

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

2021

INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

Mr. Li Shujun (*Resigned on August 24, 2021*)
Mr. Li Eric Xun
Mr. Liu Xing
Mr. Lin Ning David (*Appointed on August 24, 2021*)

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

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

STOCK CODE

1911

COMPANY WEBSITE

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

SUMMARY OF FINANCIAL INFORMATION

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

SUMMARY OF CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the six months ended	
	June 30,	
	2021	2020
	RMB'000	RMB'000
Total revenue	1,047,963	539,637
Total revenue and net investment gains	2,458,321	1,167,430
Total operating expenses	(1,053,362)	(699,554)
Operating profit	1,404,959	467,876
Profit before tax	1,432,349	473,409
Income tax expenses	(155,722)	(44,438)
Profit for the period	1,276,627	428,971
Profit for the period attributable to owners of the Company	1,228,474	407,357
Annualized return on average equity	38.4%	15.3%

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 Shareholders should not consider it in isolation from, or as substitute for analysis of, or our results of operations as reported under IFRS.

SUMMARY OF FINANCIAL INFORMATION (CONTINUED)

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

	For the six months ended	
	June 30,	
	2021	2020
	RMB'000	RMB'000
Profit for the period attributable to owners of the Company	1,228,474	407,357
Add:		
Share-based payment expenses	30,140	35,516
Change in fair value of call option	7,570	—
Subtotal before adjustments relating to carried interest	1,266,184	442,873
Add:		
Unrealized net carried interest ⁽¹⁾	285,993	184,093
Non-IFRS Measure: Adjusted net profit attributable to owners of the Company (unaudited)⁽²⁾	1,552,177	626,966

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 six months ended	
	June 30,	
	2021	2020
	RMB'000	RMB'000
Unrealized income from carried interest	1,198,249	808,574
Carried interest to management team and other parties	(912,256)	(624,481)
Unrealized net carried interest	285,993	184,093

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.

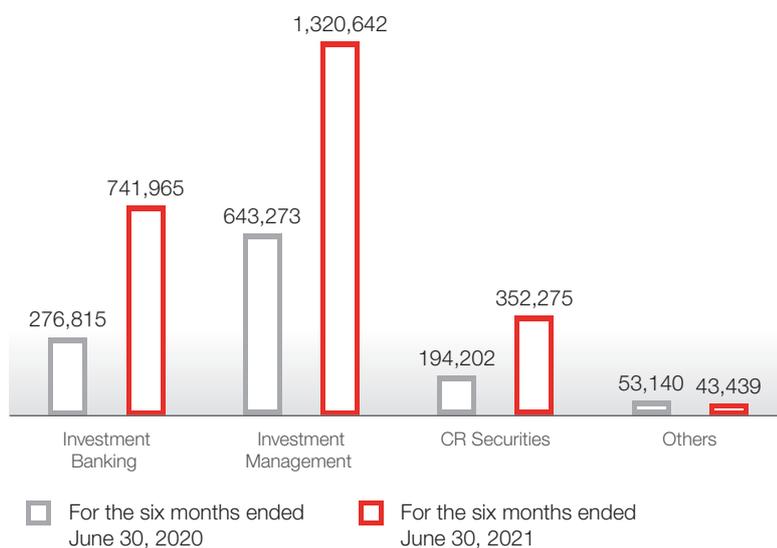
- (2) We define adjusted net profit attributable to owners of the Company as profit or loss for the period attributable to owners of the Company adjusted for the impact of (i) share-based payment expenses, (ii) change in fair value of call option, (iii) unrealized income from carried interest, and (iv)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

SUMMARY OF FINANCIAL INFORMATION (CONTINUED)

