*, *Administrative Measures for Financial Reimbursement* and other systems to prevent our employees from involvement in any commercial bribery and unfair competition in business, bidding or procurement. The *Employee Manual* clearly required all the employees to know and always abide by the Company's business behaviors and code of ethics and observe anti-commercial bribery provisions, and explicitly provided the procedures for handling misconduct of our employees. The Company also formulated rules and regulations such as the *Measures for Reporting Management* to specify the reporting channels, reporting investigation and duties and whistle-blower protection, etc.

In addition, to ensure that there is no potential conflict of interests and material non-public information in personal transactions of any employees, the Company formulated the *Policies for Investment of Personal Accounts*, *Policies for Interests of External Businesses* and *Information Barrier Procedures*, which provided our employees with the guidelines and standards for handling personal transactions involving material non-public information, ensured the confidentiality of relevant information and lowered the risks of corruption committed by our employees by virtue of the non-public material information.



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

All employees are required to sign the *Employment Declaration and Guarantee* and abide by the provisions on integrity and self-discipline. 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 whistle-blowers, and prohibit retaliating or instigating others to retaliate against real-name whistle-blowers. 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 refer the issue to the Human Resources Department or other departments depending on the specific circumstances. If a crime is committed, the issue shall be referred to the judicial authorities immediately.

In addition, the Company conducts publicity events and trainings on anti-fraud and anti-corruption irregularly to raise employees’ awareness of integrity. In 2020, we included reimbursement for reasonable and compliant expenses and prohibition of corruption, bribery and malpractice in the financial training and compliance training regularly held for our employees.

During the Reporting Period, neither the Company nor our employees initiated any corruption-related lawsuit, nor were they involved in any closed corruption-related lawsuit.

### **7. IMPLEMENTATION OF LOW-CARBON AND GREEN OPERATION**

The Company’s 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 gradually enhance employees’ awareness of environmental protection.

#### **7.1 Advocating Green Office**

The Company strives to explore and use green office system to practice the concept of sustainable development. In the selection of workplace, we prioritize buildings with authoritative green building certification, and adopt scientific and reasonable power consumption management systems and measures in office areas, set the air-conditioning temperature in office areas at a fixed reasonable value, establish the application system of air-conditioning usage in non-working hours, remind employees to turn off lights when they leave after work and arrange for security personnel to patrol the offices in non-working hours and timely turn off air-conditioners and unnecessary lights.

We advocate a paperless and systematic office procedure. To save paper and reduce the use of stamping ink, we launched an internal express system, set printers to print in black and white on both sides by default, and advocated paper recycling, which effectively reduced resources consumption. We implemented mobile printing in our offices in Beijing and Shanghai, so that employees may print the works submitted through any of the printers in the offices of the two places by their employee cards.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

We also emphasize environmental protection in respect of the sources for equipment procurement. The Company procured such energy-saving infrastructures as high-density hyper-converged servers, such water-saving instruments as sensor faucets and water-cooled air-conditioners without freon, thereby reducing resource waste from the source.

## 7.2 Tackling Climate Change

As we are well aware of the potential impact that climate change may have on the Company's services and operations, and further on financial performance, in order to tackle to climate change in advance, we have made an initial identification of risks and opportunities related to climate change and considered developing relevant countermeasures.

<b>Identification of risks and opportunities related to climate change</b>	<b>Potential financial impact</b>	<b>Countermeasures</b>
<p><b>Transition risks</b></p> <p>Requirements related to replacement of existing products and services with low-emission options</p> <p>Stakeholders' growing concern over issues related to climate change</p> <p>Failure to effectively identify climate change risks of invested enterprises in investment business</p>	<p>Fixed assets, IT equipment, etc. need to be repurchased/ renewed, resulting in increased procurement costs</p> <p>The Company's customers, especially potential fund LPs, are increasingly concerned about climate change issues, which may have a certain impact on developing customers and fund raising, etc.</p> <p>Potential investment loss due to climate change risks of invested enterprises</p>	<p>Try to choose products with low energy consumption and low emissions at the time of first purchase</p> <p>Make an active response to stakeholders' concern about climate change issues and develop corresponding systems and countermeasures, etc. in a timely manner</p> <p>Integrate climate change risks into the risk evaluation process in investment business</p>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

Identification of risks and opportunities related to climate change	Potential financial impact	Countermeasures
<b>Physical risks</b>	Changes in average temperature and frequent extreme weather  Increased energy consumption in workplace and damaged fixed assets lead to higher daily office costs	Use energy- and water-saving equipment to control daily electricity and water consumption; raise employees' awareness of energy conservation; and preferably choose energy-saving and environmentally friendly buildings in selecting the workplace
<b>Opportunities</b>	Develop new products and markets  Improve operating income	Launch ESG/green securities index, green bonds, etc., and set up a special team to research and develop ESG-related products
	Falling within new economy and healthcare industry, most of the Company's invested enterprises are less affected by climate change, have a greater competitive advantage than traditional enterprises and may achieve better performance	Improve investment return  Consider the potential impact and risks on the invested enterprises from climate change in making decisions on fund investment



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

In the future, we plan to gradually incorporate climate change-related risks into the Company's overall risk management system. At the same time, we will further give more consideration of climate change-related impact and countermeasures next year and work out relevant policies, and the Board of Directors will review and supervise relevant risk management policies.

## 7.3 Environmental Performance Indicators

### Emissions

Indicators	2020
<b>Total GHG emissions (tons)</b>	<b>388.88</b>
Total GHG emissions per floor area (tons per square meter)	0.033
<b>Hazardous waste (tons)</b>	<b>0</b>
Hazardous waste per capita (tons per employee)	0
<b>Non-hazardous waste (tons)</b>	<b>1.05</b>
Non-hazardous waste per employee (tons per employee)	0.0017

Notes:

1. The scope of environmental data in the table includes: Beijing Office, Shanghai Office and Hong Kong Office of China Renaissance as well as Beijing Office, Shanghai Office and Shenzhen Office of CR Securities.
2. Due to its business nature, the major GHG emissions of the Company arise from the use of electricity (i.e. indirect GHG emissions (Scope 1)). Calculation for GHG mainly includes carbon dioxide, methane and nitrous oxide. GHG is presented in carbon dioxide equivalence and calculated based on the *2019 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 *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, etc. All waste toner cartridges, ink boxes and other hazardous waste are recycled by qualified suppliers.
4. Non-hazardous waste arising from operation of the Company mainly includes displaced electronic equipment. The displaced electronic equipment is recycled by recyclers upon approval for disposal.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## Energy and Resource Consumption

Indicator	2020
<b>Total energy consumption (MWh)</b>	<b>679.06</b>
Energy consumption per floor area (MWh per square meter)	0.057
<b>Paper consumption (tons)</b>	<b>3.81</b>
Paper consumption per employee (tons per employee)	0.0054
<b>Municipal water consumption (tons)</b>	<b>597.00</b>
Municipal water consumption per employee (cubic meters per employee)	1.25

Notes:

- 1 The scope of environmental data in the table includes: Beijing Office, Shanghai Office and Hong Kong Office of China Renaissance as well as Beijing Office, Shanghai Office and Shenzhen Office of CR Securities.
- 2 Due to its business nature, the major energy 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 People's Republic of China's National Standard *General Principles for Calculation of Comprehensive Energy Consumption (GB/T 2589-2008)*.
- 3 The Company has no problems in seeking suitable water sources. The municipal water consumption arises from water consumed by offices in Beijing. As water fees incurred in other areas are included in the property fees, the corresponding water consumption cannot be separately calculated. Such water consumption will be calculated timely based on the actual situation in future.
- 4 The packaging data is not applicable to the Company.

## 8. PRACTICE OF RESPONSIBLE SUPPLY MANAGEMENT

The Company's procurement mainly includes IT software and hardware, office supplies and services from suppliers with lower environmental and social risks. Following the procurement principle of "fair, just and open", the Company has formulated the *Measures for Supplier Management*, the *Measures for Procurement Management*, the *Measures for Bidding Management* and other relevant regulations to regulate the Company's supplier management, ensure procurement quality, improve procurement efficiency and reduce costs.

### 8.1 Admission and Review Management

In 2020, the Company updated and revised the *Measures for Procurement Management*, establishing the procurement principle of "Application before Execution" and further clarifying the classification of and special provisions on procurement methods; at the same time, the Company updated and revised the *Measures for Supplier Management*, further making clear the definition and scope of application of suppliers and further updating and refining the qualification requirements for supplier admission and specific procedures for supplier admission management.

We conduct ongoing monitor, tracking and screening to the suppliers via quality tests and annual assessments during transactions, etc. In 2020, we carried out annual review evaluation for suppliers whose procurement amount accounted for more than 50% or whose number of procurements accounted for more than 50% in each department of the Company.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

In addition, we have developed our supplier management platform and procurement application platform, achieving full-cycle fine management of supplier admission, change and exit. This year, we upgraded the supplier management system and procurement platform system, etc., realizing such functions as localized data storage and multi-language support for the enterprise system, supporting Hong Kong branch in meeting the requirements of Hong Kong regulators and further improving procurement efficiency and reducing costs. In the same year, the Hong Kong and overseas offices put the supplier management system into operation, which sets up different requirements for application materials and examination and approval lines according to the division of domestic and overseas enterprises to ensure more scientific and rationalized workflow.

### **Number of suppliers by region in 2020**

Indicator	Number
<b>Total number of suppliers</b>	728
Number of domestic suppliers	459
Number of Hong Kong and overseas suppliers	269

### **8.2 Environmental and Social Responsibility**

The Company took into consideration the environmental and social factors in the selection of suppliers and procurement. For procurement projects involving environmental protection, such as procurement of servers, computers and decoration materials, we included green procurement standards in our supplier selection criteria and gave priority to the procurement of environmentally friendly products and projects.

In addition, we strictly controlled procurement integrity risks by establishing a strict approver system, clarifying relevant responsibilities, and implementing post-based execution and review; the internal audit department regularly conducted independent supervision and inspection of procurement activities according to the system; we provided integrity procurement-related training to persons in charge of procurement in each department to strengthen the integrity awareness of procurement personnel.

## **9. CONTRIBUTING TO THE COMMUNITY BY PRACTICING PUBLIC WELFARE**

As a leading financial institution serving the new economy in China, China Renaissance takes social responsibility as its mission and actively practices the concept of social responsibility. While creating wealth for clients and economic value for society, it participates in community charity construction, shares resources, maintains good and close relationships with neighboring communities, maintains communication and exchange, and transmits a kind and upright corporate culture, so as to jointly make contributions to a harmonious society.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## 9.1 Creating Social Values

In 2020, China Renaissance always actively leverage its resources and advantages in the capital market to introduce quality investments and complete early stage financing for high social value startups and helped enterprises seek further development in poverty alleviation, food security, disability rehabilitation, elderly services, medical and life science to create social values.



On November 16, 2020, China Renaissance, as the exclusive financial advisor, assisted XAG in completing a new round of private equity financing. As the world's largest agricultural drone company, XAG is dedicated to increasing global agricultural production needs and ensuring national food security.



On November 18, 2020, China Renaissance, as the exclusive financial advisor, assisted Dami & Xiaomi in completing a Series C financing of tens of millions of dollars. Dami & Xiaomi is a service platform for the rehabilitation of children with autism and pervasive developmental disorders, aiming to intervene in rehabilitation difficulties and benefit children with autism.



On December 22, 2020, China Renaissance, as the exclusive financial advisor, assisted Fushoukang in completing a Series B financing of tens of millions of dollars. Fushoukang is currently the largest home-based healthcare and wellness service platform in China, which provides a model for caring for the silver-haired people and home-based care for the aged.



On December 24, 2020, China Renaissance, as the exclusive financial advisor, assisted Huitongda in completing a new round of private equity financing. As a leading industrial Internet platform based in the rural market in China, Huitongda has made contributions to the promotion of rural revitalization and the consolidation of poverty alleviation achievements.

### ***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 approval cycle and huge capital input. As an investment bank representative in the field of medical and life science, China Renaissance 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 several important milestones of outstanding new economic enterprises, including serving as the exclusive financial consultant for the B+ round of financing of RMB1 billion for Dingdang Medicine Express in October 2020. In recent years, we have successively participated in the completion of the Initial Public Offering (IPO) of TOT BIOPHARM, Ascentage Pharma, Viva Biotech, WuXi AppTec, BeiGene and other medical and life science enterprises in Hong Kong.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

## 9.2 Promoting Targeted Poverty Alleviation

The Company actively took various actions to promote targeted poverty alleviation and established close relationships with poor areas and surrounding communities, and actively gave back to community support in the process of continuous development and growth.

For the third consecutive year, CR Securities carried out the community support activity of “Passing on Love and Warmth to the Community” for Shanyi Neighborhood Committee at North Sichuan Road, Hongkou District, Shanghai. Wenshan Prefecture, Yunnan Province is the paired poverty-alleviation area of CR Securities. In December 2020, CR Securities conducted a consumption-based poverty alleviation activity by purchasing agricultural and sideline products with a total value of RMB11,700 from Wenshan Prefecture, Yunnan Province, and donated these agricultural products to Shanyi Neighborhood Committee for community support. In the same year, CR Securities also donated RMB120,000 to Wenshan Prefecture, to further help them accelerate the pace of poverty eradication and continue to promote rural revitalization.

In early 2020, due to the sudden outbreak of COVID-19, all industries were affected to varying degrees and the agricultural products in Qiubei County, Wenshan Prefecture, Yunnan Province were left unsold. After learning about the relevant situation, CR Securities made an immediate response by purchasing 500 boxes of oranges in a short period and donated them to the volunteers in the fight against the pandemic in the community. It not only effectively solved the practical difficulties of unsold agricultural products in Wenshan Prefecture, but also gave back to the community and supported the fight against the pandemic, demonstrating the sense of social responsibility of the enterprise.



**Figure: CR Securities Donated Oranges to the Volunteers in the Fight against the Pandemic**

### 9.3 Dedicating love through “Shanxingzhe” Hiking Event

In October 2020, CR Securities formed a hiking team and participated in the 38-kilometer Beijing “Shanxingzhe” charitable hiking event, withstanding the test of physical strength and endurance. The event demonstrated the style of China Renaissance which gave love to the impoverished mountainous areas. Up to now, CR Securities has donated more than RMB40,000 by participating in the event.



Figure: CR Securities participated in Beijing “Shanxingzhe” charitable hiking event



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

### 10. WORKING TOGETHER TO FIGHT AGAINST THE COVID-19

After the outbreak of the COVID-19 epidemic since the beginning of 2020, China Renaissance has actively responded to the national call for epidemic prevention and control to contribute to the fight against the epidemic with its resources available in a variety of ways. The Company focused on protecting its employees' health and safety and provided comprehensive protection for them to resume work and production; actively donated money and materials, and was committed to fighting together with the surrounding communities, which conveyed our faith and determination to persevere and overcome the epidemic.

During the epidemic prevention and control, we had made it a priority to ensure employees' safety and took various epidemic prevention and control measures to effectively protect the health of employees, ensuring that daily work was carried out in an orderly manner. We provided active support for the epidemic prevention and control work of governments at all levels, formulated the *COVID-19 Prevention and Control Programme, Guidance on Resumption of Work during the Period of COVID-19 Prevention and Control and Prevention and Control Plan for Resumption of Work*, strictly postponed the schedule of returning to work to achieve scientific resumption of work and production. Telecommuting did not have a significant impact on the Company's business during the Reporting Period. We prepared sufficient epidemic prevention supplies for emergency use during the resumption of work. We remained vigilant on employees' health, reduced workplace communication, arranged daily temperature check for our employees, and required employees to conduct self-examination of their health status and provided timely feedback; strictly implemented disinfection measures to reduce the risk of virus transmission. CR Securities has also set up a special team for epidemic prevention and control, adopted a series of measures and established a scientific, normative, timely and effective epidemic prevention and control mechanism to eliminate the negative impact of the epidemic to the maximum extent. Meanwhile, during the epidemic, CR Securities moved part of its work online. Specifically, it assisted, through online videos, clients in communicating with trusts and other institutions and conducting sign-ups (in-person signing was required for trusts during non-epidemic periods), provided clients with online interaction sessions with experts, and organized online non-deal roadshows as well as online roadshows, bringing great convenience to clients.

Facing the COVID-19, we made spontaneous donations, organized the procurement of medical supplies in short supply and promptly delivered them to the frontline against the epidemic to ensure the health of front-line medical staff. The Company has directly contacted and donated 25 primary and front-line hospitals and centers for disease control in Hubei Province, Henan Province and Chongqing City. In addition, our employees volunteered to sponsor a donation program to support the fight against the epidemic, involving a total of RMB3,968,000 (including employees' donation of RMB980,000). China Renaissance and CR Securities, taking advantage of resources available, procured 11,000 coronavirus detection kits and supporting consumables from BGI and delivered them to 11 primary medical institutions in and around Wuhan, which greatly supported the detection work during the early stage of the epidemic; purchased the

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)

high-throughput automated sample preparation system and nucleic acid extraction reagent from the BGI for 3,456 persons, and delivered them to Huanggang Center for Disease Control and Prevention, relieving the pressure of detection and epidemic prevention in Huanggang due to equipment and manpower limitations and shortening the detection time of virus samples; donated two sets of “Mindray-SV300” ventilators worth RMB240,000 to Enshi Prefecture Central Hospital and Shiyan Taihe Hospital, which greatly relieved the two hospitals’ pressure and brought warmth and hope to epidemic prevention personnel and patients.



**Figure: CR Securities donated medical supplies to Huanggang Center for Disease Control and Prevention**



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT (CONTINUED)



**Figure: Ventilators donated by CR Securities  
to Enshi Prefecture Central Hospital and Shiyan Taihe Hospital**

### ***Case: China Renaissance Boosted Artificial Intelligence in Drug Research and Development during the COVID-19***

Facing the sudden outbreak of the COVID-19, developing effective treatment drugs for COVID-19 as soon as possible is an urgent global issue. Developing new drugs is a long and complex process, where the pros of artificial intelligence technology in drug research and development is highlighted.

XtalPi is an artificial intelligence drug research and development company driven by digitization and intelligence. During the epidemic, XtalPi's research took only a few days from project approval to obtaining computation results, which was significantly faster than traditional research methods and greatly reduced R&D costs, contributing to the early development of effective drugs for COVID-19.

As exclusive financial advisor for XtalPi's Series C financing, China Renaissance oversubscribed Series C financing by US\$318.8 million on September 28, 2020, creating the world's highest financing record in the field of AI drug research and development. This round of financing will be used to further develop the smart drug R&D system, build a new AI-enabled digital drug R&D infrastructure from the three dimensions of computing power, algorithm, and data, and serve the needs of global pharmaceutical companies, biotechnology companies and partners to speed up drug development.

## OTHER INFORMATION

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

As at December 31, 2020, 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 <sup>(1)</sup>
Mr. Bao <sup>(2)</sup>	Interest in a controlled corporation	227,377,332	42.66%
	Settlor of a trust who can influence how the trustee exercises the voting power of its shares	30,696,447	5.76%
	Beneficial owner	11,292,600	2.12%
	Beneficiary of a trust	1,274,333	0.24%
	Other	819,874	0.15%
Mr. Xie Yi Jing <sup>(3)</sup>	Beneficial owner	400,000	0.08%
	Beneficiary of a trust	319,489	0.06%
Mr. Wang Lixing <sup>(4)</sup>	Beneficial owner	3,721,092	0.70%
	Beneficiary of a trust	1,212,685	0.23%
Mr. Li Shujun <sup>(5)</sup>	Interest in a controlled corporation	35,652,172	6.69%

## OTHER INFORMATION (CONTINUED)

### **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 532,953,664 Shares in issue as at December 31, 2020.
2. FBH Partners owns 80.58% 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 221,377,332 Shares held by CR Partners. In addition, Mr. Bao owns 100% equity interest in Best Fellowship Limited. Under the SFO, Mr. Bao is deemed to be interested in the 6,000,000 Shares held by Best Fellowship Limited. 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 30,696,447 Shares held through Sky Allies Development Limited for the trust. Under the SFO, Mr. Bao is also deemed to be interested in the 30,696,447 Shares held by Sky Allies Development Limited. Separately, Mr. Bao directly holds 892,600 Shares and is entitled to receive 10,400,000 Shares pursuant to the exercise of his options granted under the ESOP. Accordingly, Mr. Bao is the beneficial owner of an aggregate of 11,292,600 Shares. Additionally, pursuant to the RSU Plan of the Company, Mr. Bao is a beneficiary of 1,274,333 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 819,874 Shares held by Go Perfect Development Limited in according with the terms of the RSU Plan.
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 319,489 Shares held by Go Perfect Development Limited, a trust under the RSU Plan.
4. Mr. Wang Lixing is entitled to receive 3,721,092 Shares pursuant to the exercise of his options granted under the ESOP and 702,685 Shares pursuant to restricted shares granted to him under the RSU Plan. Separately, Mr. Wang Lixing also has an indirect interest in a long position of 510,000 Shares.
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.

## OTHER INFORMATION (CONTINUED)

### 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 <sup>(1)</sup>	Not applicable	Not applicable
	Huaxing Associates II, L.P.	Interests held as a limited partner through controlled corporation <sup>(1)</sup>	Not applicable	Not applicable
	Huaxing Associates III, L.P.	Interests held as a limited partner through controlled corporation <sup>(1)</sup>	Not applicable <sup>(2)</sup>	Not applicable <sup>(2)</sup>

*Notes:*

- Mr. Bao holds limited partnership interest through FBH Partners, a special purpose vehicle controlled by Mr. Bao.
- 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.

Save as disclosed above, as at December 31, 2020, 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.

## OTHER INFORMATION (CONTINUED)

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

As at December 31, 2020, 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 <sup>(1)</sup>
CR Partners <sup>(2)</sup>	Beneficial owner	221,377,332	41.54%
FBH Partners <sup>(2)</sup>	Interest in a controlled corporation	221,377,332	41.54%
Mr. Bao <sup>(2)</sup>	Interest in a controlled corporation	227,377,332	42.66%
	Settlor of a trust who can influence how the trustee exercises the voting power of its shares	30,696,447	5.76%
	Beneficial owner	11,292,600	2.12%
	Beneficiary of a trust	1,274,333	0.24%
	Other	819,874	0.15%
Renaissance Greenhouse HK Limited <sup>(3)</sup>	Beneficial owner	47,553,584	8.92%
CW Renaissance Holdings Limited <sup>(3)</sup>	Interest in a controlled corporation	47,553,584	8.92%
Chengwei Capital HK Limited <sup>(3)</sup>	Interest in a controlled corporation	47,553,584	8.92%
Chengwei Evergreen Capital, LP <sup>(3)</sup>	Interest in a controlled corporation	47,553,584	8.92%
Chengwei Evergreen Management, LLC <sup>(3)</sup>	Interest in a controlled corporation	47,553,584	8.92%
Bamboo Green, Ltd. <sup>(4)</sup>	Beneficial owner	34,565,216	6.49%
Bamboo Green, Ltd. <sup>(4)</sup>	Interest in a controlled corporation	9,000,000	1.69%
Sequoia Capital China Growth Fund III, L.P. <sup>(4)</sup>	Interest in a controlled corporation	43,565,216	8.17%
SC China Growth III Management, L.P. <sup>(4)</sup>	Interest in a controlled corporation	43,565,216	8.17%
SC China Holding Limited <sup>(4)</sup>	Interest in a controlled corporation	43,565,216	8.17%
SNP China Enterprises Limited <sup>(4)</sup>	Interest in a controlled corporation	43,565,216	8.17%
Peak Everlast, Ltd. <sup>(4)</sup>	Beneficial owner	9,000,000	1.69%
Mr. Neil Nanpeng Shen <sup>(4)</sup>	Interest in a controlled corporation	43,565,216	8.17%
Mr. Li Shujun <sup>(5)</sup>	Interest in a controlled corporation	35,652,172	6.69%
Sky Allies Development Limited <sup>(6)</sup>	Nominee for another person (other than a trustee)	30,696,447	5.76%
Infiniti Trust (Hong Kong) Limited <sup>(6)</sup>	Trustee	30,696,447	5.76%

## OTHER INFORMATION (CONTINUED)

### **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 532,953,664 Shares in issue as at December 31, 2020.
2. FBH Partners owns 80.58% 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 221,377,332 Shares held by CR Partners. In addition, Mr. Bao owns 100% equity interest in Best Fellowship Limited. Under the SFO, Mr. Bao is deemed to be interested in the 6,000,000 Shares held by Best Fellowship Limited. 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 30,696,447 Shares held through Sky Allies Development Limited for the trust. Under the SFO, Mr. Bao is also deemed to be interested in the 30,696,447 Shares held by Sky Allies Development Limited. Separately, Mr. Bao directly holds 892,600 Shares and is entitled to receive 10,400,000 Shares pursuant to the exercise of his options granted under the ESOP of the Company. Accordingly, Mr. Bao is the beneficial owner of an aggregate of 11,292,600 Shares. Additionally, pursuant to the RSU Plan of the Company, Mr. Bao is a beneficiary of 1,274,333 Shares held by Go Perfect Development Limited, a trust under the RSU Plan. Separately, Mr. Bao is entitled to exercise the voting rights in respect of 819,874 Shares held by Go Perfect Development Limited in accordance with the terms of the RSU Plan.
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 47,553,584 Shares held by Renaissance Greenhouse HK Limited.
4. Peak Everlast, Ltd. is wholly-owned by Bamboo Green, Ltd. 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 43,565,216 Shares held by Bamboo Green, Ltd. and Peak Everlast, 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.

Save as disclosed above, as at December 31, 2020, 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.

## OTHER INFORMATION (CONTINUED)

### 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, 2020, (a) our Directors were holding unexercised options under the ESOP to subscribe for a total of 14,521,092 Shares, representing 2.72% 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 25,243,500 Shares, representing approximately 4.74% of the issued share capital of our Company, details of which are as follows:

Name or category of grantee	Date of grant	Vesting period	The period during which options are exercisable	Exercise price	Number of options			
					Outstanding as at December 31, 2019	Exercised during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2020
<b>Director</b>								
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	6,000,000	—	10,000,000
	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
<b>Other grantees</b>								
Wang Lixing	January 1, 2015	5 years from the date of grant	10 years from the date of grant	US\$0.25	560,000	38,908	—	521,092
	January 1, 2016	5 years from the date of grant	10 years from the date of grant	US\$0.625	1,000,000	—	—	1,000,000
	April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	1,000,000	—	—	1,000,000
	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$0.75	1,200,000	—	—	1,200,000
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	29,388,000	3,441,500	703,000	25,243,500
<b>Total</b>					49,948,000	9,480,408	703,000	39,764,592

## OTHER INFORMATION (CONTINUED)

### SHARE OPTION SCHEMES (CONTINUED)

#### 1. Employee's Share Option Plan (Continued)

Details of the movements during the year ended December 31, 2020 of the options granted under the ESOP (apart from two directors of the Company) are as follows:

Date of grant	As at December 31, 2019	Granted during the Reporting Period	Number of share options		As at December 31, 2020	Exercise price	Exercise period
			Exercised during the year ended December 31, 2020	Lapsed during the Reporting Period			
11/5/2012	540,000	—	4,000	—	536,000	US\$0.25	2020
1/1/2013	900,000	—	300,000	—	600,000	US\$0.375	2020
1/1/2014	1,895,000	—	615,000	—	1,280,000	US\$0.25	2020
1/1/2015	9,885,000	—	913,908	—	8,971,092	US\$0.25	2020
10/1/2015	200,000	—	87,500	—	112,500	US\$0.25	2020
1/1/2016	3,390,000	—	429,500	210,000	2,750,500	US\$0.625	2020
1/1/2016	350,000	—	62,500	—	287,500	US\$0.25	2020
7/1/2016	700,000	—	130,000	—	570,000	US\$0.625	2020
1/1/2017	150,000	—	50,000	—	100,000	US\$0.625	2020
4/1/2017	21,016,000	—	6,444,000	—	14,572,000	US\$0.625	2020
4/1/2018	10,302,000	—	444,000	493,000	9,365,000	US\$0.75	2020

No options under the ESOP were granted or canceled in the year ended December 31, 2020.

#### 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 Group's behalf.

On April 1, 2020, the Company granted in aggregate of 4,693,616 RSUs to 62 grantees, among whom ten grantees are connected persons of the Company, in accordance with the terms of the RSU Plan.



## OTHER INFORMATION (CONTINUED)

### SHARE OPTION SCHEMES (CONTINUED)

#### 2. RSU Plan (Continued)

Details of RSUs granted and vested pursuant to the RSU Plan to our Directors are set out below:

Name of Director	Date of grant	Number of Shares underlying the RSUs			Vesting Period
		Granted on the relevant grant date	Vested during the Reporting Period	Forfeited during the Reporting Period	
Bao Fan	April 1, 2019	762,435	127,072	—	April 1, 2019–July 1, 2023
	April 1, 2020	511,898	—	—	April 1, 2020–April 1, 2023
Xie Yi Jing	April 1, 2019	182,983	30,497	—	April 1, 2019–July 1, 2023
	April 1, 2020	136,506	—	—	April 1, 2020–April 1, 2023
Wang Lixing	April 1, 2019	466,380	77,730	—	April 1, 2019–July 1, 2023
	April 1, 2020	267,397	—	—	April 1, 2020–April 1, 2023

Movements in the number of RSUs outstanding are as follows:

	Number of RSUs
As of January 1, 2020	6,656,788
Granted	4,693,616
Forfeited	(775,384)
Vested	(1,281,723)
Outstanding balance as of December 31, 2020	9,293,297

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 38 to the consolidated financial statements for the year ended December 31, 2020.

## OTHER INFORMATION (CONTINUED)

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

During the year ended December 31, 2020, the Company repurchased 11,896,756 Shares on the Stock Exchange for an aggregate consideration of approximately HK\$166.7 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 of the Company and that it presented a good opportunity for the Company to repurchase Shares.

Details of the Shares repurchased during the year ended December 31, 2020 are as follows:

Month of repurchases in 2020	No. of ordinary shares	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration (HK\$'000)
January	6,996,300	15.50	14.00	98,034
April	94,300	12.50	12.04	1,154
May	1,637,200	10.86	10.22	16,916
June	19,600	12.94	10.96	221
October	3,148,356	16.84	16.00	50,374
November	200	14.88	14.84	3
December	800	14.78	14.60	12
	11,896,756			166,714

As at December 31, 2020, as aggregate of 1,000 ordinary shares repurchased by the Company in November and December 2020 have not yet been cancelled, and the same have been cancelled on February 8, 2021.

## OTHER INFORMATION (CONTINUED)

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES (CONTINUED)

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 listed securities during the year ended December 31, 2020.

### USE OF NET PROCEEDS FROM LISTING

On September 27, 2018, the Shares of the Company were listed on the Main Board of the Stock Exchange. 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. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus.

As at December 31, 2020, approximately HK\$2,054.9 million of the net proceeds had been utilized. The following table sets forth the status of use of proceeds from the Company's initial public offering as of December 31, 2020.

	% of use of proceeds	Net proceeds from the initial public offering HK\$ million	Actual usage up to December 31, 2019 HK\$ million	Actual usage for the year ended December 31, 2020 HK\$ million	Unutilized amount as at December 31, 2020 HK\$ million	Expected timeline of full utilisation of the balance
Expand our investment banking business	40%	1,007.0	294.3	406.8	305.9	2021
Expand our investment management business	20%	503.5	238.8	264.7	—	—
Develop private wealth management business	20%	503.5	356.2	147.3	—	—
Invest in technology across all our business lines	10%	251.8	36.5	58.5	156.8	2022
General corporate purposes	10%	251.8	251.8	—	—	—
<b>Total</b>		<b>2,517.6</b>	<b>1,177.6</b>	<b>877.3</b>	<b>462.7</b>	

## OTHER INFORMATION (CONTINUED)

### **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, 2020 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 Report of the Group for the year ended December 31, 2020 has been reviewed by the Audit Committee.

### **OTHER BOARD COMMITTEES**

In addition to the Audit Committee, the Company has also established a Nomination Committee, a Remuneration Committee, an Executive Committee and an Environmental, Social and Governance Committee (established on August 21, 2020).

### **IMPORTANT EVENTS AFTER THE REPORTING DATE**

On January 19, 2021, the Company had issued a total number of 6,000,000 Shares for exercise of share options pursuant to the Employees' Share Option Plan of the Company approved by the Board on August 24, 2012.

On February 8, 2021, the Company cancelled the total number of 1,100 Shares which it had repurchased on the open market from November 25, 2020 to January 14, 2021, 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 June 11, 2020, from its issued share capital. Further details are set out in Note 36 to the consolidated financial statements for the year ended December 31, 2020.

Save as disclosed above, no important events affecting the Company occurred since December 31, 2020 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 122 to 259, which comprise the consolidated statement of financial position as at December 31, 2020, 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, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“IFRSs”) 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 (including International Independence Standards) (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.

# INDEPENDENT AUDITOR'S REPORT (CONTINUED)

## 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 there on, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
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### Fair value of level 3 financial instruments

As at December 31, 2020, the carrying amount of the Group's financial assets and financial liabilities measured at fair value that are classified as level 3 totaled RMB2,972 million and RMB238 million, respectively. Among the level 3 financial assets, approximately RMB2,862 million are unlisted fund investments, unlisted debt security investments, restricted shares and investments in fund accounted for as associates measured at fair value while the remaining RMB110 million are derivatives. Level 3 financial liabilities mainly relate to payables to interest holders of consolidated structured entities. Details are included in note 45.6 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 unlisted debt security investments and derivatives on a sample basis;
- reviewing the Group's valuation of its level 3 financial instruments other than unlisted debt security investments and 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<b>Consolidation of structured entities managed by the Group</b>	
<p>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.</p>	<p>Our audit procedures in relation to assessing the consolidation of structured entities managed by the Group included the following:</p>
<p>As at December 31, 2020, the aggregated net assets of structured entities that were consolidated totaled RMB803 million. Details of the structured entities are included in note 42 to the consolidated financial statements.</p>	<ul style="list-style-type: none"><li>• understanding and assessing management process relating to the consolidation of structured entities;</li><li>• inspecting documents prepared by management relating to the judgment process over whether a structured entity is consolidated or not;</li><li>• selecting significant structured entities and performing the following procedures for each entity selected:</li></ul>
<p>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.</p>	<ul style="list-style-type: none"><li>— 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;</li><li>— 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;</li><li>— 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</li><li>— evaluating management's judgment over whether the structured entity should be consolidated or not;</li></ul>
<p>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.</p>	<ul style="list-style-type: none"><li>• assessing the disclosures in the consolidated financial statements in relation to structured entities with reference to the requirements of the prevailing accounting standards.</li></ul>



## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 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 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 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

### 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.
- Conclude on the appropriateness of the directors' 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.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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, actions taken to eliminate threats or safeguards applied.

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, 2021

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

	Notes	Year ended December 31,	
		2020 RMB'000	2019 RMB'000 (restated)
Revenue			
Transaction and advisory fees		1,042,907	760,367
Management fees		443,437	436,147
Interest income		81,662	65,492
Income from carried interest		21,268	42,044
Total revenue	5	1,589,274	1,304,050
Net investment gains	6	1,142,172	317,687
Total revenue and net investment gains		2,731,446	1,621,737
Compensation and benefit expenses		(1,098,778)	(773,215)
Carried interest to management team and other parties		(14,114)	(26,273)
Investment gains attributable to interest holders of consolidated structured entities		(111,427)	(16,686)
Other operating expenses	7	(353,125)	(361,816)
Finance costs	8	(12,755)	(6,597)
Impairment losses under expected credit loss model, net of reversal	9	(15,865)	865
Total operating expenses		(1,606,064)	(1,183,722)
Operating profit		1,125,382	438,015
Other income, gains or losses	10	27,172	37,139
Investment loss arising from certain incidental and ancillary investments	11	(9,327)	(74,518)
Share of results of associates	21	(93)	(10,016)
Share of results of a joint venture	22	(2,525)	(1,339)
Change in fair value of call option	23	19,801	(689)
Profit before tax		1,160,410	388,592
Income tax expense	12	(136,153)	(78,337)
<b>Profit for the year</b>	13	<b>1,024,257</b>	310,255

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended December 31, 2020

	Notes	Year ended December 31,	
		2020 RMB'000	2019 RMB'000 (restated)
<b>Other comprehensive (expense) income</b>	14		
<i>Item that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		<b>(487,205)</b>	108,122
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>309,827</b>	(67,744)
Fair value gain or loss, net of expected credit losses on:			
– debt instruments measured at fair value through other comprehensive income		<b>908</b>	(2,342)
Other comprehensive (expense) income for the year, net of tax		<b>(176,470)</b>	38,036
Total comprehensive income for the year		<b>847,787</b>	348,291
Profit (loss) for the year attributable to:			
– Owners of the Company		<b>1,037,752</b>	246,778
– Non-controlling interests		<b>(13,495)</b>	63,477
		<b>1,024,257</b>	310,255
Total comprehensive income (expense) attributable to:			
– Owners of the Company		<b>862,064</b>	286,013
– Non-controlling interests		<b>(14,277)</b>	62,278
		<b>847,787</b>	348,291
<b>EARNINGS PER SHARE</b>			
Basic	16	<b>RMB 2.11</b>	RMB 0.49
Diluted	16	<b>RMB 1.98</b>	RMB 0.46

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At December 31, 2020

	Notes	As at December 31,	
		2020 RMB'000	2019 RMB'000
<b>Non-current assets</b>			
Property and equipment	18	125,659	144,062
Intangible assets	19	71,095	51,707
Deferred tax assets	20	233,280	130,574
Investments in associates	21	1,829,220	660,515
Investment in a joint venture	22	3,124	5,649
Financial assets at fair value through profit or loss	23	1,342,697	1,507,186
Financial assets at fair value through other comprehensive income	24	252,696	—
Rental deposits		20,406	16,366
Loans to third parties	25	—	65,063
Other financial assets	26	130,616	139,650
		<b>4,008,793</b>	<b>2,720,772</b>
<b>Current assets</b>			
Accounts and other receivables	27	2,877,726	879,094
Loans to third parties	25	630,507	38,245
Amounts due from related parties	41	47,394	52,586
Financial assets at fair value through profit or loss	23	3,692,171	3,222,352
Other financial assets	26	—	142,695
Term deposits	28	168,473	492,564
Pledged bank deposits	29	—	254,237
Cash held on behalf of brokerage clients	29	460,747	685,842
Cash and cash equivalents	29	646,756	1,022,043
		<b>8,523,774</b>	<b>6,789,658</b>
Asset classified as held for sale	21	4,762	—
		<b>8,528,536</b>	<b>6,789,658</b>
<b>TOTAL ASSETS</b>		<b>12,537,329</b>	<b>9,510,430</b>
<b>Current liabilities</b>			
Accounts and other payables	30	3,903,356	1,286,790
Payables to interest holders of consolidated structured entities		424,984	747,284
Amounts due to related parties	41	51,068	453,830
Contract liabilities	31	38,199	21,614
Bank borrowings	32	112,262	129,504
Lease liabilities	33	45,464	53,461
Income tax payables		161,604	47,893
Financial liabilities at fair value through profit or loss	34	275,818	—
		<b>5,012,755</b>	<b>2,740,376</b>
<b>Net current assets</b>		<b>3,515,781</b>	<b>4,049,282</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>7,524,574</b>	<b>6,770,054</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At December 31, 2020