SEGMENT PERFORMANCE

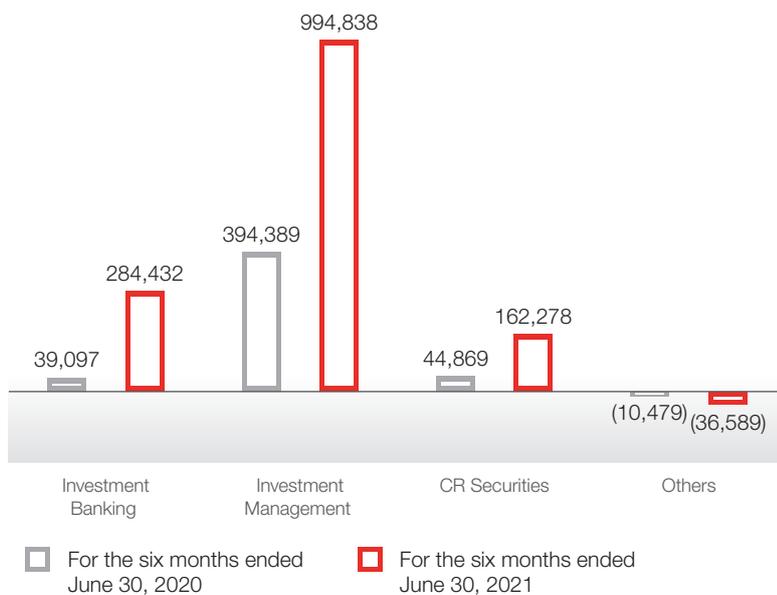
Revenue and Net Investment Gains by Segment

(RMB'000)



Operating Profit (loss) by Segment

(RMB'000)



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Despite the ongoing challenges arising from the COVID-19 pandemic, international relations, and the capital markets, China Renaissance recorded its best first-half performance in 2021. For the first half of 2021, China Renaissance's total revenue and net investment gains was RMB2.5 billion, representing an increase of 110.6% from the corresponding period in 2020. The net profit for the first half of 2021 was RMB1.3 billion, exceeding our full-year net profit in 2020. In the first half of 2021, our annualized ROE was a record high of 38.4%, compared to 18.8% of the full-year ROE in 2020. China Renaissance's strong interim results affirmed our increasing profitability with the considerable investment returns driven by our Investment Management business. Meanwhile, our Investment Banking business has generated strong synergies with our Investment Management business, demonstrating the effectiveness of China Renaissance's twin-engine business model. We strive to search for and partner with the greatest companies of the future. We seek to create values and consequently participate in their value creation. This is our long-term mission.

Our Investment Management segment recorded solid revenue and net investment gains in the first half of 2021, accounting for 54% of total revenue and net investment gains during this period, with a more-than RMB61.7 billion total AUM. The performance of our private equity funds remained strong, with net investment gains reaching RMB1.1 billion in the first half of 2021, exceeding the RMB930 million recorded for the full year in 2020. The strong investment performance of our funds continued to contribute to our overall profit and a more balanced and diversified revenue structure. In the first half of 2021, our funds invested in sectors including healthcare, consumer, technological and industrial upgrading. At the same time, a number of portfolio companies successfully entered the secondary market, which created further exit opportunities for our funds. During this period, nearly 40% of investment gains were realized from our funds. As we accelerate the pace of exit from the secondary market, we expect to generate more investment income and carried interest income in the future. We have also made significant progress in fundraising for Huaxing Growth Capital RMB Fund IV and USD Fund IV, which were launched at the beginning of this year, and expected to achieve first close in the near term.

In the second half of 2020, China's private and secondary markets had gradually displayed signs of recovery as the country worked on containing the spread of COVID-19 pandemic. Particularly, the fundraising scale of the Hong Kong capital market has reached a new record high over the past decade as enhancing fundraising activities of Chinese companies' secondary listings. Over the past years, we have invested significant resources to establish our market-leading position across Mainland China, Hong Kong and the U.S., including obtaining the necessary operating licenses and recruiting top talents, to play the lead roles in a growing number of major IPO projects. In the first half of 2021, our equity underwriting revenue reached RMB320 million, which is a record high as proven by the strong underwriting capacity and continuous growing market share and ranking. In the first half of 2021, China Renaissance was ranked:

- 6th in the "List of Hong Kong IPO Underwriting" and 3rd among Chinese financial institutions;
- 2nd among Chinese financial institutions in the "List of U.S. IPO Underwriting"; and
- 16th in the "List of Hong Kong Stock Sales and Trading Business" and 3rd among Chinese financial institutions.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

At the same time, we have maintained a leading position in the private placement business. Not only have we been able to retain a high market share across the healthcare, enterprise service, consumer sectors, but we also achieved steady progress in the Hard & Core technology sector, which continuously strengthened our leading brand and prominent reputation.