	Notes	As at December 31,	
		2020	2019
		RMB'000	RMB'000
<b>Non-current liabilities</b>			
Lease liabilities	33	56,439	56,876
Contract liabilities	31	15,774	13,747
Deferred tax liabilities	20	70,383	27,286
		<b>142,596</b>	97,909
<b>NET ASSETS</b>		<b>7,381,978</b>	6,672,145
<b>Capital and reserves</b>			
Share capital	36	87	89
Reserves		5,895,755	5,159,016
Equity attributable to owners of the Company		5,895,842	5,159,105
Non-controlling interests	37	1,486,136	1,513,040
		<b>7,381,978</b>	6,672,145

The consolidated financial statements on pages 122 to 259 were approved and authorized for issue by the board of directors on March 25, 2021 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, 2020

	Notes	Attributable to owners of the Company								Non-controlling interests	Total equity
		Share capital	Treasury stock	Share premium	Other reserves	Surplus reserve	Accumulated losses	Reserves Sub-total	Sub-total		
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
					(note)						
At January 1, 2020		89	(7)	6,454,704	262,621	21,538	(1,579,840)	5,159,016	5,159,105	1,513,040	6,672,145
Profit (loss) for the year		-	-	-	-	-	1,037,752	1,037,752	1,037,752	(13,495)	1,024,257
Other comprehensive expense for the year		-	-	-	(175,688)	-	-	(175,688)	(175,688)	(782)	(176,470)
Total comprehensive (expense) income for the year		-	-	-	(175,688)	-	1,037,752	862,064	862,064	(14,277)	847,787
Appropriation to statutory surplus reserve		-	-	-	-	8,196	(8,196)	-	-	-	-
Capital contribution from non-controlling shareholders		-	-	-	-	-	-	-	-	495	495
Recognition of equity-settled share-based payment expense	38	-	-	-	67,966	-	-	67,966	67,966	-	67,966
Share options exercised		-	1	79,294	(44,827)	-	-	34,468	34,468	-	34,468
Restricted shares units vested		-	-	10,104	(10,104)	-	-	-	-	-	-
Dividends to shareholders	17	-	-	(79,896)	-	-	-	(79,896)	(79,896)	-	(79,896)
Dividends to non-controlling shareholders		-	-	-	-	-	-	-	-	(13,122)	(13,122)
Shares repurchased but not yet cancelled	36	-	-	-	(13)	-	-	(13)	(13)	-	(13)
Shares repurchased and cancelled	36	(2)	-	(147,971)	121	-	-	(147,850)	(147,852)	-	(147,852)
At December 31, 2020		87	(6)	6,316,235	100,076	29,734	(550,284)	5,895,755	5,895,842	1,486,136	7,381,978



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended December 31, 2020

	Attributable to owners of the Company									Non- controlling interests	Total equity
	Notes	Share	Treasury	Share	Other	Surplus	Accumulated	Reserves	Sub-total		
		capital	stock	premium	reserves	reserve	losses	Sub-total	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019		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	38	–	–	–	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	38	–	–	–	(69,176)	–	–	(69,176)	(69,176)	–	(69,176)
Shares repurchased but not yet cancelled	36	–	–	–	(135)	–	–	(135)	(135)	–	(135)
Shares repurchased and cancelled	36	–	–	(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

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, 2020

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000 (restated)
<b>Cash flows from operating activities</b>		
Profit before tax	1,160,410	388,592
Adjustments for:		
Depreciation of property and equipment	69,403	65,169
Amortization of intangible assets	11,133	11,182
Losses on disposal of property and equipment	191	131
Interest income	(81,662)	(88,257)
Finance costs	12,755	6,597
Change in fair value of call option	(19,801)	689
Net investment gains	(1,142,172)	(317,687)
Investment gains attributable to holders of consolidated structured entities	111,427	16,686
Investment loss arising from certain incidental and ancillary investments	9,327	74,518
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	15,865	(865)
Share of results of associates	93	10,016
Share of results of a joint venture	2,525	1,339
Share-based payment expense	67,966	74,907
Operating cash flows before movements in working capital	217,460	258,518
Increase in accounts and other receivables	(2,036,231)	(242,014)
Increase in amounts due from related parties	(1,463)	(11,064)
(Decrease) increase in amounts due to related parties	(402,762)	453,830
Decrease (increase) in cash held on behalf of brokerage clients	225,095	(685,842)
Increase in financial assets at fair value through profit or loss	(274,064)	(838,986)
Increase in accounts and other payables	2,623,298	662,122
Increase (decrease) in contract liabilities	18,612	(11,947)
Cash generated from (used in) operations	369,945	(415,383)
Interest received	52,588	70,060
Income taxes paid	(82,384)	(92,172)
Net cash generated from (used in) operating activities	340,149	(437,495)

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended December 31, 2020

	Notes	Year ended December 31	
		2020 RMB'000	2019 RMB'000 (restated)
<b>Cash flows from investing activities</b>			
Interest received		15,579	8,966
Purchases of property and equipment		(7,756)	(10,787)
Proceeds from disposal of property and equipment		82	179
Payments for right-of-use assets		(661)	(345)
Payments for rental deposits		(4,330)	(4,120)
Proceeds from rental deposits		366	1,118
Acquisition of subsidiaries		—	(1,388)
Disposal of subsidiaries	43	(47,308)	47,350
Purchases of intangible assets		(31,075)	(28,945)
Purchases of financial assets at fair value through profit or loss		(310,938)	(807,449)
Proceeds from disposal of financial assets at fair value through profit or loss		34,788	11,739
Purchases of financial assets at fair value through other comprehensive income		(248,127)	—
Proceeds from disposal of financial assets at fair value through other comprehensive income		—	356,316
Acquisition of investments in associates		(85,017)	(55,715)
Acquisition of investments in a joint venture		—	(7,000)
Advance to related parties		(13,850)	(6,551)
Repayment from related parties		9,049	40
Placement of term deposits		(8,881,073)	(2,856,671)
Proceeds from term deposits		9,197,790	4,359,646
Placement of pledged bank deposits		—	(248,198)
Proceeds of pledged bank deposits		248,188	—
Origination of loan receivables		(641,354)	(10)
Repayment of loan receivables		102,638	20,000
Purchases of other financial assets		—	(307,572)
Proceeds from other financial assets		141,642	27,392
<b>Net cash (used in) generated from investing activities</b>		<b>(521,367)</b>	497,995

## CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended December 31, 2020

	Notes	Year ended December 31,	
		2020	2019
		RMB'000	RMB'000 (restated)
<b>Cash flows from financing activities</b>			
Payment on repurchase of shares		(147,865)	(54,087)
Purchases of shares to be held under share award scheme		—	(69,176)
Proceeds from issuance of ordinary shares for share option exercised		34,468	4,034
Proceeds from bank borrowings	35	293,362	129,356
Repayment of bank borrowings	35	(310,668)	—
Interest paid	35	(10,503)	(4,922)
Repayments of lease liabilities	35	(51,998)	(40,693)
Capital contribution from non-controlling shareholders		495	5,514
Capital reduction from non-controlling shareholders		—	(363)
Distribution to non-controlling shareholders	35	(13,122)	(7,543)
Dividends paid to shareholders	35	(79,896)	—
Issued cost paid	35	—	(467)
Proceeds from financial liabilities at fair value through profit or loss	35	125,068	—
Cash injection by third-party holders to consolidated structured entities	35	176,022	577,460
Cash repayment to third-party holders to consolidated structured entities	35	(111,058)	(37,385)
Net cash (used in) generated from financing activities		(95,695)	501,728
<b>Net (decrease) increase in cash and cash equivalents</b>		(276,913)	562,228
Cash and cash equivalents at January 1		1,022,043	442,391
Effect of foreign exchange rate changes		(98,374)	17,424
<b>Cash and cash equivalents at December 31</b>		<b>646,756</b>	<b>1,022,043</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

## 1. GENERAL INFORMATION

China Renaissance Holdings Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on July 13, 2011 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate controlling party is Mr. Bao Fan, who is also the Chairman and executive director of the Company. The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

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

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

The consolidated financial statements are presented in Renminbi (“RMB”), which is different from the Company’s functional currency of United States Dollars (“US\$”). The directors of the Company adopted RMB as presentation currency, 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.

## 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRSs* and the following amendments to IFRSs issued by International Accounting Standards Board (“IASB”), for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2020 for the preparation of the Group’s consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in IFRSs* and the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

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

#### 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 and the related Amendments <sup>1</sup>
Amendments to IFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to IFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>5</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to IAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to IAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use <sup>2</sup>
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2023.

<sup>2</sup> Effective for annual periods beginning on or after January 1, 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after June 1, 2020.

<sup>5</sup> Effective for annual periods beginning on or after January 1, 2021.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

#### 3.1 Basic of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with accounting policies which accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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, 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*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.1 Basic of preparation of consolidated financial statements (continued)

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.

#### 3.2 Significant accounting policies

##### *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;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### *Basis of consolidation (continued)*

- 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.

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 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 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### ***Structured entities***

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements. A structured entity often has restricted activities and a narrow and well defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity.

##### ***Investments in 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### ***Investments in associates and joint ventures (continued)***

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, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. 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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### ***Investments in associates and joint ventures (continued)***

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 of 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.

##### ***Non-current assets held for sale***

Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (continued)

#### ***Non-current assets held for sale (continued)***

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell which continue to be measured in accordance with the accounting policies as set out in respective sections.

#### ***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 or 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### *Revenue from contracts with customers (continued)*

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.

###### *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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (continued)

#### *Revenue from contracts with customers (continued)*

##### *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.

#### (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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### *Revenue from contracts with customers (continued)*

##### *Principal versus agent (continued)*

##### (b) Management fee (continued)

##### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (continued)

#### *Leases*

##### *Definition of a lease*

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 on or after the date of initial application or arising from business combinations, 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. 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.

##### *The Group as a lessee*

##### *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 and are accounted for by applying other applicable standards.

##### *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 recognized 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### *Leases (continued)*

##### *The Group as a lessee (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 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 recognizes 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 recognized 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (continued)

#### *Leases (continued)*

##### *The Group as a lessee (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.

#### *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 recognized 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 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 related to income 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. Such grants are presented under “other income, gains or losses”.

##### ***Employee benefits***

##### ***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.

##### ***Share-based payments***

##### ***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 38.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (continued)

#### ***Share-based payments (continued)***

##### ***Equity-settled share-based payment transactions (continued)***

##### ***Share options and restricted shares granted to employees (continued)***

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.

##### ***Restricted shares granted to non-employees***

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 recognized 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 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### *Taxation (continued)*

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.

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 recognizes 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.

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### *Taxation (continued)*

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.

##### *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%
Motor Vehicles	4 years	0%	25.00%
Leasehold improvements	shorter of lease term or expected useful life	0%	N/A
Leased properties	lease term	0%	N/A

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### *Property and equipment (continued)*

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%

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 recognized 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 recognized 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;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### ***Intangible assets (continued)***

##### ***Internally-generated intangible assets — research and development expenditure (continued)***

- 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 recognized 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 recognized, development expenditure is recognized 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.

##### ***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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### *Impairment losses of property and equipment and intangible assets (continued)*

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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.

##### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### *Financial instruments*

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the timeframe established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### *Financial instruments (continued)*

##### *Financial assets (continued)*

##### *Classification and subsequent measurement of financial assets (continued)*

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.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### *Financial assets (continued)*

#### Classification and subsequent measurement of financial assets (continued)

#### (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.

#### (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 loss 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### *Financial instruments (continued)*

##### *Financial assets (continued)*

##### *Impairment of financial assets (continued)*

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

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, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- 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.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### *Financial assets (continued)*

#### *Impairment of financial assets (continued)*

#### **(i) Significant increase in credit risk (continued)**

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 foregoing, 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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### *Financial instruments (continued)*

##### *Financial assets (continued)*

##### *Impairment of financial assets (continued)*

##### **(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.

##### **(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 and 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. The Group uses a practical expedient in estimating ECL on accounts receivables and amounts due from related parties of trade nature using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### *Financial assets (continued)*

#### *Impairment of financial assets (continued)*

#### **(v) Measurement and recognition of ECL (continued)**

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.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

#### **Derecognition of financial assets**

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### *Financial instruments (continued)*

##### *Financial liabilities and equity*

##### *Classification as debt or equity*

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

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Perpetual instruments, which include no contractual obligation for the Group to deliver cash or other financial assets or the Group has the sole discretion to defer payment of distribution and redemption of principal amount indefinitely are classified as equity instruments.

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

##### *Financial liabilities*

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

##### *Financial liabilities at FVTPL*

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

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 3. BASIC OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 3.2 Significant accounting policies (continued)

#### *Financial instruments (continued)*

#### *Financial liabilities and equity (continued)*

#### *Financial liabilities at FVTPL (continued)*

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 recognised 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. Changes in fair value attributable to a financial liability's credit risk that are recognised 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.

#### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 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 the Group has recognized such income on a straight-line basis over the subscription period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 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 (i.e. investment gains are realized), and is not subject to clawback provisions. The income from Carried Interest will not be recognized as revenue until (a) it is highly probable that a significant reversal in the amount of cumulative revenue will not occur, or (b) the uncertainty associated with the Carried Interest is subsequently resolved.

Carried Interest to management team and other parties represents Carried Interest (which may be distributed in cash or in-kind) allocations to employees, senior managing directors and other parties participating in certain profit sharing initiatives. The related expenses could be recognized when these parties have rendered services to the Group and the amounts that will be eventually paid out can be reliably measured. This could result in recognition of the related expenses in advance of recognition of the Carried Interest revenue under the Group's fund management contracts.

#### ***Consolidation of China Renaissance Securities (China) Co. Ltd (“China Renaissance Securities”)***

China Renaissance Securities was formerly named as Huajing Securities, and the Group has effective control over the board of directors of China Renaissance Securities, which is the decision maker of China Renaissance 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 China Renaissance Securities as at December 31, 2020.

#### ***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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

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

#### Critical judgments in applying accounting policies (continued)

##### *Consolidation of structured entities (continued)*

When judging the level of the control over the structured entities, the Group considers the following four elements:

- (a) The decisions the Group applied when setting up the structured entities and the involvement in those entities;
- (b) The related agreement arrangements;
- (c) The Group will only take specific actions under certain conditions or incidents; and
- (d) The commitments made by the Group to the structured entities.

When assessing whether there is control over the structured entities, the Group also considers whether the decisions it makes are as a principal or as an agent. Aspects of considerations normally include the decision making scope over the structured entities, substantive rights of third parties, rewards of the Group, and the risks of undertaking variable returns from owning other benefits of the structured entities.

The Group reassesses whether or not it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed in note 3. The judgments the Group used in determining whether or not it has control over the structured entities are detailed in note 42.

#### 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, 2020, a deferred tax asset of RMB88,019,000 (December 31, 2019: RMB88,019,000) 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 RMB481,540,000 (December 31, 2019: RMB210,605,000) 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

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

#### Key sources of estimation uncertainty (continued)

##### *Deferred taxation (continued)*

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 45.6.

##### *Provision of ECL for accounts receivable and amounts due from related parties of trade nature*

The Group uses provision matrix to calculate ECL for the accounts receivables and amounts due from related parties of trade nature. 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 and amounts due from related parties of trade nature are disclosed in notes 27, 41 and 45.3.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 5. REVENUE AND 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 four operating segments (a) investment banking; (b) investment management; (c) Huajing and (d) new business. In the current year, the Group changed its internal reporting structure and reallocated structured financing from new business segment to investment banking segment. Subsequent to the change of the internal reporting structure, and renaming of segment Huajing to CR Securities, the Group has four reportable operating segments, which are (a) investment banking; (b) investment management; (c) CR Securities and (d) others.

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 (1) 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 United States of America (the “USA”); and (2) structured financing dedicated to exploring and developing non-equity financing services for new-economy firms;
- (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, and manages its own investment in funds to obtain investment returns;
- (c) CR Securities, formerly named Huajing, comprises the Group’s investment banking and asset management businesses in mainland China, which overlap with the other two segments in nature but are otherwise separately operated and focuses on regulated securities market in mainland China and has an independent risk control framework; and
- (d) The others segment mainly comprises of wealth management business, and investment and management of its own funds. Wealth management business provides value-added wealth management services for high net worth individuals and other high net worth groups represented by new-economy entrepreneurs, and this business also helps the Group integrate and enhance investment and management of its own funds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results

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

	Year ended December 31, 2020					Total consolidated RMB'000
	Investment banking RMB'000	Investment management RMB'000	CR Securities RMB'000	Others RMB'000	Consolidation adjustments and reconciling items RMB'000	
Transaction and advisory fees	985,632	—	57,275	—	—	1,042,907
Management fees	—	419,708	—	23,729	—	443,437
Interest income	4,824	—	31,044	45,794	—	81,662
Income from Carried Interest	—	3,364,636	—	—	(3,343,368) <sup>(note)</sup>	21,268
<b>Total Revenue</b>	<b>990,456</b>	<b>3,784,344</b>	<b>88,319</b>	<b>69,523</b>	<b>(3,343,368)</b>	<b>1,589,274</b>
Net investment gains	13,160	933,078	165,880	30,054	—	1,142,172
<b>Total revenue and net investment gains</b>	<b>1,003,616</b>	<b>4,717,422</b>	<b>254,199</b>	<b>99,577</b>	<b>(3,343,368)</b>	<b>2,731,446</b>
Compensation and benefit expenses	(556,179)	(245,221)	(209,932)	(87,446)	—	(1,098,778)
Carried interest to management team and other parties	—	(2,267,271)	—	—	2,253,157 <sup>(note)</sup>	(14,114)
Investment gains attributable to interest holders of consolidated structured entities	—	(61,753)	(49,674)	—	—	(111,427)
Other operating expenses	(155,388)	(100,252)	(64,354)	(33,131)	—	(353,125)
Finance costs	—	—	(2,690)	(10,065)	—	(12,755)
Impairment losses under expected credit loss model, net of reversal	(1,787)	(448)	(1,131)	(12,499)	—	(15,865)
<b>Operating profit (loss)</b>	<b>290,262</b>	<b>2,042,477</b>	<b>(73,582)</b>	<b>(43,564)</b>	<b>(1,090,211)</b>	<b>1,125,382</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment revenue and results (continued)

	Year ended December 31, 2020					
	Investment banking	Investment management	CR Securities	Others	Consolidation adjustments and reconciling items	Total consolidated
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Other income, gains or losses						27,172
Investment loss arising from certain incidental and ancillary investments						(9,327)
Share of results of associates						(93)
Share of results of a joint venture						(2,525)
Change in fair value of call option						19,801
Profit before tax						1,160,410
Income tax expense						(136,153)
Profit for the year						1,024,257

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (continued)

	Year ended December 31, 2019 (restated)					Total consolidated RMB'000
	Investment banking RMB'000	Investment management RMB'000	CR Securities RMB'000	Others RMB'000	Consolidation adjustments and reconciling items RMB'000	
Transaction and advisory fees	682,544	—	77,823	—	—	760,367
Management fees	—	433,762	—	2,385	—	436,147
Interest income	5,603	—	27,344	32,545	—	65,492
Income from Carried Interest	—	503,486	—	—	(461,442) <sup>(note)</sup>	42,044
<b>Total revenue</b>	<b>688,147</b>	<b>937,248</b>	<b>105,167</b>	<b>34,930</b>	<b>(461,442)</b>	<b>1,304,050</b>
<b>Net investment gains</b>	<b>7,191</b>	<b>127,266</b>	<b>157,041</b>	<b>26,189</b>	<b>—</b>	<b>317,687</b>
Total revenue and net investment gains	695,338	1,064,514	262,208	61,119	(461,442)	1,621,737
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 <sup>(note)</sup>	(26,273)
Investment gains or losses attributable to interest holders of consolidated structured entities	—	(19,605)	2,919	—	—	(16,686)
Other operating expenses	(185,850)	(95,619)	(69,130)	(11,217)	—	(361,816)
Finance costs	—	—	(1,096)	(5,501)	—	(6,597)
Impairment losses under expected credit loss model, net of reversal	865	—	—	—	—	865
<b>Operating profit (loss)</b>	<b>80,755</b>	<b>440,029</b>	<b>63,984</b>	<b>(5,825)</b>	<b>(140,928)</b>	<b>438,015</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Segment revenue and results (continued)

	Year ended December 31, 2019 (restated)					Consolidation adjustments and reconciling items RMB'000	Total consolidated RMB'000
	Investment banking RMB'000	Investment management RMB'000	CR Securities RMB'000	Others RMB'000			
Other income, gains or losses							37,139
Investment loss arising from certain incidental and ancillary investments							(74,518)
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

Segment profit or loss represents the results of each segment without allocation of corporate items including other income, gains or losses, investment loss arising from certain incidental and ancillary investments (the "Passive Investment Loss"), share of results of associates, share of results of a joint venture, change in fair value of call option and income tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

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 RMB3,343,368,000 and RMB461,442,000 for the years ended December 31, 2020 and 2019, 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 RMB2,253,157,000 and RMB320,514,000 for the years ended December 31, 2020 and 2019, 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results (continued)

Note: (continued)

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, 2020, except for RMB21,268,000 of Carried Interest realized for certain funds, no income from Carried Interest for other funds was recognized 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 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		Non-current assets (note)	
	Year ended December 31,		At December 31,	
	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Mainland China	1,115,906	1,110,912	1,990,933	800,844
Hong Kong	423,858	142,829	27,782	45,192
USA	49,510	50,309	10,383	15,897
	1,589,274	1,304,050	2,029,098	861,933

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### Timing of revenue recognition for revenue from contract of customers

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
A point of time	1,064,175	802,411
Over time	443,437	436,147
	<b>1,507,612</b>	1,238,558

#### 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 Group also receives management 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. The transaction price allocated to the performance obligations in relation to the management fees that were unsatisfied as at December 31, 2020 and 2019 will be recognized as revenue on a straight-line basis over the subscription period as follows:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Within one year	32,717	20,474
More than one year but not more than two years	8,543	7,262
More than two years but not more than three years	4,546	3,425
More than three years	2,685	112
	<b>48,491</b>	31,273

The transaction price allocated to the remaining performance obligations in relation to transaction and advisory fees that were unsatisfied as at December 31, 2020 and 2019 and expected timing of recognizing revenue are as follows:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Within one year	5,482	1,140
More than one year but not more than two years	—	2,948
	<b>5,482</b>	4,088



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 5. REVENUE AND SEGMENT INFORMATION (CONTINUED)

### Other segment information

	Year ended December 31, 2020				
	Investment banking RMB'000	Investment management RMB'000	CR Securities RMB'000	Others RMB'000	Total RMB'000
<b>Amounts included in the measure of segment profit or loss:</b>					
Depreciation and amortization	41,232	7,073	29,283	2,948	80,536
Losses on disposal of property and equipment	190	1	—	—	191

	Year ended December 31, 2019				
	Investment banking RMB'000	Investment management RMB'000	CR Securities RMB'000	Others RMB'000	Total RMB'000
<b>Amounts included in the measure of segment profit or loss:</b>					
Depreciation and amortization	40,395	2,020	33,219	717	76,351
Losses on disposal of property and equipment	131	—	—	—	131

### Information about major customers

None of the customers contributed over 10% of the total revenue of the Group during the years ended December 31, 2020 and 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 6. NET INVESTMENT GAINS

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000 (restated)
Net realized and unrealized gains from financial assets at FVTPL		
– Wealth management related products	28,483	12,670
– Asset management schemes	28,074	76,303
– Structured finance related products	13,160	7,191
– Financial bonds	119	17,350
– Unlisted investment funds at fair value	127,970	53,446
– Listed equity security investments	85,652	58,110
Net realized gains from financial assets at FVTOCI		
– Financial bonds	–	3,639
Gross gain from consolidated structured entities		
– Asset management schemes	52,035	4,125
Gross gain from investments in associates measured at fair value		
– Investment in funds	973,940	73,820
Net unrealized losses from financial liabilities at FVTPL		
– Securities borrowing (note 34)	(168,832)	–
Dividend income from		
– Wealth management related products	1,571	11,033
	<b>1,142,172</b>	317,687

### 7. OTHER OPERATING EXPENSES

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Professional service fees	112,942	94,874
Project related and business development expenses	57,637	90,496
Short-term lease expense	877	6,688
Office expenses	24,615	28,639
Technology expenses	45,691	35,603
Depreciation and amortization	80,536	76,351
Auditor's remuneration	6,652	6,977
Others	24,175	22,188
	<b>353,125</b>	361,816

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 8. FINANCE COSTS

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Interest on bank borrowings	7,525	1,679
Interest on lease liabilities	3,365	4,495
Others	1,865	423
	<b>12,755</b>	6,597

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Impairment losses recognized/(reversed) on:		
Accounts and other receivables	2,851	(1,294)
Loans to third parties	1,513	(165)
Loans to related parties	—	(28)
Amounts due from related parties	11,456	653
Financial assets at FVTOCI	60	(59)
Other financial assets	(15)	28
	<b>15,865</b>	(865)

Details of impairment assessment are set out in note 45.3.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 10. OTHER INCOME, GAINS OR LOSSES

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Government grants (a)	40,884	38,347
Bank and loans interest income	—	22,765
Net exchange loss	(467)	(2,158)
Gain on disposal of subsidiaries	—	23,525
Impairment loss on investment in an associate (note 21)	—	(39,026)
Others (b)	(13,245)	(6,314)
	<b>27,172</b>	37,139

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. In addition, the Group recognised government grants of RMB5,519,000 in respect of Covid-19-related subsidies, of which RMB5,473,000 related to Employment Support Scheme provided by Hong Kong government.
- (b) Others mainly included:
- An aggregated amount of RMB5,150,000 charitable donations was made by the Group during the year ended December 31, 2020 (2019: RMB6,328,000).
  - The Company is subject to legal proceedings and claims which arise in the ordinary course of its business. The Company has recorded a provision of RMB6,525,000 for labor claims where the risk of incurring such expenses is considered probable. The final resolution of these potential claims is not likely to have a material effect on the results of operations, cash flow or the financial position of the Company.

### 11. INVESTMENT LOSS ARISING FROM CERTAIN INCIDENTAL AND ANCILLARY INVESTMENTS

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000 (restated)
Passive Investment Loss from		
– Debt security investment	(12,932)	—
– Equity security investment	—	(44,838)
– Convertible notes investment	—	(27,371)
– Cash management products	—	1,621
– Others	3,605	(3,930)
	<b>(9,327)</b>	(74,518)

Investment loss arising from certain incidental and ancillary investments represents certain passive investments made from time to time, the primary type of which include investments in the form of preferred shares of other companies, and other passive equity holdings in non-associate companies and derivatives.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 12. INCOME TAX EXPENSE

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Current tax:		
Mainland China	179,257	80,169
Hong Kong	16,838	520
	196,095	80,689
Deferred tax (note 20):		
Current year	(59,942)	(2,352)
Total income tax expense	136,153	78,337

#### 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

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 12. INCOME TAX EXPENSE (CONTINUED)

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Profit before tax	1,160,410	388,592
Income tax expense calculated at 25%	290,103	97,148
Effect of expenses that are not deductible	7,673	7,299
Effect of share of results of associates	23	2,504
Effect of share of results of a joint venture	631	335
Effect of income that are not taxable	(194,695)	(33,625)
Effect of tax losses not recognized	48,211	17,428
Utilization of tax losses previously not recognized	(2,773)	(11,079)
Effect of different tax rates of subsidiaries	(13,020)	(1,673)
Income tax expense	136,153	78,337

### 13. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Directors' remuneration:		
— Fees	1,263	1,344
— Salaries, bonus and other allowances	29,626	19,085
— Retirement benefit scheme contributions	293	315
— Equity-settled share-based payments expenses	18,264	21,621
Other staff costs:		
— Salaries, bonus and other allowances	988,285	652,686
— Retirement benefit scheme contributions	11,345	24,878
— Equity-settled share-based payments expenses	49,702	53,286
Total staff costs	1,098,778	773,215
Depreciation of property and equipment	69,403	65,169
Amortization of intangible assets	11,133	11,182
Losses on disposal of property and equipment	191	131

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 14. OTHER COMPREHENSIVE (EXPENSE) INCOME

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Other comprehensive (expense) income includes:		
<b><i>Item that will not be reclassified to profit or loss:</i></b>		
Exchange differences on translation of financial statements from functional currency to presentation currency	(487,205)	108,122
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>		
Exchange differences arising on translation of financial statements of foreign operation:		
Exchange gain (loss) arising during the year	309,827	(67,744)
	309,827	(67,744)
Debt instruments measured at FVTOCI		
Fair value gains during the year	1,150	575
Reclassification adjustments for gains included in profit or loss	—	(3,639)
Provision (reversal) of impairment losses under expected credit losses model included in profit or loss	60	(59)
Income tax that may be reclassified subsequently	(302)	781
	908	(2,342)
Other comprehensive (expense) income, net of income tax	(176,470)	38,036

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 14. OTHER COMPREHENSIVE (EXPENSE) INCOME (CONTINUED)

#### Income tax effect relating to other comprehensive (expense) income

	Year ended December 31, 2020			Year ended December 31, 2019		
	Before-tax amount	Tax expense	Net-of- income tax amount	Before-tax amount	Tax credit	Net-of- income tax amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b><i>Item that will not be reclassified to profit or loss:</i></b>						
Exchange differences on translation of financial statements from functional currency to presentation currency	(487,205)	—	(487,205)	108,122	—	108,122
<b><i>Items that may be reclassified subsequently to profit or loss:</i></b>						
Exchange differences on translating foreign operations	309,827	—	309,827	(67,744)	—	(67,744)
Fair value gain on: — debt instruments measured at FVTOCI	1,150	(287)	863	(3,064)	766	(2,298)
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss	60	(15)	45	(59)	15	(44)
	<b>(176,168)</b>	<b>(302)</b>	<b>(176,470)</b>	37,255	781	38,036



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 15. 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, 2020:

	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
<b>Executive directors</b>					
Bao Fan (note 1)	—	19,410	142	12,772	32,324
Xie Yi Jing	—	5,943	130	1,554	7,627
Du Yongbo (note 2)	—	1,373	21	2,231	3,625
Wang Lixing (note 3)	—	2,900	—	1,707	4,607
Sub-total	—	29,626	293	18,264	48,183
<b>Non-executive directors</b>					
Shen Neil Nanpeng (note 4)	—	—	—	—	—
Li Eric Xun	—	—	—	—	—
Li Shujun	—	—	—	—	—
Liu Xing (note 5)	—	—	—	—	—
Sub-total	—	—	—	—	—
<b>Independent non-executive directors</b>					
Yao Jue	421	—	—	—	421
Ye Junying	421	—	—	—	421
Zhao Yue	421	—	—	—	421
Sub-total	1,263	—	—	—	1,263
<b>Total</b>	<b>1,263</b>	<b>29,626</b>	<b>293</b>	<b>18,264</b>	<b>49,446</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 15. 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, 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
<b>Executive directors</b>					
Bao Fan (note 1)	—	8,273	143	17,472	25,888
Xie Yi Jing	—	4,281	140	1,503	5,924
Du Yongbo (note 2)	—	6,531	32	2,646	9,209
Sub-total	—	19,085	315	21,621	41,021
<b>Non-executive directors</b>					
Shen Neil Nanpeng (note 4)	—	—	—	—	—
Li Eric Xun	—	—	—	—	—
Li Shujun	—	—	—	—	—
Sub-total	—	—	—	—	—
<b>Independent non-executive directors</b>					
Yao Jue	448	—	—	—	448
Ye Junying	448	—	—	—	448
Zhao Yue	448	—	—	—	448
Sub-total	1,344	—	—	—	1,344
<b>Total</b>	<b>1,344</b>	<b>19,085</b>	<b>315</b>	<b>21,621</b>	<b>42,365</b>

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: Resigned as executive director on August 22, 2020.

Note 3: Appointed as executive director on August 22, 2020.

Note 4: Resigned as non-executive director on June 11, 2020.

Note 5: Appointed as non-executive director on June 11, 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

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

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

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

During the year, certain directors were granted 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 38.

The five highest paid individuals of the Group during the year included two directors (2019: two director), details of whose remuneration are set out as above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither director nor chief executive of the Company are as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Salaries and other benefits	28,947	16,382
Equity-settled share-based payments expenses	322	13,973
Retirement benefit scheme contributions	5,865	158
	<b>35,134</b>	30,513

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	
	2020	2019
HK\$9,500,001 to HK\$11,000,000	—	1
HK\$11,000,001 to HK\$13,000,000	2	2
> HK\$13,000,000	1	—
	<b>3</b>	3

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 38 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, 2020 and 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 16. EARNINGS PER SHARE

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

	Year ended December 31,	
	2020	2019
<b>Earnings for the purpose of calculating basic and diluted earnings per share:</b>		
Profits for the year attributable to owners of the Company (RMB'000)	1,037,752	246,778
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	491,265,881	500,079,515
Effect of dilutive potential ordinary shares:		
Share options of the Group	28,468,740	35,240,787
Restricted share units of the Group	3,585,991	1,411,908
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	523,320,612	536,732,210
<b>Basic earnings per share (RMB)</b>	2.11	0.49
<b>Diluted earnings per share (RMB)</b>	1.98	0.46

For the years ended December 31, 2019 and 2020, 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.

### 17. DIVIDENDS

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Dividends to the shareholders of the Company	79,896	—

For the year ended December 31, 2020, a final dividend of RMB15 cents per share in respect of the year ended December 31, 2019 out of the share premium was declared to owners of the Company. The aggregate amount of the final dividend declared in the year ended December 31, 2020 amounted to RMB79,896,000, and such cash dividend was paid on August 10, 2020.

No dividend was paid or proposed for shareholders of the Company during the year ended December 31, 2019, nor has any dividend been proposed since the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 18. PROPERTY AND EQUIPMENT

	Furniture and fixtures RMB'000	Electronic equipment RMB'000	Leasehold improvements RMB'000	Leased properties RMB'000	Motor Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>							
At January 1, 2019	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	<b>4,392</b>	<b>42,436</b>	<b>65,359</b>	<b>224,012</b>	<b>—</b>	<b>317</b>	<b>336,516</b>
Additions	19	6,272	255	46,419	1,010	200	54,175
Disposal	(37)	(2,043)	—	—	—	—	(2,080)
Transfers from construction in progress	—	—	517	—	—	(517)	—
Exchange adjustments	(207)	(598)	(1,234)	(4,901)	—	—	(6,940)
At December 31, 2020	<b>4,167</b>	<b>46,067</b>	<b>64,897</b>	<b>265,530</b>	<b>1,010</b>	<b>—</b>	<b>381,671</b>
<b>DEPRECIATION</b>							
At January 1, 2019	(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	<b>(2,994)</b>	<b>(32,215)</b>	<b>(39,739)</b>	<b>(117,506)</b>	<b>—</b>	<b>—</b>	<b>(192,454)</b>
Provided for the year	(524)	(5,788)	(12,811)	(50,280)	—	—	(69,403)
Eliminated on disposal	33	1,774	—	—	—	—	1,807
Exchange adjustments	175	489	652	2,722	—	—	4,038
At December 31, 2020	<b>(3,310)</b>	<b>(35,740)</b>	<b>(51,898)</b>	<b>(165,064)</b>	<b>—</b>	<b>—</b>	<b>(256,012)</b>
<b>NET BOOK VALUES</b>							
At December 31, 2019	1,398	10,221	25,620	106,506	—	317	144,062
At December 31, 2020	<b>857</b>	<b>10,327</b>	<b>12,999</b>	<b>100,466</b>	<b>1,010</b>	<b>—</b>	<b>125,659</b>

### The Group as lessee

	Year ended December 31,	
	2020 RMB'000	2019 RMB'000
Expense relating to short-term leases with lease terms	877	6,688
Total cash outflow for leases	<b>56,240</b>	50,746

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 18. 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 (2019: 2 months to 7 years).

The Group entered into short-term leases for offices. As at December 31, 2020 and 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

### 19. INTANGIBLE ASSETS

	Domain name RMB'000	Office software RMB'000	Licenses RMB'000	Construction in progress RMB'000	Total RMB'000
<b>COST</b>					
At January 1, 2019	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	<b>432</b>	<b>60,472</b>	<b>9,516</b>	<b>8,077</b>	<b>78,497</b>
Additions	—	5,672	—	25,403	31,075
Transfers from construction in progress	—	26,797	—	(26,797)	—
Disposal	—	(11)	—	—	(11)
Exchange adjustments	—	(23)	(528)	(3)	(554)
At December 31, 2020	<b>432</b>	<b>92,907</b>	<b>8,988</b>	<b>6,680</b>	<b>109,007</b>
<b>ACCUMULATED AMORTIZATION</b>					
At January 1, 2019	(328)	(15,280)	—	—	(15,608)
Provided for the year	(43)	(11,139)	—	—	(11,182)
At December 31, 2019	<b>(371)</b>	<b>(26,419)</b>	<b>—</b>	<b>—</b>	<b>(26,790)</b>
Provided for the year	<b>(43)</b>	<b>(11,090)</b>	<b>—</b>	<b>—</b>	<b>(11,133)</b>
Disposal	—	11	—	—	11
At December 31, 2020	<b>(414)</b>	<b>(37,498)</b>	<b>—</b>	<b>—</b>	<b>(37,912)</b>
<b>NET BOOK VALUES</b>					
At December 31, 2019	61	34,053	9,516	8,077	51,707
At December 31, 2020	<b>18</b>	<b>55,409</b>	<b>8,988</b>	<b>6,680</b>	<b>71,095</b>

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. During the years ended December 31, 2020 and 2019, there was no impairment of licenses recognized. Reasonably possible changes in key assumptions would not lead to impairment as of December 31, 2020 and 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 20. 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,	
	2020	2019
	RMB'000	RMB'000
Deferred tax assets	233,280	130,574
Deferred tax liabilities	(70,383)	(27,286)
	162,897	103,288

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

	Impairment losses on assets	Changes in fair value of financial instruments	Tax loss	Accrued bonus	Temporary differences relating to right-of-use assets and lease liabilities	Subtotal	Changes in fair value of financial instruments	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2019	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
Credit/(charge) to profit or loss	3,966	—	—	99,183	(412)	102,737	(42,795)	59,942
Credit to other comprehensive income	—	—	—	—	—	—	(302)	(302)
Exchange adjustments	—	—	—	(5)	(26)	(31)	—	(31)
At December 31, 2020	7,020	14,874	88,019	122,188	1,179	233,280	(70,383)	162,897

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 20. DEFERRED TAX ASSETS/LIABILITIES (CONTINUED)

As at December 31, 2020, the Group had unused tax losses amounting to RMB848,747,000 (December 31, 2019: RMB577,812,000), available for offset against future profits. As at December 31, 2020, deferred tax assets have been recognized in respect of tax losses of RMB367,207,000 (December 31, 2019: RMB367,207,000). As at December 31, 2020, no deferred tax asset has been recognized for the remaining tax losses of RMB481,540,000 (December 31, 2019: RMB210,605,000), due to the unpredictability of future profit streams. Unrecognized tax losses of RMB55,956,000 (December 31, 2019: RMB14,202,000) will expire from 2021 to 2025, respectively, and the remaining tax losses will be carried forward indefinitely.