Our Investment Banking businesses have been increasingly integrated with CR Securities, the linchpin of our domestic operations. During the first half of 2021, CR Securities steadily expanded its investment banking business and participated as a sponsor or an underwriter in a number of IPOs currently, which is expected to drive China Renaissance's future revenue growth. In November 2020, CR Securities obtained its principal investment and financial product distribution licenses, which in turn contributed to a 56% year-on-year growth in investment gains from principal investment in the first half of 2021. The continued improvement of investment banking and principal investment enabled CR Securities' turnaround from loss to profit in the first half of 2021.

Wealth management business development stayed on track for the first half of 2021, with an AUM of about RMB7.0 billion as of June 2021. It has continued to gain traction amongst new economy clients, and is 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.

During the first half of 2021, we obtained net investment gains of RMB1.4 billion, driven by the continuously optimizing capital allocation to achieve a higher return on assets. The investment gains contributed to higher profitability, which reflects synergies with our business operations and contributes to business growth. Meanwhile, we have been actively exploring additional financing channels to strengthen our balance sheet, fuel further business growth to improve ROE. In May 2021, China Renaissance successfully entered into a syndicated term loan facility agreement with a total principal amount of US\$300 million. Looking ahead, we plan to allocate more capital to our Investment Management business and facilitate investment banking business with structured financing for key account clients through the more efficient use of capital to achieve higher AUM and ROE.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENT PERFORMANCE

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

	For the six months ended			
	June 30,			
	2021	2020	Change	% of change
	RMB'000	RMB'000	RMB'000	
Business Segment				
Investment Banking	741,965	276,815	465,150	168.0%
Investment Management	1,320,642	643,273	677,369	105.3%
CR Securities	352,275	194,202	158,073	81.4%
Others	43,439	53,140	(9,701)	-18.3%
Total revenue and net investment gains	2,458,321	1,167,430	1,290,891	110.6%

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

	For the six months ended			
	June 30,			
	2021	2020	Change	% of change
	RMB'000	RMB'000	RMB'000	
Business Segment				
Investment Banking	284,432	39,097	245,335	627.5%
Investment Management	994,838	394,389	600,449	152.2%
CR Securities	162,278	44,869	117,409	261.7%
Others	(36,589)	(10,479)	(26,110)	249.2%
Operating profit	1,404,959	467,876	937,083	200.3%

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 periods indicated.

	For the six months ended			
	June 30,			
	2021	2020	Change	% of change
	RMB'000	RMB'000	RMB'000	
Investment Banking				
Advisory services	293,906	192,049	101,857	53.0%
Equity underwriting	321,937	21,294	300,643	1,411.9%
Sales, trading, and brokerage	114,802	55,152	59,650	108.2%
Interest income	1,590	2,618	(1,028)	-39.3%
Segment revenue	732,235	271,113	461,122	170.1%
Net investment gains	9,730	5,702	4,028	70.6%
Segment revenue and net investment gains	741,965	276,815	465,150	168.0%
Compensation and benefit expenses	(375,756)	(165,953)	(209,803)	126.4%
Impairment loss under expected credit loss model, net of reversal	(5,991)	(177)	(5,814)	3,284.7%
Other operating expenses	(75,786)	(71,588)	(4,198)	5.9%
Segment operating expenses	(457,533)	(237,718)	(219,815)	92.5%
Segment operating profit	284,432	39,097	245,335	627.5%
Segment operating margin	38.3%	14.1%		

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 periods indicated.