### 21. INVESTMENTS IN ASSOCIATES

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Investments in unlisted companies (a)	63,641	64,501
Investments in funds (b)	1,765,579	596,014
	<b>1,829,220</b>	660,515

#### (a) Investments in unlisted companies

Name of entity	Place of registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			At December 31, 2020	2019	At December 31, 2020	2019	
Shanghai Genus Information Technology Limited ("Genus") (Note 1, Note 3)	Shanghai, PRC	PRC	3.00%	4.98%	3.00%	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%	13.64%	13.64%	13.64%	Technology development
Beijing Huarui Zhixun Technology Limited ("HRZX") (Note 2)	Beijing, PRC	PRC	45.22%	45.22%	45.22%	45.22%	Marketing and business information services



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 21. INVESTMENTS IN ASSOCIATES (CONTINUED)

### (a) Investments in unlisted companies (continued)

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) As at December 31, 2019, the operation and development of HRZX has deteriorated significantly, the carrying amount of the investment in HRZX is tested for impairment in accordance with IAS 36 by comparing its recoverable amount with its carrying amount, and the investment in HRZX was fully impaired as at December 31, 2019. The operation of HRZX was not recovered during the year ended December 31, 2020.
- 3) On September 22, 2020, the Group entered into an agreement to dispose of its equity interest in Genus to a third parties. The transaction has not been completed as December 31, 2020. As of December 31, 2020, the equity interests in Genus is reclassified from investments in associates to assets classified as held for sale amounting to RMB4,762,000 on September 22, 2020 and separately presented in the consolidated statement of financial position. The sale proceeds are expected to exceed the net carrying amount of the investment in Genus, accordingly, no impairment loss has been recognized.

None of above associates is individually material to the Group.

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

	<b>As at December 31</b>	
	<b>2020</b>	<b>2019</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Cost of unlisted investments in associates	<b>106,930</b>	107,997
Share of post-acquisition profit or loss and other comprehensive income	<b>(4,093)</b>	(4,000)
Impairment loss	<b>(39,026)</b>	(39,026)
Exchange adjustments	<b>(170)</b>	(470)
	<b>63,641</b>	64,501

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 HRZX, there were no significant and adverse changes in the operation in these companies during the years ended December 31, 2020 and 2019, 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 HRZX of RMB39,026,000 was recognized during the year ended December 31, 2019, no impairment losses on other investments in associates were recognized during the years ended December 31, 2020 and 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 21. 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,	
	2020	2019
	RMB'000	RMB'000
Cost of investments in funds	682,707	438,508
Fair value change in funds (note)	1,091,132	140,587
Exchange adjustments	(8,260)	16,919
	<b>1,765,579</b>	596,014

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

	Place of incorporation	Ownership interest held As at December 31,	
		2020	2019
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%
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)	Ningbo, PRC	1.73%	1.73%
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	3.45%	3.64%
East Image Limited	BVI	20.50%	20.50%
Starwick Investment Limited	BVI	2.85%	2.85%
Beijing Ruizhi Medical Equity Investment Partnership (Limited Partnership) ("BJRZ") (Note)	Tianjin, PRC	7.76%	N/A

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 21. INVESTMENTS IN ASSOCIATES (CONTINUED)

#### (b) Investments in funds (continued)

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 the above funds.

*Note:* BJRZ was established by the Group in 2019 and was accounted for as a subsidiary. With amendment to the Limited Partnership Agreement of BJRZ on August 1, 2020, the directors of the Company considered the Group has lost the control over this limited partnership as the magnitude and variability associated with the Group's economic interests in this structured entity are less significant to be accounted for as a subsidiary. The fair value of the Group's interest in BJRZ at disposal date was RMB140,707,000, which was the same as the net carrying amount, and no disposal gains or losses were recognized.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 21. INVESTMENTS IN ASSOCIATES (CONTINUED)

#### (b) Investments in funds (continued)

##### *Summarized financial information of material fund investments*

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Funds		
Shanghai Huasheng Lingshi Venture Capital Partnership (Limited Partnership)		
Net asset value	<b>2,029,651</b>	1,423,334
Total comprehensive income (expense) for the year	<b>698,801</b>	(218,266)
HSLF		
Net asset value	<b>16,247,049</b>	9,272,443
Total comprehensive income for the year	<b>7,688,513</b>	1,919,871
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)		
Net asset value	<b>5,844,037</b>	2,935,263
Total comprehensive income (expense) for the year	<b>395,065</b>	(37,654)
Huaxing Capital Partners, L.P.		
Net asset value	<b>622,675</b>	693,696
Total comprehensive expense for the year	<b>(26,146)</b>	(67,468)
Huaxing Capital Partners, II L.P.		
Net asset value	<b>1,799,534</b>	1,593,461
Total comprehensive income for the year	<b>628,123</b>	3,958
Huaxing Capital Partners, III L.P.		
Net asset value	<b>4,930,622</b>	932,559
Total comprehensive income (expense) for the year	<b>2,157,569</b>	(348)
East Image Limited		
Net asset value	<b>2,846,658</b>	779,103
Total comprehensive income for the year	<b>2,143,938</b>	155,770
Starwick Investment Limited		
Net asset value	<b>3,392,888</b>	784,232
Total comprehensive income for the year	<b>2,638,295</b>	158,857
BJRZ		
Net asset value	<b>2,260,441</b>	N/A
Total comprehensive income for the year	<b>979,842</b>	N/A

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 21. INVESTMENTS IN ASSOCIATES (CONTINUED)

#### (b) Investments in funds (continued)

*Aggregate information of fund investments that are not individually material*

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
The Group's share of fair value change in funds	50,691	9,989
Aggregated carrying amount of the Group's investments in funds	119,318	79,052

### 22. INVESTMENT IN A JOINT VENTURE

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

	As at December 31	
	2020	2019
	RMB'000	RMB'000
Cost of unlisted investments in a joint venture	7,000	7,000
Share of post-acquisition profit or loss and other comprehensive income	(3,864)	(1,339)
Exchange adjustments	(12)	(12)
	3,124	5,649

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

Name of entity	Place of registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			At December 31, 2020	2019	At December 31, 2020	2019	
Shanghai Huayou Business Consulting Limited ("Huayou")	Shanghai, PRC	PRC	35%	35%	35%	35%	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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 23. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets mandatorily measured at FVTPL:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Current		
Unlisted cash management products (Note i)	1,434,778	2,613,525
Money market funds (Note ii)	164,951	78,370
Listed financial bonds (Note iii)	1,533,669	409,451
Trust products (Note iv)	156,814	121,006
Listed equity security investments (Note v)	401,959	—
	<b>3,692,171</b>	3,222,352

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Non-current		
Trust products (Note iv)	120,559	27,820
Listed equity security investments (Note v)	—	97,806
Unlisted investment funds at fair value (Note vi)	771,135	414,015
Unlisted debt security investments (Note vii)	319,714	343,268
Unlisted equity security investments (Note viii)	15,627	524,517
Restricted shares arising from investment in Sumscope (Note ix)	5,562	2,093
Call option for obtaining non-controlling interests (Note x)	110,100	97,667
	<b>1,342,697</b>	1,507,186

*Note i:* The Group purchased cash management products with expected rates of return per annum ranging from 2.68% to 3.15% as at December 31, 2020 (December 31, 2019: 1.46% to 3.13%). The fair values are based on cash flow discounted using the expected rate of return based on management judgement.

*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 0.20% to 7.20% as at December 31, 2020 (December 31, 2019: 3.60% 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

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

- Note iv:* The Group invested in trust products with expected return rate ranging from 6.00% to 12.00% per annum as at December 31, 2020 (December 31, 2019: 8.50% to 9.85%). 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 net investment gains 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 Loss 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 Loss 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., (ii) subscribe for a warrant to acquire additional preferred shares in Sumscope Inc., 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 recognized 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, China Renaissance Securities, at the book value of the non-controlling interests exercisable at any time after its establishment. The fair value as at December 31, 2020 amounted to RMB110,100,000 (December 31, 2019: RMB97,667,000). 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 China Renaissance Securities and the estimate of the exercisability of the call option.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 24. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Listed financial bonds	252,696	—

The total cost of the financial bonds as of December 31, 2020 was RMB248,127,000 and the fair value as of December 31, 2020 was RMB252,696,000, 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 RMB60,000 as of December 31, 2020 was recognized in other reserves.

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

### 25. LOANS TO THIRD PARTIES

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Current		
Tianjin Airuijie Enterprise Management Partnership (Limited Partnership) ("ARJ") (note a)	7,453	7,061
Ningbo Free Trade Zone YingWeiLi Management LP ("YWL") (note b)	—	33,089
Winsor Holdings LLC ("WH") (note c)	35,420	—
Beijing Yuanjing Mingde Management Advisory Co., Ltd. ("YJMD") (note d)	31,052	—
GWF Holding Limited ("GWF") (note e)	191,072	—
Tianjin Fangtao Technology Limited ("TJFT") (note f)	205,426	—
Cheers Delight Limited ("Cheers") (note g)	3,763	—
Classic One Ventures Limited ("Classic") (note g)	15,040	—
Extreme Victory Limited ("Extreme") (note g)	145,090	—
Less: Impairment loss allowance	(3,809)	(1,905)
	630,507	38,245



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 25. LOANS TO THIRD PARTIES (CONTINUED)

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Non-current		
WH (note c)	—	34,401
YJMD (note d)	—	31,052
Less: Impairment loss allowance	—	(390)
	—	65,063

*Notes:*

- 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 2020, and the loan will be repaid in August 2021 unless otherwise agreed by the Group and ARJ.
- 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 was fully repaid in 2020.
- 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 RMB25,989,000) as at December 31, 2020 (December 31, 2019: US\$3,983,000, equivalent to approximately RMB27,786,000), 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. The Group renewed the agreement in January 2021, and the loan will be repaid in January 2022.
- 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.
- In April 2020, the Group entered into a loan agreement with GWF, a third party. A loan amounting to US\$36,000,000 (equivalent to approximately RMB234,896,000) as at December 31, 2020, at an interest rate of 6.5% per annum was made to GWF. The loan was secured by a pledge over the shares of a third party company held by GWF. GWF has repaid loan amounting to US\$7,200,000 (equivalent to approximately RMB46,979,000) with interests in 2020 and remaining loan amounting to US\$28,800,000 (equivalent to approximately RMB187,917,000) will be repaid on the first anniversary of the loan origination unless otherwise agreed by the Group and GWF.
- In July 2020, the Group entered into an agreement with TJFT, a third party, to provide a loan of no more than RMB212,000,000 to TJFT at an interest rate of 6% per annum. As of December 31, 2020, a loan amounting to RMB200,000,000 was made to TJFT. The loan was guaranteed by three individuals and was secured by a pledge over the shares of a third party company. The loan will be repaid on the first anniversary of the loan origination unless otherwise agreed by the Group and TJFT.
- In December 2020, the Group entered into agreements with Cheers, Classic and Extreme, third parties (the "borrowers"). Loans amounting to US\$25,118,000 (equivalent to approximately RMB163,893,000) as at December 31, 2020, at an interest rate of 7.5% per annum was made to borrowers. The repayment of these loans was guaranteed by an individual and these loans will be repaid on the first anniversary of the loan origination unless otherwise agreed by the Group and the borrowers.

Details of impairment assessment of loans to third parties for the year ended December 31, 2020 and 2019 are set out in note 45.3.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 26. OTHER FINANCIAL ASSETS

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Current		
Notes receivable (note a)	—	142,709
Less: Impairment loss allowance	—	(14)
	—	142,695
Non-current		
Private equity fund with fixed interest rate (note b)	<b>130,628</b>	139,664
Less: Impairment loss allowance	<b>(12)</b>	(14)
	<b>130,616</b>	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. The notes were fully paid at maturity in October 2020.
- 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, 2020 and 2019 are set out in note 45.3.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 27. ACCOUNTS AND OTHER RECEIVABLES

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Accounts receivables		
— Accounts receivable (Note i)	295,877	139,634
— Open trade receivable (Note ii)	1,795,521	584,285
Financial assets purchased under resale agreements (Note iii)	279,595	—
Advance to suppliers	15,313	23,126
Other receivables		
— Refundable deposits (Note iv)	457,189	95,881
— Staff loans	17,313	22,324
— Value-added tax recoverable	6,908	7,688
Others	13,135	7,896
Subtotal	2,880,851	880,834
Less: Impairment loss allowance	(3,125)	(1,740)
Total	2,877,726	879,094

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,	
	2020	2019
	RMB'000	RMB'000
0–30 days	214,690	114,698
31–60 days	58,346	15,800
61–90 days	13,961	502
91–180 days	6,308	5,873
181–360 days	—	1,561
Over 1 year	200	214
	293,505	138,648

Details of impairment assessment of accounts and other receivables for the year ended December 31, 2020 and 2019 are set out in note 45.3.

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: The balance represents receivables arising from listed bond repurchase transactions in the Stock Exchanges which normally settled within a short period of time.

Note iv: Refundable deposits mainly include deposits for securities borrowing and deposits in Stock Exchange.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### **28. TERM DEPOSITS**

Term deposits represent short-term bank deposits at effective interest rates ranging from 1.76% to 2.60% as at December 31, 2020 (from 1.94% to 2.60% as at December 31, 2019).

### **29. 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 1.43% (December 31, 2019: 0.30% to 1.47%) per annum as at December 31, 2020.

The Group maintains segregated deposit account to hold cash on behalf of brokerage clients arising from its brokerage business, amounting to RMB460,747,000 as at December 31, 2020 (December 31, 2019: RMB685,842,000). The Group has recognized the corresponding amount in payable to brokerage clients (notes 30 and 41).

As of December 31, 2019, 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. Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. As deposits have been pledged to secure short-term bank loans and are therefore classified as current assets. The pledged bank deposits were released in July 2020 after the settlement of all relevant secured bank borrowings as disclosed in note 32.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 30. ACCOUNTS AND OTHER PAYABLES

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Salaries, bonus and other benefit payables	613,759	381,040
Open trade payable (note a)	1,748,736	584,285
Payable to brokerage clients (note a)	410,274	232,933
Financial assets sold under repurchase agreements (note a) (note b)	1,030,215	—
Other payables	42,673	37,298
Consultancy fee payables	14,680	18,735
Carried interests to management team and other parties	245	3,561
Other tax payables	23,204	14,679
Accrued listing expenses and issue costs	228	2,016
Accrued expenses	19,342	12,243
	<b>3,903,356</b>	1,286,790

*Note a:* 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.

*Note b:* Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those securities transferred. These securities are not derecognized from the consolidated financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities.

The proceeds from selling such securities in the Stock Exchanges are presented as financial assets sold under repurchase agreements. Since the Group transfers contractual rights to receive the cash flows of the securities, it does not have the ability to sell or repledge these transferred securities during the term of these arrangements. Financial assets sold under repurchase agreements bear effective interest at 2.98%–4.10% (December 31, 2019: nil) per annum.

The following tables provide a summary of carrying amounts and fair values related to the transferred financial assets that are not derecognized in their entirety and the associated liabilities:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Carrying amount of transferred assets		
— financial assets at FVTPL	1,223,188	—
— financial assets at FVTOCI	252,696	—
Carrying amount of associated liabilities	(1,030,215)	—
Net position	445,669	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 31. CONTRACT LIABILITIES

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Prepaid management fees	35,306	27,656
Advance from related parties (note 41)	13,185	3,617
Advance from customers	5,482	4,088
	<b>53,973</b>	35,361
Less: non-current portion	<b>(15,774)</b>	(13,747)
	<b>38,199</b>	21,614

The following table shows how much of the revenue recognized in the current year relates to carried-forward contract liabilities.

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year	21,614	28,481

### 32. BANK BORROWINGS

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Secured bank borrowing at fixed rate	—	99,478
Unsecured bank borrowing at fixed rate	112,262	30,026
Total	<b>112,262</b>	129,504

Under the credit facilities of RMB300,000,000 from China Merchants Bank for the purpose of daily operation in mainland China, the bank borrowings as of December 31, 2019 amounted to RMB99,356,000 and was repaid during the year ended December 31, 2020. The interest rate is 4.35% per annum. The pledge of US\$ deposits of US\$36,000,000 (equivalent to approximately RMB251,143,000) as of December 31, 2019 for these loans was released in July 2020 after the settlement of above secured bank borrowings.

Under the credit facilities of RMB40,000,000 from Bank of Hangzhou for the purpose of daily operation in mainland China, the bank borrowings as of December 31, 2020 amounted to RMB50,000 (December 31, 2019: RMB30,000,000) and fully repaid in January 2021. The interest rate is 5.22% per annum.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 32. BANK BORROWINGS (CONTINUED)

Under the credit facilities of RMB120,000,000 from SPD Silicon Valley Bank for the purpose of daily operation in mainland China, the bank borrowings as of December 31, 2020 amounted to RMB112,000,000 (December 31, 2019: nil) and was expected to be repaid in June 2021. The interest rate is 5.90% per annum. The bank borrowing was guaranteed by the Company by maximum of RMB144,000,000.

Under the credit facilities of HK\$100,000,000 (equivalent to approximately RMB89,578,000) from China Minsheng Bank for the purpose of Group's operation, the Group utilized bank borrowing and fully repaid during the year ended December 31, 2020, and balance was nil as at December 31, 2020 and 2019. The interest rate was based on London Interbank Offered Rate plus 2% per annum.

### 33. LEASE LIABILITIES

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
<b>Lease liabilities payable:</b>		
Within one year	45,464	53,461
Within a period of more than one year but not more than two years	23,909	40,857
Within a period of more than two years but not more than five years	27,843	16,019
Within a period of more than five years	4,687	—
	<b>101,903</b>	110,337
Less: Amount due for settlement with 12 months shown under current liabilities	(45,464)	(53,461)
Amount due for settlement after 12 months shown under non-current liabilities	<b>56,439</b>	56,876

The weighted average incremental borrowing rates applied to lease liabilities is 3.84% (2019: 3.93%).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 34. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Current Securities borrowing	275,818	—

During the year ended December 31, 2020, the Group entered into an agreement with brokers, third parties, to borrow 7,800,000 shares of a listed company held by funds managed by the Group. The Group sold borrowed shares at average price of HK\$18.04 per share and with total consideration of HK\$140,726,000 (equivalent to approximately RMB118,440,000). The securities borrowing is measured at fair value and subsequent fair value change are recorded in the net investment gains in the consolidated statement of profit or loss and other comprehensive income.

### 35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings	Lease liabilities	Financial liabilities at fair value through profit or loss	Dividend payable	Payables to interest holders of consolidated structured entities	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1, 2020	129,504	110,337	—	—	747,284	987,125
Financing cash flows	(24,444)	(55,363)	125,068	(93,018)	64,964	17,207
Non-cash changes:						
Accrued interest expense	7,525	3,365	—	—	—	10,890
New leases entered	—	45,758	—	—	—	45,758
Dividends declared to shareholders and non-controlling shareholders	—	—	—	93,018	—	93,018
Disposal of subsidiaries	—	—	—	—	(493,414)	(493,414)
Investment gains attributable to interest holders of consolidated structured entities	—	—	—	—	111,427	111,427
Net investment losses	—	—	168,832	—	—	168,832
Effect of exchange rate change	(323)	(2,194)	(18,082)	—	(5,277)	(25,876)
At December 31, 2020	112,262	101,903	275,818	—	424,984	914,967



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 35. RECONCILIATION 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
As at January 1, 2019	—	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 gains attributable to interest holders of consolidated structured entities	—	—	—	—	16,686	16,686
Effect of exchange rate change	26	1,795	—	—	5,643	7,464
At December 31, 2019	129,504	110,337	—	—	747,284	987,125

### 36. SHARE CAPITAL

	Number of shares	Nominal value per share US\$	Share capital US\$	Amount shown in the financial statement RMB
<b>Authorized</b>				
At January 1, 2019, January 1, 2020 and December 31, 2020	2,000,000,000	0.000025	50,000	
<b>Issued</b>				
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 38)	1,394,000	0.000025	35	240
At December 31, 2019	541,379,012		13,535	88,800
Shares repurchased and cancelled (note)	(11,905,756)	0.000025	(298)	(2,052)
Exercise of share options (note 38)	3,480,408	0.000025	87	600
At December 31, 2020	532,953,664		13,324	87,348

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 36. SHARE CAPITAL (CONTINUED)

	As at December 31	
	2020	2019
	RMB\$'000	RMB\$'000
Presented as	87	89

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

#### 2020

Month of repurchases	No. of ordinary shares	Price paid per share		Aggregate consideration paid (including expenses) RMB'000
		Highest RMB Equivalent	Lowest RMB Equivalent	
		January 2020	6,996,300	
April 2020	94,300	11.19	11.00	1,034
May 2020	1,637,200	9.83	9.31	14,981
June 2020	19,600	11.58	9.95	193
October 2020	3,148,356	14.24	14.24	44,846
November 2020	200	13.15	13.12	3
December 2020	800	13.06	12.90	11
	<b>11,896,756</b>			<b>147,865</b>

During the year ended December 31, 2020, 11,896,756 ordinary shares of the Company were repurchased at an aggregate cost of HK\$166,714,000 (equivalent to approximately RMB147,865,000). As of December 31, 2020, out of 11,896,756 ordinary shares repurchased, 11,895,756 ordinary shares were cancelled during the year ended December 31, 2020 while the remaining 1,000 ordinary shares were cancelled in February 2021.

#### 2019

Month of repurchases	No. of ordinary shares	Price paid per share		Aggregate consideration paid (including expenses) RMB'000
		Highest RMB Equivalent	Lowest RMB Equivalent	
		January 2019	138,300	
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
	<b>3,783,800</b>			<b>54,087</b>

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. 104,600 ordinary shares repurchased in 2018 were cancelled in January 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 37. NON-CONTROLLING INTERESTS

	2020 RMB'000	2019 RMB'000
Balance at beginning of the year	1,513,040	1,454,900
Total comprehensive (expense) income for the year	(14,277)	62,278
Capital contribution from non-controlling interests	495	5,514
Capital reduction from non-controlling interests	—	(363)
Disposal of a subsidiary	—	(1,746)
Dividend distribution	(13,122)	(7,543)
Balance at end of the year	1,486,136	1,513,040

### 38. 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 38. SHARE-BASED PAYMENTS (CONTINUED)

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

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.

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 31.12.2020
			Outstanding at 01.01.2020	Granted during 2020	Exercised during 2020	Forfeited during 2020	Cancelled during 2020	Reclassification during 2020		
<b>Employees:</b>										
05.11.2012	1.0	0.25	540,000	–	(4,000)	–	–	–	–	536,000
01.01.2013	1.0	0.25	900,000	–	(300,000)	–	–	–	–	600,000
13.05.2013	1.0	0.25	300,000	–	–	–	–	–	–	300,000
01.01.2014	1.0	0.25	1,895,000	–	(615,000)	–	–	–	–	1,280,000
<b>Executive director:</b>										
Wang LiXing	1.0	0.25	–	–	(38,908)	–	–	560,000	–	521,092
<b>Employees:</b>	1.0	0.25	9,885,000	–	(875,000)	–	–	(560,000)	–	8,450,000
01.01.2015	1.0	0.25	9,885,000	–	(913,908)	–	–	–	–	8,971,092
01.10.2015	1.0	0.25	200,000	–	(87,500)	–	–	–	–	112,500
01.01.2016	1.0	0.25	350,000	–	(62,500)	–	–	–	–	287,500

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 38. 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 31.12.2020
			Outstanding at 01.01.2020	Granted during 2020	Exercised during 2020	Forfeited during 2020	Cancelled during 2020	Reclassification during 2020		
<b>Executive director:</b>										
Wang LiXing	2.5	0.625	–	–	–	–	–	–	1,000,000	1,000,000
	2.5	0.625	–	–	–	–	–	–	1,000,000	1,000,000
<b>Employees:</b>	2.5	0.625	3,390,000	–	(429,500)	(210,000)	–	–	(1,000,000)	1,750,500
01.01.2016	2.5	0.625	3,390,000	–	(429,500)	(210,000)	–	–	–	2,750,500
01.07.2016	2.5	0.625	700,000	–	(130,000)	–	–	–	–	570,000
01.01.2017	2.5	0.625	150,000	–	(50,000)	–	–	–	–	100,000
<b>Executive directors:</b>										
Bao Fan	2.5	0.625	16,000,000	–	(6,000,000)	–	–	–	–	10,000,000
Wang LiXing	2.5	0.625	–	–	–	–	–	–	1,000,000	1,000,000
			16,000,000	–	(6,000,000)	–	–	–	1,000,000	11,000,000
<b>Employees:</b>	2.5	0.625	5,016,000	–	(444,000)	–	–	–	(1,000,000)	3,572,000
01.04.2017	2.5	0.625	21,016,000	–	(6,444,000)	–	–	–	–	14,572,000
<b>Employees:</b>										
01.10.2017	2.5	0.625	320,000	–	–	–	–	–	–	320,000

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 38. 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	Exercise price per share after Share Subdivision	Number of share options							Outstanding at 31.12.2020
			Outstanding at 01.01.2020	Granted during 2020	Exercised during 2020	Forfeited during 2020	Cancelled during 2020	Reclassification during 2020		
<b>Executive directors:</b>										
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
Wang LiXing	3.0	0.75	–	–	–	–	–	–	1,200,000	1,200,000
	3.0	0.75	1,200,000	–	–	–	–	–	800,000	2,000,000
<b>Employees:</b>	3.0	0.75	9,102,000	–	(444,000)	(493,000)	–	–	(800,000)	7,365,000
01.04.2018	3.0	0.75	10,302,000	–	(444,000)	(493,000)	–	–	–	9,365,000
			49,948,000	–	(9,480,408)	(703,000)	–	–	–	39,764,592
Exercisable at the end of the year										23,692,592
Weighted average exercise price			US\$0.55	–	US\$0.55	US\$0.71	–	–	–	US\$0.54

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 38. 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
<b>Employees:</b>								
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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 38. 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
<b>Executive directors:</b>								
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
<b>Employees:</b>								
01.10.2017	2.5	0.625	800,000	—	—	(480,000)	—	320,000
<b>Executive directors:</b>								
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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 38. 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	29.03.2013 and											
	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	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\$2.50	US\$1.00/US\$2.50	US\$1.00	US\$1.00	US\$1.00	US\$1.00	US\$1.00
Expected volatility	39.00%	37.00%	38.00%	38.00%	40.00%	40.00%	40.00%	40.0%	40.00%	40.00%	40.00%	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, 2020 was 6.08 years (2019: 7.11 years).

A share-based compensation expenses of RMB30,058,000 for share options has been recognized in profit or loss for the year ended December 31, 2020 (2019: RMB52,208,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 38. 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.

On April 1, 2020, the Company granted 4,693,616 time-based RSU to employees and will be vested yearly over three years with yearly instalments after April 1, 2020. The Group used share price of HK\$11.86 on April 1, 2020 to determine the fair value on grant date.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 38. SHARE-BASED PAYMENTS (CONTINUED)

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

##### (1) Time-based RSU (continued)

A summary of the time-based RSU activities is as follows:

	Number of time-based RSU				Total
	April 1, 2019	October 1, 2019	October 1, 2019	April 1, 2020	
Outstanding at January 1, 2019	—	—	—	—	—
Granted during the year	4,626,909	500,000	100,000	—	5,226,909
Outstanding at December 31, 2019	<b>4,626,909</b>	<b>500,000</b>	<b>100,000</b>	—	<b>5,226,909</b>
Granted during the year	—	—	—	<b>4,693,616</b>	<b>4,693,616</b>
Vested during the year	<b>(1,156,723)</b>	<b>(125,000)</b>	—	—	<b>(1,281,723)</b>
Forfeited during the year	<b>(389,598)</b>	—	<b>(50,000)</b>	<b>(232,146)</b>	<b>(671,744)</b>
Outstanding at December 31, 2020	<b>3,080,588</b>	<b>375,000</b>	<b>50,000</b>	<b>4,461,470</b>	<b>7,967,058</b>

##### (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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 38. SHARE-BASED PAYMENTS (CONTINUED)

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

##### (2) Performance-based RSU (continued)

	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%

103,640 performance-based RSU forfeited during the year ended December 31, 2020 (2019: nil), no performance-based RSU vested during the year ended December 31, 2020 and 2019, and 1,326,239 shares of performance-based RSU were outstanding as at December 31, 2020 (December 31, 2019: 1,429,879).

Share-based compensation expenses of RMB37,908,000 for restricted shares has been recognized in profit or loss for the year ended December 31, 2020 (2019: RMB22,699,000).

### 39. 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 13.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 40. MAJOR NON-CASH TRANSACTIONS

During the year ended December 31, 2020, the Group entered into new lease agreements for the use of leased properties for 5 to 6 years (2019: 2 to 3 years). On the lease commencement, the Group recognized RMB46,419,000 of leased properties and RMB45,758,000 of lease liabilities (2019: RMB38,240,000 leased properties and RMB34,823,000 lease liabilities).

### 41. 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) Amounts due from related parties

##### *Amounts due from related parties — trade nature*

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Huaxing Capital Partners, L.P.	3,386	3,321
Huaxing Capital Partners II, L.P.	38,373	31,853
CR HB XI Venture Feeder, LP	831	307
Huaxing Growth Capital III, L.P.	649	2,363
Tianjing Huazhe Consulting Partnership (Limited Partnership)	80	—
Shenzhen Huashi Pengyi Investment Partnership (Limited Partnership) ("HSPY")	—	4,012
Less: Impairment loss allowance	(1,293)	(551)
	<b>42,026</b>	<b>41,305</b>

These are funds managed by the Group in which the Group has significant influence. The trade balance represents the fee and carried interest receivable in relation to the fund management service provided by the Group, which is non-interest bearing.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 41. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

#### (a) Amounts due from related parties (continued)

##### *Amounts due from related parties — trade nature (continued)*

The Group generally grants a credit period of 180 days to its related parties. Aging of amounts due from related parties-trade nature, based on trading dates, are as follows:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
0–30 days	3,483	8,858
31–60 days	2,054	2,183
61–90 days	1,988	2,184
91–180 days	5,965	6,572
181–360 days	7,754	21,508
>1 Year	20,782	—
	<b>42,026</b>	41,305

##### *Amounts due from related parties — non-trade nature*

	Notes	As at December 31,	
		2020	2019
		RMB'000	RMB'000
Beijing Huajie Ruizhong Investment Management Center (Limited Partnership)	i	2,723	—
Dazi Chonghua Enterprise Management Co., Ltd.	ii(a)	2,797	5,304
Du Yongbo	iii	—	2,700
East Image Limited	i	—	42
HSPY	i	—	3,800
Other funds managed by the Group	i	126	—
Less: Impairment loss allowance		<b>(278)</b>	(565)
		<b>5,368</b>	11,281

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 41. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (a) Amounts due from related parties (continued)

#### *Advance to related parties*

	Notes	As at December 31,	
		2020 RMB'000	2019 RMB'000
HRZX	iv(a)	—	321
Beijing Pengyang Enterprise Management Co., Ltd. ("PYEM")	v(a)	504	474
		504	795

### (b) Amounts due to related parties

#### *Amounts due to related parties — trade nature*

	Notes	As at December 31,	
		2020 RMB'000	2019 RMB'000
HSLF	vi	19	218,948
FBH Partners Limited ("FBH")	vii(a)	253	307
Bao Fan	vii(a)	313	202
CR Partners Limited	viii	258	—
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
Huaxing Growth Capital III L.P.	ix	49,625	—
HRZX	iv(b)	600	921
		51,068	453,830

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 41. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

#### (b) Amounts due to related parties (continued)

##### *Amounts due to related parties — trade nature (continued)*

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,	
	2020	2019
	RMB'000	RMB'000
0–30 days	50,468	453,300
31–60 days	—	77
61–90 days	—	77
91–180 days	—	223
181–360 days	—	153
>1 Year	600	—
	<b>51,068</b>	453,830

##### *Contract liabilities*

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Shanghai Huasheng Lingshi Venture Investment Partnership (Limited Partnership)	716	264
Ningbo Meishan Bonded Port Area Huahao Investment Management Partnership (Limited Partnership)	710	711
Shanghai Peixi Investment Management Partnership (Limited Partnership)	454	655
Tianjin Huaxing Heli No.1 Medical Equity Investment Partnership (Limited Partnership)	8,685	—
HSLF	2,620	1,604
Shenzhen Huasheng Lingxiang Equity Investment Partnership (Limited Partnership)	—	383
	<b>13,185</b>	3,617

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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 41. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	Notes	Year ended December 31,	
		2020	2019
		RMB'000	RMB'000
Marketing service from:			
HRZX	iv(c)	327	1,544

	Notes	Year ended December 31,	
		2020	2019
		RMB'000	RMB'000
Fund raising commission to:			
PYEM	v(b)	472	496
Dazi Huasheng Venture Investment Partnership (Limited Partnership)	x	551	331

	Notes	Year ended December 31,	
		2020	2019
		RMB'000	RMB'000
Consulting service to:			
Shanghai Huayou Business Consulting Limited	xi	653	469
HRZX	iv(d)	—	662
Beijing RaiseTech Holding limited	xii	—	5,571

		Year ended December 31,	
		2020	2019
		RMB'000	RMB'000
Realized carried interest income from:			
HSPY		21,268	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, 2020 and 2019.

	Notes	Year ended December 31,	
		2020	2019
		RMB'000	RMB'000
Accrued carried interest to:			
FBH	vii(b)	—	8,949
High Fortune Investments Limited	ii(b)	—	1,700

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 41. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Management fees from:		
Huaxing Capital Partners L.P.	2,258	3,261
Huaxing Capital Partners II, L.P.	22,950	23,055
Ningbo Meishan Free Trade Port Huaxing Hongzhi Investment Partnership (Limited Partnership)	81	—
Tianjin Huaxing Heli No. 1 Medical Equity Investment Partnership (Limited Partnership)	1,241	—
Beijing Ruizhi Medical Equity Investment Partnership (Limited Partnership)	26,029	—
East Classic Development Limited	278	—
West Supreme Limited	14	—
Shenzhen Huasheng Lingxiang Equity Investment Partnership (Limited Partnership)	385	771
Shanghai Huasheng Lingshi Venture Investment Partnership (Limited Partnership)	16,816	18,915
HSLF	93,213	100,717
Huajie (Tianjin) Health Investment Partnership (Limited Partnership)	19,091	19,724
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)	102,679	123,563
Ningbo Meishan Bonded Port Area Huaxing Linghong Equity Investment Partnership (Limited Partnership)	17,566	17,566
Green Galaxy LLC	1,000	1,000
Huaxing Yihui LLC	2,516	2,516
Glory Galaxy LLC	138	134
Huaxing Growth Capital III, L.P.	71,019	86,843
Shanghai Peixi Investment Management Partnership (Limited Partnership)	849	849
CR HB XI Venture Feeder, L.P.	574	496
Ningbo Meishan Bonded Port Area Huahao Investment Management Partnership (Limited Partnership)	1,698	1,698
Shanghai Huasheng Lingjin Equity Investment Partnership (Limited Partnership)	358	358
Tianjin Huajie Haihe Health Investment Partnership (Limited Partnership)	2,614	1,795
Huaxing Yichong LLC	296	200
	<b>383,663</b>	403,461

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 41. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (c) Transactions conducted with related parties during the year are listed out below (continued)

These are funds managed by the Group in which the Group has significant influence. Management fees are received or receivable from the funds relating to the management service provided by the Group.

Notes:

- i. Funds managed by the Group in which the Group has significant influence and the balances are unsecured, interest free and repayable on demand.
- ii. Entities controlled by shareholders of the Company,
  - a. The balance represents amount due from the entity in relation to certain investments disposed of by the Group.
  - b. The Group accrued carried interest to the entity during the year ended December 31, 2019.
- iii. Du Yongbo is the executive director of the Company in 2019 and resigned on June 11, 2020, and the balance is unsecured, interest free and repayable on demand.
- iv. HRZX is the Group's associate since February 28, 2019,
  - a. The balance represents advance payment to HRZX in relation to marketing services received by the Group.
  - b. The balance represents amount due to the entity in relation to marketing services received by the Group.
  - c. The Group received marketing services from the entity during the years ended December 31, 2020 and 2019.
  - d. The Group provides consulting services to the entity during the year ended December 31, 2019.
- v. 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 years ended December 31, 2020 and 2019.
  - b. The entity provides fund raising services to the Group during the years ended December 31, 2020 and 2019.
- vi. HSLF is a fund managed by the Group, the balance represents the amount that is received from HSLF in respect of dealing in securities, which is kept in a segregated account.
- 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 accrued carried interest to the controlling shareholders during the year ended December 31, 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 41. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

#### (c) Transactions conducted with related parties during the year are listed out below (continued)

Notes: (continued)

- 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.
- ix. Funds 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.
- x. An entity managed by the Group in which the Group has significant influence, provided fund raising services to the Group during the years ended December 31, 2020 and 2019.
- xi. A joint venture of the Group, and the Group provided consulting services to the entity during the years ended December 31, 2020 and 2019.
- 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.

#### (d) Compensation of key management personnel

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Salaries, bonus and other allowance	75,228	47,921
Retirement benefit scheme contributions	783	799
Equity-settled share-based payments expenses	33,605	42,925
	<b>109,616</b>	91,645

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

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, 2020 and 2019, the Group purchased cash management products at market price from Pengyang. The cash management products held by the Group amounted to nil as of December 31, 2020 (December 31, 2019: RMB425,986,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 42. STRUCTURED ENTITIES

#### 42.1 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, 2020, the aggregate net assets of the consolidated structured entities amounted to RMB802,880,000 (December 31, 2019: RMB577,142,000).

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.

#### 42.2 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 42. STRUCTURED ENTITIES (CONTINUED)

#### 42.2 Unconsolidated structured entities (continued)

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

The following tables set out an analysis of the carrying amounts of interests held by the Group as at December 31, 2020 and 2019 in the structured entities managed by third party institutions.