	For the six months ended			
	June 30,			
	2021	2020	Change	% of change
	RMB in million	RMB in million	RMB in million	
Transaction Value				
Advisory services	32,866	21,891	10,975	50.1%
Equity underwriting	168,246	33,991	134,255	395.0%
Total	201,112	55,882	145,230	259.9%

Segment Revenue and Net Investment Gains

Investment banking revenue and net investment gains was RMB742.0 million for the six months ended June 30, 2021, an increase of 168.0% from RMB276.8 million for the six months ended June 30, 2020. 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 (iii) an increase in sales, trading, and brokerage fees.

Interest income and net investment gains mainly come from 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 structured finance related products increased from RMB8.3 million for the six months ended June 30, 2020 to RMB11.3 million for the six months ended June 30, 2021.

Segment Operating Expenses

For the investment banking segment, segment operating expenses increased by 92.5% from RMB237.7 million for the six months ended June 30, 2020 to RMB457.5 million for the six months ended June 30, 2021, which was primarily attributed to the increase in compensation and benefit expenses from RMB166.0 million for the six months ended June 30, 2020 to RMB375.8 million for the six months ended June 30, 2021.

Segment Operating Profit

For the investment banking segment, segment operating profit increased significantly from RMB39.1 million for the six months ended June 30, 2020 to RMB284.4 million for the six months ended June 30, 2021. Segment operating margin increased from 14.1% for the six months ended June 30, 2020 to 38.3% for the six months ended June 30, 2021.

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 periods indicated.

	For the six months ended			
	June 30,			
	2021	2020	Change	% of change
	RMB'000	RMB'000	RMB'000	
Investment Management				
Management fees	194,860	199,534	(4,674)	-2.3%
Realized income from carried interest	4,124	20,931	(16,807)	-80.3%
Segment revenue	198,984	220,465	(21,481)	-9.7%
Net investment gains	1,121,658	422,808	698,850	165.3%
Segment revenue and net investment gains	1,320,642	643,273	677,369	105.3%
Compensation and benefit expenses	(196,606)	(167,020)	(29,586)	17.7%
Finance costs	(32,564)	—	(32,564)	n.m.
Carried interest to management team and other parties	(2,846)	(13,955)	11,109	-79.6%
Investment gains attributable to interest holders of consolidated structured entities	(45,651)	(24,811)	(20,840)	84.0%
Impairment loss under expected credit loss model, net of reversal	(324)	(116)	(208)	179.3%
Other operating expenses	(47,813)	(42,982)	(4,831)	11.2%
Segment operating expenses	(325,804)	(248,884)	(76,920)	30.9%
Segment operating profit	994,838	394,389	600,449	152.2%
Segment operating margin	75.3%	61.3%		
Unrealized income from carried interest	1,198,249	808,574	389,675	48.2%
Carried interest to management team and other parties	(912,256)	(624,481)	(287,775)	46.1%
Unrealized net carried interest	285,993	184,093	101,900	55.4%
Adjusted segment operating profit	1,280,831	578,482	702,349	121.4%

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 period indicated.

	Investments in our own funds RMB'000	Investments in third-party funds RMB'000
Balance at December 31, 2020	1,596,747	771,135
Invested Capital	257,221	220,162
Distribution	(133,359)	(16,572)
Change in value	571,047	550,611
Effect of exchange rate change	(9,231)	(5,497)
Balance at June 30, 2021	2,282,425	1,519,839

As of June 30, 2021, IRR of investments in our own private equity funds and investments in third-party private equity funds was 46.8% and 36.8%, respectively.

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

	As of June 30, 2021 RMB in million	As of December 31, 2020 RMB in million
Committed Capital	28,078	27,547
Invested Capital	24,007	21,946
Fair Value of Investments	66,844	57,416
Fee-earning AUM	21,513	21,874
AUM	61,745	57,443

The management fees for each of our main funds are calculated on a percentage ranging from 1.5% to 2.0% of capital commitments during investment period or cost of undisposed investments 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 ⁽¹⁾ Invested capital	Fair Value	Unrealized Investments Invested capital	Fair Value	Gross Multiple of Invested Capital ⁽²⁾
As of June 30, 2021						
Main Funds ⁽³⁾	21,090	2,406	7,992	15,073	39,333	2.7
Project Funds	6,988	707	2,849	5,821	16,670	3.0
Total	28,078	3,113	10,841	20,894	56,003	2.8
As of December 31, 2020						
Main Funds ⁽³⁾	21,145	1,782	4,285	14,113	35,036	2.5
Project Funds	6,402	497	1,013	5,554	17,082	3.0
Total	27,547	2,279	5,298	19,667	52,118	2.6