	As at December 31, 2020			Type of income
	Other financial assets RMB'000	Financial assets at FVTPL RMB'000	Maximum risk exposure (Note) RMB'000	
Cash management products	—	1,434,778	1,434,778	Net investment gains
Investments in funds	—	771,135	771,135	Net investment gains
Trust products	—	277,373	277,373	Net investment gains
Money market funds	—	164,951	164,951	Net investment gains
Private equity fund with fixed interest rate	130,616	—	130,616	Interest income
<b>Total</b>	<b>130,616</b>	<b>2,648,237</b>	<b>2,778,853</b>	

	As at December 31, 2019			Type of income
	Other financial assets RMB'000	Financial assets at FVTPL RMB'000	Maximum risk exposure (Note) RMB'000	
Cash management products	—	2,613,525	2,613,525	Net investment gains
Investments in funds	—	414,015	414,015	Net investment gains
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
<b>Total</b>	<b>139,650</b>	<b>3,254,736</b>	<b>3,394,386</b>	

*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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 42. STRUCTURED ENTITIES (CONTINUED)

### 42.2 Unconsolidated structured entities (continued)

#### (2) Structured entities managed by the Group

The types of unconsolidated structured entities managed by the Group include funds where it acts as the general partner. The purpose of managing these structured entities is to generate fees and carried interest from managing assets on behalf of the funds. Interest held by the Group includes fees and carried interest charged by providing management services to these structured entities and net investment gains from these structured entities.

For the year ended December 31, 2020, the management fee recognized amounting to RMB419,708,000 (2019: RMB433,762,000).

For the year ended December 31, 2020, the carried interest recognized amounting to RMB21,268,000 (2019: RMB42,044,000).

For the year ended December 31, 2020, the net investment gains recognized amounting to RMB973,940,000 (2019: RMB73,820,000).

As at December 31, 2020, the Group's interests in these structured entities amounted to RMB1,765,579,000 (December 31, 2019: RMB596,014,000).

As at December 31, 2020, the amount of assets held by the funds managed by the Group amounted to RMB57,346 million (December 31, 2019: RMB29,560 million).

## 43. DISPOSAL OF SUBSIDIARIES

### (1) Disposal of BJRZ

During the current year, with amendment to the Limited Partnership Agreement of BJRZ on August 1, 2020, the directors of the Company considered the Group had lost the control over this limited partnership as the magnitude and variability associated with the Group's economic interests in this structured entity are less significant to be accounted for as a subsidiary. After the disposal of BJRZ and its subsidiary No. 1 Jiaxing Huajie Equity Investment Partnership (Limited Partnership) ("JXHJ"), the Group accounted for BJRZ as investment in an associate measured at fair value.

	August 1, 2020 RMB'000
<b>Analysis of assets and liabilities over which control was lost:</b>	
Financial assets at FVTPL	542,223
Cash and cash equivalents	47,293
Payables to interest holders of consolidated structured entities	(440,504)
Accounts and other payables	(8,305)
Net assets disposed of	140,707

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 43. DISPOSAL OF SUBSIDIARIES (CONTINUED)

#### (1) Disposal of BJRZ (continued)

	RMB'000
<b>Gain or loss on disposal of</b>	
Remaining interests in BJRZ	140,707
Net assets disposed of	(140,707)
Gain or loss on disposal	—

	RMB'000
<b>Net cash outflow arising on disposal</b>	
Total cash consideration received	—
Bank balance and cash disposed of	(47,293)
	(47,293)

During the year, BJRZ used RMB1,296,000 (2019: RMB7,436,000) in respect of the Group's net operating activities, paid RMB33,333,000 (2019: RMB508,890,000) in respect of investing activities and received RMB22,913,000 (2019: RMB575,335,000) in respect of financing activities.

#### (2) Disposal of CTA Quantitative No. 1 Assets Management Scheme ("CTA")

During the current year, with amendment to the Limited Partnership Agreement of CTA on July 31, 2020, the directors of the Company considered the Group has lost the control over this assets management scheme as the magnitude and variability associated with the Group's economic interests in this structured entity are not significant. After the disposal, the Group accounted for CTA as financial assets at FVTPL.

	July 31, 2020 RMB'000
<b>Analysis of assets and liabilities over which control was lost:</b>	
Financial assets at FVTPL	25,180
Accounts and other receivables	34,836
Cash and cash equivalents	15
Payables to interest holders of consolidated structured entities	(52,910)
Accounts and other payables	(292)
Net assets disposed of	6,829



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 43. DISPOSAL OF SUBSIDIARIES (CONTINUED)

#### (2) Disposal of CTA Quantitative No. 1 Assets Management Scheme (“CTA”) (continued)

	RMB'000
<b>Gain or loss on disposal of</b>	
Remaining interests in CTA	6,829
Net assets disposed of	(6,829)
Gain or loss on disposal	—
	RMB'000
<b>Net cash outflow arising on disposal</b>	
Total cash consideration received	—
Bank balance and cash disposed of	(15)
	(15)

During the year, CTA used RMB50,000 (2019: RMB52,426,000) in respect of the Group's net operating activities and received nil (2019: RMB52,491,000) in respect of financing activities.

### 44. 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,	
	2020	2019
	RMB'000	RMB'000
Committed investments	119,008	178,905

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 45. FINANCIAL RISK MANAGEMENT

#### 45.1 Categories of financial instruments

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
<b>Financial assets</b>		
Financial assets at amortized cost	4,960,404	3,757,571
Financial assets at FVTPL	5,034,868	4,729,538
Financial assets at FVTOCI	252,696	—
<b>Financial liabilities</b>		
Financial liabilities at amortized cost	3,429,478	1,470,844
Financial liabilities at FVTPL	700,802	747,284

#### 45.2 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, amounts due from related parties, accounts and other payables, amounts due to related parties, bank borrowings, lease liabilities, payable to interest holders of consolidated structured entities, 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.

#### 45.3 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 cash and cash equivalents, cash held on behalf of brokerage clients, term deposits, pledge bank deposits, accounts receivables, amounts due from related parties, rental deposit, other receivables, other financial assets, loan 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 23 best represents their respective maximum exposure to credit risk. The Group holds no collateral over any of these balances.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 45.3 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 cash and cash equivalents, cash held on behalf of brokerage clients, term deposits, other receivables, rental deposits, amounts due from related parties of non-trade nature, other financial assets and loans to third 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 45.3 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:

					2020	2019
		External	Internal	12m or	Gross	Gross
	Notes	credit rating	credit rating	lifetime ECL	carrying amount	carrying amount
					RMB'000	RMB'000
<b>Debt instruments at FVTOCI</b>						
Investments in listed bonds	24	A+ (Standard & Poor's Ratings)	N/A	12m ECL	252,696	—
					<b>252,696</b>	<b>—</b>
<b>Financial assets at amortized costs</b>						
Cash and cash equivalents	29	N/A	Performing	12m ECL	646,756	1,022,043
Cash held on behalf of brokerage clients	29	N/A	Performing	12m ECL	460,747	685,842
Term deposits	28	N/A	Performing	12m ECL	168,473	492,564
Pledge bank deposits	29	N/A	Performing	12m ECL	—	254,237
Loans to third parties	25	N/A	Performing	12m ECL	634,316	105,603
Other receivables	27	N/A	Performing	12m ECL	487,637	126,101
Financial assets purchased under resale agreements	27	N/A	Performing	12m ECL	279,595	—
Rental deposits	N/A	N/A	Performing	12m ECL	20,975	16,847
Other financial assets	26	N/A	Performing	12m ECL	130,628	282,373
Amounts due from related parties of non-trade nature	41	N/A	Performing	12m ECL	5,646	11,846
				Lifetime ECL		
Accounts receivables	27	N/A	(Note)	(provision matrix)	2,091,398	723,919
Amounts due from related parties of trade nature	41	N/A	(Note)	(provision matrix)	43,319	41,856

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 45.3 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, 2020

	Accounts receivables and amounts due from related parties of trade nature			
	0-180 days RMB'000	181-360 days RMB'000	Over 360 days RMB'000	Total RMB'000
High risk type customers				
Total gross carrying amount at default	43,449	—	400	43,849
Lifetime ECL	(2,172)	—	(200)	(2,372)
	41,277	—	200	41,477

	Accounts receivables and amounts due from related parties of trade nature			
	0-180 days RMB'000	181-360 days RMB'000	Over 360 days RMB'000	Total RMB'000
Normal risk type customers				
Total gross carrying amount at default	81,918	—	—	81,918
Lifetime ECL	—	—	—	—
	81,918	—	—	81,918

	Accounts receivables and amounts due from related parties of trade nature			
	0-180 days RMB'000	181-360 days RMB'000	Over 360 days RMB'000	Total RMB'000
Low risk type customers				
Total gross carrying amount at default	1,979,121	7,953	21,876	2,008,950
Lifetime ECL	—	(199)	(1,094)	(1,293)
	1,979,121	7,754	20,782	2,007,657

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 45.3 Credit risk and impairment assessment (continued)

*As at December 31, 2019*

	Accounts receivables and amounts due from related parties of trade nature			Total
	0–180 days	181–360 days	Over 360 days	
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			Total
	0–180 days	181–360 days	Over 360 days	
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			Total
	0–180 days	181–360 days	Over 360 days	
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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 45.3 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)	Lifetime ECL (credit impaired)			Lifetime ECL (credit impaired)	Lifetime ECL (credit impaired)			
	RMB'000	RMB'000	12m ECL 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, 2019	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	<b>1,537</b>	<b>—</b>	<b>2,295</b>	<b>—</b>	<b>1,800</b>	<b>—</b>	<b>28</b>	<b>—</b>	<b>5,660</b>
Impairment losses recognized	<b>3,114</b>	<b>1,378</b>	<b>3,107</b>	<b>—</b>	<b>365</b>	<b>11,001</b>	<b>—</b>	<b>60</b>	<b>19,025</b>
Impairment losses reversal	<b>(986)</b>	<b>—</b>	<b>(1,594)</b>	<b>—</b>	<b>(565)</b>	<b>—</b>	<b>(15)</b>	<b>—</b>	<b>(3,160)</b>
Write-offs	<b>—</b>	<b>(1,378)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(11,001)</b>	<b>—</b>	<b>—</b>	<b>(12,379)</b>
Effect of exchange rate change	<b>—</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(1)</b>	<b>—</b>	<b>—</b>
As at December 31, 2020	<b>3,665</b>	<b>—</b>	<b>3,809</b>	<b>—</b>	<b>1,600</b>	<b>—</b>	<b>12</b>	<b>60</b>	<b>9,146</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 45.4 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	More than five years RMB'000	Total undiscounted cash flows RMB'000	Total carrying amount RMB'000
At December 31, 2020						
Accounts and other payables	3.30%	3,266,506	—	—	3,266,506	3,266,148
Amounts due to related parties	—	51,068	—	—	51,068	51,068
Bank borrowings — fixed rates	5.83%	112,642	—	—	112,642	112,262
Lease liabilities	3.84%	46,308	56,590	5,605	108,503	101,903
Payables to interest holders of consolidated structured entities	—	424,984	—	—	424,984	424,984
Financial liabilities at fair value through profit or loss	—	275,818	—	—	275,818	275,818
<b>Total</b>		<b>4,177,326</b>	<b>56,590</b>	<b>5,605</b>	<b>4,239,521</b>	<b>4,232,183</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 45.4 Liquidity risk (continued)

	Weighted average effective interest rate %	On demand or within one year RMB'000	Second to fifth year RMB'000	More than five years 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 — fixed rates	4.55%	131,960	—	—	131,960	129,504
Lease liabilities	3.93%	54,595	61,920	—	116,515	110,337
Payables to interest holders of consolidated structured entities	—	747,284	—	—	747,284	747,284
<b>Total</b>		<b>2,275,179</b>	<b>61,920</b>	<b>—</b>	<b>2,337,099</b>	<b>2,328,465</b>

### 45.5 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 32 and 33. 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 notes 28, 29 and 25. 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 29.

#### 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, 2020 would increase/decrease by RMB2,425,000 (2019: RMB3,833,000).

#### 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, accounts and other payables and amounts due to related parties that are denominated in HK\$ and US\$.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 45.5 Market risk (continued)

##### *Currency risk (continued)*

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	
	31/12/2020	31/12/2019	31/12/2020	31/12/2019
	RMB'000	RMB'000	RMB'000	RMB'000
HK\$	5,996,087	5,385,533	2,784,431	1,878,682
US\$	6,271,033	4,907,118	1,293,736	507,094

##### *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 US\$, and all other variables were held constant, the Group's profit after income tax for the year ended December 31, 2020 would decrease/increase by RMB307,086,000 (2019: RMB296,508,000).

##### *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.

##### *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, 2020 would increase/decrease by approximately RMB88,248,000 (2019: RMB21,961,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 45.5 Market risk (continued)

#### *Other price risk (continued)*

#### *Sensitivity analysis (continued)*

Payables to interest holders of consolidated structured entities 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, 2020 would increase/decrease by approximately RMB30,108,000 (2019: RMB21,643,000).

If the prices of the listed securities borrowing had increased/decreased by 5%, the profit after income tax for the year ended December 31, 2020 would decrease/increase by approximately RMB10,343,000 (2019: n/a).

### 45.6 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,		Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)
	2020 RMB'000	2019 RMB'000			
<b>Financial assets</b>					
Unlisted investment funds at fair value	771,135	414,015	Level 3	Note (1)	Note (1)
Unlisted debt security investment	—	343,268	Level 2	Recent transaction price	N/A
Unlisted debt security investment	319,714	—	Level 3	Note (2)	Note (2)
Call option for obtaining non-controlling interests	110,100	97,667	Level 3	Note (3)	Note (3)
Restricted shares	—	2,093	Level 2	Recent transaction price	N/A
Restricted shares	5,562	—	Level 3	Note (4)	Note (4)
Financial bonds	1,786,365	409,451	Level 1	Open market transaction price	N/A

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 45.6 Fair value measurement (continued)

*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)*

	Fair value as at December 31,		Fair value hierarchy	Valuation technique and key input(s)	Significant unobservable input(s)
	2020 RMB'000	2019 RMB'000			
Money market funds	164,951	78,370	Level 2	Quoted price from a financial institution	N/A
Cash management products	1,434,778	2,613,525	Level 2	Quoted price from a financial institution	N/A
Unlisted equity investments	15,627	524,517	Level 2	Recent transaction price	N/A
Listed equity security investments	401,959	97,806	Level 1	Open market transaction price	N/A
Trust products	277,373	148,826	Level 2	Quoted price from a financial institution	N/A
Associates measured at fair value	1,765,579	596,014	Level 3	Note (5)	Note (5)
<b>Financial liabilities</b>					
Payables to interest holders of structured entities in which the Group is the general partner of the investment funds	238,447	582,105	Level 3	Note (6)	Note (6)
Payables to interest holders of consolidated structured entities which are assets management schemes managed by the Group	186,537	165,179	Level 2	Fair value of the underlying investments with observable prices	N/A
Securities borrowing	275,818	—	Level 1	Open market transaction price	N/A

Certain unlisted debt security investment, restricted shares and certain unlisted equity security investment were transferred from level 2 to level 3 during the year. The fair value of these investments as at December 31, 2020 amount to RMB325,276,000 (2019: RMB345,361,000). Since there is no recent transaction prices available for these investments as at December 31, 2020, the fair value was measured using a valuation technique with significant unobservable inputs and hence was classified as level 3 of the fair value hierarchy.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

### 45.6 Fair value measurement (continued)

#### *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)*

- (1) The Group's investments in unlisted investment funds which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB771,135,000 as at December 31, 2020 (December 31, 2019: RMB414,015,000). 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 RMB38,557,000 as at December 31, 2020 (December 31, 2019: RMB20,701,000).
- (2) The Group's investments in unlisted debt security investment which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB319,714,000 as at December 31, 2020 (December 31, 2019: nil). The fair value was determined by market approach with a combination of observable and unobservable inputs. The significant unobservable input is DLOM and volatility. The higher the volatility, the lower the fair value of the financial assets at FVTPL will be. A 5% increase in the volatility, holding all other variables constant, would decrease the carrying amounts of these investments by RMB6,049,000 as at December 31, 2020 (December 31, 2019: nil). A 5% decrease in the volatility, holding all other variables constant, would increase the carrying amounts of these investments by RMB369,000 as at December 31, 2020 (December 31, 2019: nil).
- (3) The Group's call option to obtain non-controlling interests amounting to RMB110,100,000 as at December 31, 2020 (December 31, 2019: RMB97,667,000) 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 China Renaissance 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 China Renaissance Securities. The fair value of underlying net assets' of China Renaissance 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 RMB12,650,000 as at December 31, 2020 (December 31, 2019: RMB6,976,000).
- (4) The Group's investments in restricted shares which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB5,562,000 as at December 31, 2020 (December 31, 2019: nil). The fair value was determined by market approach with a combination of observable and unobservable inputs. The significant unobservable input is DLOM and volatility. The higher the volatility, the higher the fair value of the financial assets at FVTPL will be. A 5% increase/decrease in the volatility, holding all other variables constant, would increase/decrease the carrying amounts of these investments by RMB30,000 as at December 31, 2020 (December 31, 2019: nil).
- (5) The Group's associates measured at fair value amounting to RMB1,765,579,000 as at December 31, 2020 (December 31, 2019: RMB596,014,000) 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 RMB88,279,000 as at December 31, 2020 (December 31, 2019: RMB29,801,000).
- (6) 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 RMB238,447,000 as at December 31, 2020 (December 31, 2019: RMB582,105,000) 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 RMB11,922,000 as at December 31, 2020 (December 31, 2019: RMB29,105,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 45.6 Fair value measurement (continued)

*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)*

Reconciliation of level 3 fair value measurements

	<b>Unlisted investment funds at fair value RMB'000</b>
At January 1, 2019	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	<b>414,015</b>
Capital contribution	<b>276,706</b>
Disposal	<b>(21,851)</b>
Changes in fair value	<b>117,288</b>
Effect of exchange rate change	<b>(15,023)</b>
Balance at December 31, 2020	<b>771,135</b>
	<b>Unlisted debt securities investment RMB'000</b>
At January 1, 2019 and December 31, 2019	—
Transfer from level 2 to level 3	<b>343,268</b>
Changes in fair value	<b>(16,498)</b>
Effect of exchange rate change	<b>(7,056)</b>
Balance at December 31, 2020	<b>319,714</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 45.6 Fair value measurement (continued)

##### *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)*

Reconciliation of level 3 fair value measurements (continued)

	<b>Call option for obtaining non-controlling interests RMB'000</b>
At January 1, 2019	96,771
Change in fair value	(689)
Effect of exchange rate change	1,585
Balance at December 31, 2019	<b>97,667</b>
Change in fair value	<b>19,801</b>
Effect of exchange rate change	<b>(7,368)</b>
Balance at December 31, 2020	<b>110,100</b>

	<b>Restricted shares RMB'000</b>
At January 1, 2019 and December 31, 2019	—
Transfer from level 2 to level 3	<b>2,093</b>
Changes in fair value	<b>3,605</b>
Effect of exchange rate change	<b>(136)</b>
Balance at December 31, 2020	<b>5,562</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 45.6 Fair value measurement (continued)

*Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)*

Reconciliation of level 3 fair value measurements (continued)

	<b>Associates measured at fair value RMB'000</b>
At January 1, 2019	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	<b>596,014</b>
Capital contribution	129,091
Addition	140,707
Distribution	(25,599)
Changes in fair value	950,545
Effect of exchange rate change	(25,179)
Balance at December 31, 2020	<b>1,765,579</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 45. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 45.6 Fair value measurement (continued)

##### *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)*

Reconciliation of level 3 fair value measurements (continued)

	<b>Payables to interest holders of consolidated structured entities in which the Group is the general partner of the investment funds RMB'000</b>
At January 1, 2019	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	<b>582,105</b>
Capital contribution	<b>52,173</b>
Distribution	<b>(11,689)</b>
Disposal	<b>(440,504)</b>
Changes in fair value	<b>61,753</b>
Effect of exchange rate change	<b>(5,391)</b>
Balance at December 31, 2020	<b>238,447</b>

##### *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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 46. 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.

### 47. 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 and kind of legal entity	Issued/ registered capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
			At December 31, 2020	2019	
<i>Directly held</i>					
China Renaissance Capital Limited	Hong Kong, PRC, limited liability company	HK\$1	100%	100%	Investment holding
China Renaissance Securities (Hong Kong) Limited	Hong Kong, PRC, limited liability company	HK\$1,814,400,000	100%	100%	Provision of financial advisory, equity underwriting, sale, trading brokerage, and research services
China Renaissance Securities (US) Inc.	USA, limited liability company	US\$21,000,000	100%	100%	Provision of financial advisory, equity underwriting, sale, trading brokerage, and research services
CR Investments Corporation	BVI, limited liability company	US\$50,000	100%	100%	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation and kind of legal entity	Issued/ registered capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
			At December 31, 2020	2019	
China Renaissance Wealth and Asset Management Limited	Hong Kong, PRC, limited liability company	HK\$23,500,000	100%	100%	Provision of asset management services
CR HOLDINGS Investments Limited	BVI, limited liability company	US\$1	100%	100%	Investment holding
China Renaissance (Singapore) Pte. Ltd. (a)	Singapore, limited liability company	SGD2,000,000	100%	N/A	Provision of sales and research services
<i>Indirectly held</i>					
Huaxing Capital Management LLC	Cayman Islands, limited liability company	US\$10	60%	60%	Provision of management services for private equity funds
Huaxing Associate GP LLC	Cayman Islands, limited liability company	US\$1	70%	70%	General partner of a subsidiary
Huaxing Associate GP II LLC	Cayman Islands, limited liability company	US\$1	60%	60%	General partner of a subsidiary
CR Investments (HK) Limited	Hong Kong, PRC, limited liability company	HK\$1	100%	100%	Investment holding
Helix Capital Partners	Cayman Islands, limited liability company	US\$50,000	51%	51%	General partner of a private equity fund
Huaxing Associate L.P.(b)	Cayman Islands, limited partnership	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, wholly foreign owned enterprise	US\$2,352,941	100%	100%	Provision of financial advisory services

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation and kind of legal entity	Issued/ registered capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
			At December 31, 2020	2019	
上海慧嘉投資顧問有限公司 (“Shanghai Huijia Investment Consulting Limited”)	Shanghai, PRC, limited liability company	RMB1,000,000	100%	100%	Provision of financial advisory services
達孜鐳石創業投資管理有限公司 (“Dazi Huashi Venture Capital Management Limited”)	Tibet, PRC, limited liability company	RMB1,000,000	100%	100%	General partner of private equity funds
上海全源投資有限公司 (“Shanghai Quanyuan Investment Limited”)	Shanghai, PRC, limited liability company	RMB100,000,000	100%	100%	Investment holding
China Renaissance HB XI Venture GP, LLC	Cayman Islands, limited liability company	US\$1	100%	100%	General partner of a private equity fund
Huaxing Associate II L.P.(b)	Cayman Islands, limited partnership	US\$3,000,000	60%	60%	General partner of a private equity fund
China Renaissance Broking Services (Hong Kong) Limited	Hong Kong, PRC, limited liability company	HK\$1,763,900,000	100%	100%	Provision of trading and brokerage services
達孜鐳峰投資顧問有限公司 (“Dazi Huafeng Investment Consultants Limited”)	Tibet, PRC, limited liability company	RMB10,000,000	100%	100%	General partner of a subsidiary
達孜鐳峰創業投資合夥企業 (有限合夥) (“Dazi Huafeng Venture Capital Partnership (Limited Partnership)”)	Tibet, PRC, limited partnership	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, limited liability company	RMB1,000,000	50%	50%	Provision of management services for a private equity fund

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation and kind of legal entity	Issued/ registered capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
			At December 31, 2020	2019	
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, limited partnership	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, limited liability company	RMB100,000,000	100%	100%	Provision of management services for private equity funds
CR High Growth GP LLC	Cayman Islands, limited liability company	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, limited partnership	RMB193,639,900	25%	25%	General partner of a private equity fund
天津鐳峰資產管理合夥企業（有限合夥）（“Tianjin Huafeng Asset Management Partnership (Limited Partnership)”）	Tianjin, PRC, limited partnership	RMB2,000,000	60%	60%	General partner of a private equity fund
華興證券有限公司（“China Renaissance Securities”）（c）	Shanghai, PRC, foreign invested enterprise	RMB3,024,000,000	48.82%	48.82%	Provision of securities brokerage securities underwriting and sponsorship, securities asset management, securities investment consultancy services
達孜鐳瓏投資顧問有限公司（“Dazi HuaLing Investment Consultants Limited”）	Tibet, PRC, limited liability company	RMB10,000,000	100%	100%	General partner of a subsidiary

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation and kind of legal entity	Issued/ registered capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
			At December 31, 2020	2019	
上海微宏投資有限公司 ("Shanghai Weihong Investment Limited")	Shanghai, PRC, limited liability company	RMB10,000,000	100%	100%	Investment holding
鐳淦(上海)商務諮詢 有限公司("Huagan (Shanghai) Business Consulting Limited")	Shanghai, PRC, wholly foreign owned enterprise	US\$10,000,000	100%	100%	Investment holding
寧波梅山保稅港區榕錦 投資管理有限責任公司 ("Ningbo Meishan Bonded Port Area Rongjin Investment Management Limited")	Ningbo, PRC, limited liability company	RMB1,000,000	51%	51%	General partner of a subsidiary
寧波梅山保稅港區鐳傑 股權投資管理有限公司 ("Ningbo Meishan Bonded Port Area Huajie Investment Management Limited")	Ningbo, PRC, limited liability company	RMB2,500,000	51%	51%	Management services for private equity funds
寧波梅山保稅港區領晟 投資管理有限公司 ("Ningbo Meishan Bonded Port Area Lingsheng Investment Management Limited")	Ningbo, PRC, limited liability company	RMB10,000,000	100%	100%	Investment management
寧波梅山保稅港區鐳清 股權投資管理有限公司 ("Ningbo Meishan Bonded Port Area Huaqing Equity Investment Management Limited")	Ningbo, PRC, limited liability company	RMB30,000,000	100%	100%	General partner of a subsidiary

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation and kind of legal entity	Issued/ registered capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
			At December 31, 2020	2019	
寧波梅山保稅港區華興信守股權投資管理中心(有限合夥) (“Ningbo Meishan Bonded Port Area Huaxing Xinshou Equity Investment Management Center (Limited Partnership)”)	Ningbo, PRC, limited partnership	RMB100,020,000	<b>59.99%</b>	59.99%	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, limited liability company	RMB30,000,000	<b>51%</b>	51%	General partner of subsidiaries
天津華傑企業管理諮詢合夥企業(有限合夥) (“Tianjin Huajie Enterprise Management Consulting Partnership (Limited Partnership)”) (d)	Tianjin, PRC, limited partnership	RMB62,122,448	<b>27.45%</b>	37%	General partner of private equity funds
Grand Eternity Limited	BVI, limited liability company	US\$8,252.15	<b>100%</b>	100%	General partner of private equity funds
天津鐸煌企業管理諮詢合夥企業(有限合夥) (“Tianjin Huahuang Enterprise Management Consulting Partnership (Limited Partnership)”)	Tianjin, PRC, limited partnership	RMB15,000,000	<b>73.32%</b>	73.32%	General partner of private equity funds
天津鐸宇諮詢有限公司 (“Tianjin Huayu Consultants Limited”)	Tianjin, PRC, wholly foreign owned enterprise	RMB1,000,000	<b>100%</b>	100%	Provision of financial advisory services

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation and kind of legal entity	Issued/ registered capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
			At December 31, 2020	2019	
北京華興合利企業管理合夥企業(有限合夥) (“Beijing Huaxing Heli Enterprise Management Partnership (Limited Partnership)”)	Beijing, PRC, limited partnership	RMB30,100,000	60.66%	60.66%	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)”)	Tianjin, PRC, limited partnership	RMB5,000,000	45.60%	45.60%	General partner of a private equity fund
Huaxing Associates GP III, Ltd.	Cayman Islands, limited liability company	US\$0.01	100%	100%	General partner of a private equity fund
Huaxing Associates III L.P. (b)	Cayman Islands, limited partnership	US\$20,000,000	100%	100%	General partner of a private equity fund
Huaxing Growth Capital Management, Ltd	Cayman Islands, limited liability company	US\$0.01	100%	100%	Provision of advisory services for a private equity fund
北京瑞智醫療股權投資合夥企業(有限合夥) (“Beijing Ruizhi Medical Equity Investment Partnership (Limited Partnership)”) (“BJRZ”) (e)	Beijing, PRC, limited partnership	RMB375,608,000	N/A	28.57%	A private equity fund
嘉興華傑一號股權投資合夥企業(有限合夥) (“No. 1 Jiaying Huajie Equity Investment Partnership (Limited Partnership)”) (“JXHJ”) (e)	Zhejiang, PRC, limited partnership	RMB425,160,000	N/A	68.88%	A private equity fund
寧波梅山保稅港區榕嘉投資管理合夥企業(有限合夥) (“Ningbo Meishan Bonded Port Area Rongjia Investment Management Partnership (Limited Partnership)”)	Ningbo, PRC, limited partnership	RMB15,000,000	37.25%	37.25%	General Partner of a private equity fund
天津華興慧創諮詢合夥企業(有限合夥) (“Tianjin Huaxing Huichuang Consulting Partnership (Limited Partnership)”)	Tianjin, PRC, limited partnership	RMB50,000,000	60%	60%	Provision of management, financial advisory and technical services



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

## 47. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ registration/ operation and kind of legal entity	Issued/ registered capital	Proportion of ownership interest/ voting power held by the Company		Principal activities
			At December 31, 2020	2019	
天津華匯企業管理諮詢合夥企業(有限合夥) (“Tianjin Huahui Enterprise Management Consulting Partnership (Limited Partnership)”)	Tianjin, PRC, limited partnership	RMB10,000,000	37.25%	37.25%	General Partner of a private equity fund
CR Wealth Alternative Investment CE GP, LLC (f)	Cayman Islands, limited liability company	US\$1	100%	N/A	General partner of 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.

- China Renaissance (Singapore) Pte. Ltd. is newly established by the Group in July 2020. The Group holds 100% equity interest at December 31, 2020 for provision of sales and research services.
- The amount in issued/registered capital represents the total capital commitment of partners of the limited partnership.
- The Group holds 48.82% equity interest at December 31, 2020 and 2019 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 2020 and 2019.
- 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 37% of equity interest as at December 31, 2019. After the capital dilution in 2020, the Group's equity interest decreased to 27.45% as at December 31, 2020. 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, 2020 and 2019.
- Ruizhi (Tianjin) Medical Equity Investment Partnership (Limited Partnership) is renamed Beijing Ruizhi Medical Equity Investment Partnership (Limited Partnership) in 2020. With amendment to the Limited Partnership Agreement of BJRZ on August 1, 2020, the directors of the Company considered the Group had lost the control over this limited partnership as the magnitude and variability associated with the Group's economic interests in this structured entity are less significant to be accounted for as a subsidiary. After the disposal of BJRZ and its subsidiary JXHJ, the Group accounted for BJRZ as investment in an associate measured at fair value (note 43).
- CR Wealth Alternative Investment CE GP, LLC is newly established by the Group in 2020. The Group holds 100% equity interest at December 31, 2020 as a general partner of a private equity fund.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 48. DETAILS OF NON-WHOLLY-OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Total comprehensive (expense) income allocated to non-controlling interests		Accumulated non-controlling interests	
		December 31, 2020	December 31, 2019	2020	2019	December 31, 2020	December 31, 2019
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
China Renaissance Securities	Shanghai, PRC	51.18%	51.18%	(38,665)	32,870	1,395,352	1,434,017
Individually immaterial subsidiaries with non-controlling interests						90,784	79,023
Total						1,486,136	1,513,040

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.

#### China Renaissance Securities:

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Current assets	4,451,082	2,814,360
Non-current assets	393,774	223,152
Current liabilities	2,082,631	221,158
Non-current liabilities	35,864	14,446
Equity attributable to owners of the Company	1,331,009	1,367,891
Non-controlling interests	1,395,352	1,434,017

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

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

#### China Renaissance Securities: (continued)

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Revenue and other gains	<b>224,628</b>	280,213
Expenses	<b>(300,175)</b>	(215,989)
Total comprehensive (expense) income for the year	<b>(75,547)</b>	64,224
Total comprehensive (expense) income attributable to owners of the Company	<b>(36,882)</b>	31,354
Total comprehensive (expense) income attributable to non-controlling interests	<b>(38,665)</b>	32,870

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Net cash outflow from operating activities	<b>(338,175)</b>	(25,979)
Net cash inflow (outflow) from investing activities	<b>429,732</b>	(451,327)
Net cash (outflow) inflow from financing activities	<b>(28,317)</b>	62,643
Net cash inflow (outflow)	<b>63,240</b>	(414,663)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
<b>NON-CURRENT ASSETS</b>		
Investments in subsidiaries	3,237,462	2,601,802
Investments in associates	49,383	51,289
Financial assets at fair value through profit or loss	10,920	57,742
	<b>3,297,765</b>	2,710,833
<b>CURRENT ASSETS</b>		
Accounts and other receivables	287	726
Financial assets at fair value through profit or loss	226,680	674,942
Term deposits	—	5,853
Pledged bank deposits	—	254,237
Cash and cash equivalents	3,551	336,671
	<b>230,518</b>	1,272,429
<b>TOTAL ASSETS</b>	<b>3,528,283</b>	3,983,262
<b>CURRENT LIABILITIES</b>		
Accounts and other payables	11,390	6,097
	<b>11,390</b>	6,097
<b>NET CURRENT ASSETS</b>	<b>219,128</b>	1,266,332
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>3,516,893</b>	3,977,165
<b>CAPITAL AND RESERVES</b>		
Share capital	87	89
Reserves	3,516,806	3,977,076
	<b>3,516,893</b>	3,977,165

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### 49. 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, 2019	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
Total comprehensive expense for the year	—	<b>(278,306)</b>	<b>(56,638)</b>	<b>(334,944)</b>
Recognition of equity-settled share-based payment expense	—	<b>67,966</b>	—	<b>67,966</b>
Share options exercised	<b>79,294</b>	<b>(44,827)</b>	—	<b>34,467</b>
Restricted share units vested	<b>10,104</b>	<b>(10,104)</b>	—	—
Dividends to shareholders	<b>(79,896)</b>	—	—	<b>(79,896)</b>
Shares repurchased and cancelled	<b>(147,971)</b>	<b>121</b>	—	<b>(147,850)</b>
Shares repurchased but not yet cancelled	—	<b>(13)</b>	—	<b>(13)</b>
Balance at December 31, 2020	<b>6,316,235</b>	<b>54,421</b>	<b>(2,853,850)</b>	<b>3,516,806</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended December 31, 2020

### **50. EVENT AFTER THE REPORTING PERIOD**

On March 25, 2021, the board of directors has resolved to recommend the payment of a final dividend of RMB38 cents per share for the year ended December 31, 2020 out of the Company's share premium account (the "Final Dividend"), being approximately RMB204.8 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 July 9, 2021, 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 July 9, 2021. 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.

### **51. COMPARATIVE FIGURES**

The consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the year ended December 31, 2019, and certain explanatory notes have been restated to conform with the current year's presentation.

# DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Articles of Association”	the articles of association of our Company conditionally adopted on September 7, 2018 with effect from the Listing Date, as amended from time to time
“Audit Committee”	the Audit Committee of the Board
“Auditor”	Deloitte Touche Tohmatsu
“AUM”	assets under management
“BJRZ”	Beijing Ruizhi Medical Equity Investment Partnership (Limited Partnership)
“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”	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, details of which are described in the section headed “Contractual Arrangements” in the Prospectus and “Connected Transactions — Continuing connected transactions — Non-exempt continuing connected transactions — Contractual Arrangements” in this annual report, as amended, restated and/or supplemented from time to time, including the Existing Contractual Arrangements, the 2020 Terminated Contractual Arrangements and the 2020 New Contractual Arrangements

## DEFINITIONS (CONTINUED)

“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
“CR Securities”	China Renaissance Securities (China) Co., Ltd. (華興證券有限公司), a company incorporated in China, with limited liability on August 19, 2016 and an indirect subsidiary of the Company, formerly named as 華菁證券有限公司
“CSRC”	China Securities Regulatory Commission
“COVID-19”	the 2019 Novel Coronavirus
“Dazi Huafeng”	Dazi Huafeng Investment Consultants Co., Ltd. (達孜鐳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. (達孜鐳嶺投資顧問有限公司), a company incorporated with limited liability in China on December 30, 2015, and one of our Consolidated Affiliated Entities
“Dazi Huashi”	Dazi Huashi Entrepreneurship Investment Management Co., Ltd. (達孜鐳石創業投資管理有限公司), a company incorporated with limited liability in China on October 20, 2014, and one of our Consolidated Affiliated Entities
“Director(s)”	the director(s) of our Company
“ESOP”	the employees’ share option plan of the Company as approved by the Board on August 24, 2012, which was amended and restated on March 1, 2013, April 27, 2015, and June 5, 2018



## DEFINITIONS (CONTINUED)

“Existing Contractual Arrangements”	the series of contractual arrangements effective as of December 31, 2019 entered into by, among others, Huagan Shanghai, Mr. Du, Mr. Wang, Dazi Hualing, Dazi Huafeng, Dazi Huashi, Shanghai Quanyuan and its shareholders, details of which are described in pages 43–44 of the Annual Report of the Company for the year ended December 31, 2019, but excluding the 2020 Terminated Contractual Arrangements
“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
“Huagan Shanghai”	Huagan (Shanghai) Business Consultants Co., Ltd. (鐳滄(上海)商務諮詢有限公司), a wholly foreign-owned enterprise incorporated with limited liability in China on May 27, 2017 and an indirectly wholly-owned subsidiary of the Company
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“IRR”	Internal rate of return
“JXHJ”	No.1 Jiaxing Huajie Equity Investment Partnership (Limited Partnership)

## DEFINITIONS (CONTINUED)

“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 first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and 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
“Nomination Committee”	the Nomination Committee of the Board
“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
“Remuneration Committee”	the Remuneration Committee of the Board
“Reporting Period”	the year ended December 31, 2020
“ROE”	return on equity
“RSU Plan”	the China Renaissance Holdings Limited 2018 Restricted Share Unit Plan as approved by Board on June 15, 2018

## DEFINITIONS (CONTINUED)

“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
“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
“YoY”	Year-on-Year
2020 New Contractual Arrangements	the series of contractual arrangements entered into by and among Huagan Shanghai, Ms. Xin Xin, Ms. Zheng Yi and each of Dazi Hualing and Dazi Huafeng, details of which are described in the section headed “New Contractual Arrangements” in the announcement of the Company dated June 15, 2020
“%”	per cent

*Note:* Unless otherwise defined in this Annual Report, capitalised terms used herein bear the same meanings as defined in the Prospectus.



华兴资本

**CHINA RENAISSANCE HOLDINGS LIMITED**

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