- (1) An investment is considered fully or partially realized when it has been disposed of or has otherwise generated disposition proceeds or current income.
- (2) The gross multiples of invested capital measure the aggregate value generated by private equity fund's investments in absolute terms. Each gross multiple of invested capital is calculated by dividing the sum of total realized and unrealized values of a private equity fund's investments by the total amount of capital invested by the private equity fund. Such total amount of capital invested by the private equity fund does not give effect to the allocation of realized and unrealized carried interest or the payment of any applicable management fees or operating expenses.
- (3) As of June 30, 2021 and December 31, 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 2.3% from RMB199.5 million for the six months ended June 30, 2020 to RMB194.9 million for the six months ended June 30, 2021. This decrease was primarily due to the slower inflow of new capital commitment in the first half of 2021 as compared to the corresponding period in 2020. 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 RMB422.8 million for the six months ended June 30, 2020 to RMB1,121.7 million for the six months ended June 30, 2021 resulting from the appreciation in value of the portfolio companies investments in our own private equity funds and third-party private equity funds. The committed capital and AUM of our private equity funds were RMB28.1 billion and RMB61.7 billion as of June 30, 2021, representing an increase of 1.9% and 7.5% from RMB27.5 billion and RMB57.4 billion as of the end of 2020, respectively.

During the six months ended June 30, 2021, the total return of a main 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 80.3% from RMB20.9 million for the six months ended June 30, 2020 to RMB4.1 million for the six months ended June 30, 2021.

Segment Operating Expenses

For the investment management segment, segment operating expenses increased by 30.9% from RMB248.9 million for the six months ended June 30, 2020 to RMB325.8 million for the six months ended June 30, 2021. This increase was primarily due to the (i) increase in finance cost related to new bank facilities, (ii) increase in our compensation and benefit expenses, and (iii) investment gains attributable to interest holders of consolidated structured entities.

Segment Operating Profit

For the investment management segment, segment operating profit increased by 152.2% from RMB394.4 million for the six months ended June 30, 2020 to RMB994.8 million for the six months ended June 30, 2021. Segment operating margin improved from 61.3% for the six months ended June 30, 2020 to 75.3% for the six months ended June 30, 2021.

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 55.4% from RMB184.1 million for the six months ended June 30, 2020 to RMB286.0 million for the six months ended June 30, 2021. Unrealized income from carried interest increased by 48.2% from RMB808.6 million for the six months ended June 30, 2020 to RMB1,198.2 million for the six months ended June 30, 2021 resulting from the appreciation in value of the portfolio companies under our investment management business. Carried interest to management team and third parties increased by 46.1% from RMB624.5 million for the six months ended June 30, 2020 to RMB912.3 million for the six months ended June 30, 2021, in line with the increase of unrealized income from carried interest.

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 profit for the periods indicated.

	For the six months ended			
	June 30,			
	2021	2020	Change	% of change
	RMB'000	RMB'000	RMB'000	
CR Securities				
Transaction and advisory fees	64,260	10,090	54,170	536.9%
Interest income	15,148	9,034	6,114	67.7%
Segment revenue	79,408	19,124	60,284	315.2%
Segment revenue and net investment gains	352,275	194,202	158,073	81.4%
Compensation and benefit expenses	(137,031)	(102,976)	(34,055)	33.1%
Investment gains attributable to interest holders of consolidated structured entities	(6,884)	(16,953)	10,069	-59.4%
Impairment loss under expected credit loss model, net of reversal	(133)	—	(133)	n.m.
Finance cost	(14,825)	(454)	(14,371)	3,165.4%
Other operating expenses	(31,124)	(28,950)	(2,174)	7.5%
Segment operating expenses	(189,997)	(149,333)	(40,664)	27.2%
Segment operating profit	162,278	44,869	117,409	261.7%

Segment Revenue and Net Investment Gains

For the CR Securities segment, segment revenue and net investment gains were RMB352.3 million for the six months ended June 30, 2021, an increase of 81.4% from RMB194.2 million for the six months ended June 30, 2020. This increase was primarily due to (i) an increase in appreciation of investment in two listed equities in the STAR market of Shanghai Stock Exchange, and (ii) an increase in transaction and advisory fees.

Segment Operating Expenses

For the CR Securities segment, segment operating expenses increased by 27.2% from RMB149.3 million for the six months ended June 30, 2020 to RMB190.0 million for the six months ended June 30, 2021. This increase was primarily due to the increase in compensation and benefit expense and finance cost, partially offset by a decrease in investment gains attributable to interest holders of consolidated structured entities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENT PERFORMANCE (CONTINUED)

CR Securities (Continued)

Segment Operating Profit

For the CR Securities segment, segment operating profit increased by 261.7% from RMB44.9 million for the six months ended June 30, 2020 to RMB162.3 million for the six months ended June 30, 2021.

Others

The others segment mainly comprises 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 and segment operating loss for the periods indicated.

	For the six months ended			
	June 30,			
	2021	2020	Change	% of change
	RMB'000	RMB'000	RMB'000	
Others				
Segment revenue	37,336	28,935	8,401	29.0%
Segment revenue and net investment gains	43,439	53,140	(9,701)	-18.3%
Compensation and benefit expenses	(35,163)	(46,476)	11,313	-24.3%
Impairment loss under expected credit loss model, net of reversal	(8,318)	94	(8,412)	n.m.
Finance cost	(18,779)	(5,057)	(13,722)	271.3%
Other operating expenses	(17,768)	(12,180)	(5,588)	45.9%
Segment operating expenses	(80,028)	(63,619)	(16,409)	25.8%
Segment operating loss	(36,589)	(10,479)	(26,110)	249.2%

Segment Revenue and Net Investment Gains

For the others segment, total revenue and net investment gains were RMB43.4 million for the six months ended June 30, 2021, decreased by 18.3% from RMB53.1 million for the six months ended June 30, 2020. This decrease was primarily due to decrease in investment gains generated from cash management products, resulting from allocating more of the Group's capital in investing in our private equity funds, and partially offset by an increase in wealth management business.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENT PERFORMANCE (CONTINUED)

Others (Continued)

Segment Operating Expenses

For the others segment, segment operating expenses increased by 25.8% from RMB63.6 million for the six months ended June 30, 2020 to RMB80.0 million for the six months ended June 30, 2021. This increase was primarily due to an increase in finance cost related to new bank facilities.

Segment Operating Loss

For the others segment, total segment operating loss was RMB36.6 million and RMB10.5 million for the six months ended June 30, 2021 and 2020, 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 periods indicated.

	For the six months ended			
	2021	2020	Change	% of change
	RMB'000	RMB'000	RMB'000	
Transaction and advisory fees	794,905	278,585	516,320	185.3%
Management fees	207,801	204,707	3,094	1.5%
Interest income	41,133	35,414	5,719	16.1%
Realized income from carried interest	4,124	20,931	(16,807)	-80.3%
Total revenue	1,047,963	539,637	508,326	94.2%
Net investment gains	1,410,358	627,793	782,565	124.7%
Total revenue and net investment gains	2,458,321	1,167,430	1,290,891	110.6%

Total revenue was RMB1,048.0 million for the six months ended June 30, 2021, an increase of 94.2% from RMB539.6 million for the six months ended June 30, 2020.

- Transaction and advisory fees were RMB794.9 million, an increase of 185.3% from the prior period.
- Management fees were RMB207.8 million, an increase of 1.5% from the prior period.
- Interest income was RMB41.1 million, an increase of 16.1% from the prior period.
- Realized income from carried interest was RMB4.1 million, a decrease of 80.3% from the prior period.

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, investments in 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 RMB627.8 million for the six months ended June 30, 2020 to RMB1,410.4 million for the six months ended June 30, 2021.

Total revenue and net investment gains were RMB2,458.3 million for the six months ended June 30, 2021, an increase of 110.6% from RMB1,167.4 million for the six months ended June 30, 2020.

Operating Expenses

Total operating expenses increased by 50.6% from RMB699.6 million for the six months ended June 30, 2020 to RMB1,053.4 million for the six months ended June 30, 2021.

Compensation and benefit expenses increased by 54.3% from RMB482.4 million for the six months ended June 30, 2020 to RMB744.6 million for the six months ended June 30, 2021. Among compensation and benefit expenses, share-based compensation decreased by 15.1% from RMB35.5 million for the six months ended June 30, 2020 to RMB30.1 million for the six months ended June 30, 2021.

Finance costs increased from RMB5.5 million for the six months ended June 30, 2020 to RMB66.2 million for the six months ended June 30, 2021. This increase was primarily due to the (i) increase in interest expense of new bank borrowings drawn in the first half year of 2021, and (ii) finance cost related to new bank facilities.

Provision of impairment losses under expected credit loss model increased from RMB0.2 million for the six months ended June 30, 2020 to RMB14.8 million for the six months ended June 30, 2021.

Other operating expenses increased by 10.8% from RMB155.7 million for the six months ended June 30, 2020 to RMB172.5 million for the six months ended June 30, 2021.

Operating Profit

Operating profit was RMB1,405.0 million for the six months ended June 30, 2021, an increase of 200.3% from RMB467.9 million for the six months ended June 30, 2020.

Other Income, Gains or Losses

Other gains were RMB15.0 million for the six months ended June 30, 2021, increased by 85.3% from RMB8.1 million for the six months ended June 30, 2020. Other gains or loss mainly came from government grants, impairment loss on investment in a joint venture, gain on disposal of associates and net exchange gain (loss). Please refer to the Note 5 to the condensed consolidated financial statements for further details.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Investment Income arising from Certain Incidental and Ancillary Investments

Incidental to, and ancillary of, our business operations, we have made investments from time to time, the primary types of which include 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 income increased from nil for the six months ended June 30, 2020 to RMB24.2 million for the six months ended June 30, 2021, as a result of the appreciation in value of strategic minority equity investments.

Share of Results of Associates

Share of loss of associates increased from RMB1.5 million for the six months ended June 30, 2020 to RMB2.2 million for the six months ended June 30, 2021.

Share of Results of Joint Ventures

Share of loss of joint ventures increased from RMB1.1 million for the six months ended June 30, 2020 to RMB2.0 million for the six months ended June 30, 2021.

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 loss of RMB7.6 million for the six months ended June 30, 2021 was recorded under the change in fair value of call option.

Profit before Tax

Profit before tax was RMB1,432.3 million for the six months ended June 30, 2021, increased by 202.6% from RMB473.4 million for the six months ended June 30, 2020.

Income Tax Expense

Income tax expense was RMB155.7 million and RMB44.4 million for the six months ended June 30, 2021 and 2020, respectively. The increase was primarily due to more taxable income generated for the six months ended June 30, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Profit for the Period and Profit for the Period Attributable to Owners of the Company

Profit for the period was RMB1,276.6 million and RMB429.0 million for the six months ended June 30, 2021 and 2020, respectively. Profit attributable to owners of the Company was RMB1,228.5 million and RMB407.4 million for the six months ended June 30, 2021 and 2020, respectively.

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 RMB442.9 million for the six months ended June 30, 2020 to RMB1,266.2 million for the six months ended June 30, 2021. Unrealized net carried interest, calculated as unrealized income from carried interest subtracting carried interest to management team and other parties, increased from RMB184.1 million for the six months ended June 30, 2020 to RMB286.0 million for the six months ended June 30, 2021. Adjusted net profit attributable to owners of the Company with unrealized net carried interest increased from RMB627.0 million for the six months ended June 30, 2020 to RMB1,552.2 million for the six months ended June 30, 2021.

CASH FLOWS

During the six months ended June 30, 2021, 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 and other cash management investments. As of June 30, 2021, we had aggregate cash and cash equivalents of RMB1,236.2 million. Excluding CR Securities, we had cash and cash equivalents of RMB1,149.2 million. Excluding CR Securities, we had cash and cash equivalents, term deposits, pledged bank deposits (current portion), financial assets at fair value through profit or loss (current portion) and other financial assets (current portion) of RMB2,056.7 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 investments in cash management products and contribution in the working capital. Cash flow from operating activities reflects: (i) profit or loss before income tax adjusted for non-cash and non-operating items, such as depreciation of property and equipment, amortization of intangible assets, net investment gains, interest income, finance costs, investment income arising from certain incidental and ancillary investments, gain on disposal of an associate, impairment losses under expected credit loss model, net of reversal, investment gains or losses attributable to other holders of consolidated structured entities, fair value change of call option, impairment loss on investment in a joint venture, 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, cash held on behalf of brokerage clients, amounts due from related parties, amounts due to related parties, accounts and other payables and contract liabilities; (iii) increase or decrease 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 six months ended June 30, 2021, we had net cash generated from operating activities of RMB1,397.6 million, resulting from our profit before income tax of RMB1,432.3 million adjusted for non-cash and non-operating items of RMB1,250.6 million, income tax payment of RMB86.1 million, interest earned of RMB4.2 million and positive movements in working capital of RMB1,297.8 million. Positive movements in working capital primarily reflected: (i) a decrease of RMB1,232.8 million in accounts and other receivables in connection with our business operations, (ii) an increase of RMB1,192.4 million in accounts and other payables, (iii) an increase of RMB134.3 million in contract liabilities, and offset by (iv) an increase of RMB2.5 million in amounts due from related parties, (v) a decrease of RMB42.2 million in amounts due to related parties, (vi) an increase of RMB777.5 million in cash held on behalf of brokerage clients, and (vii) an increase of RMB439.5 million in financial assets at fair value through profit or loss.

For the six months ended June 30, 2020, we had net cash generated from operating activities of RMB142.1 million, resulting from our profit before income tax of RMB473.4 million adjusted for non-cash and non-operating items of RMB536.6 million, income tax payment of RMB58.2 million, interest earned of RMB17.0 million and positive movements in working capital of RMB246.6 million. Positive movements in working capital primarily reflected: (i) a decrease of RMB510.5 million in cash held on behalf of brokerage clients, (ii) a decrease of RMB393.6 million in financial assets at fair value through profit or loss, (iii) an increase of RMB449.9 million in accounts and other payables, and (iv) an increase of RMB136.3 million in contract liabilities, and offset by (v) an increase of RMB841.9 million in accounts and other receivables in connection with our business operations, and (vi) a decrease of RMB396.8 million in amounts due to related parties, and (vii) an increase of RMB5.0 million in amounts due from related parties.

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 assets at fair value through other comprehensive income, term deposits, investments in associates, investment in a joint venture, loan receivables and other financial assets. Cash inflows from investing activities primarily consist of proceeds from disposal of financial assets at fair value through profit or loss, investment returns received from associates, interest received, proceeds from disposal of other financial assets, maturity of term deposits, and repayment of loan receivables.

For the six months ended June 30, 2021, net cash used in investing activities was RMB607.1 million, primarily due to (i) loans to third parties of RMB54.9 million, (ii) acquisition of investments in associates and a joint venture of RMB101.5 million; (iii) net cash outflows for the purchase of financial assets at fair value through profit or loss of RMB472.1 million, (iv) net cash outflows for the purchase of financial assets at fair value through other comprehensive income of RMB552.9 million, (v) purchase of intangible assets of RMB1.1 million, (vi) advance to related parties of RMB7.3 million and (vii) purchase of property and equipment of RMB17.3 million, and offset by (viii) net proceeds of RMB82.0 million from the maturity of term deposits, (ix) proceeds of RMB79.3 million from disposal of other financial assets, (x) repayment of loan from third parties of RMB237.5 million, (xi) proceeds of RMB39.7 million from disposal of financial assets at fair value through profit or loss, (xii) investment returns of RMB137.2 million received from associates, (xiii) proceeds of RMB8 million from disposal of associates, and (xiv) interest received of RMB17.8 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CASH FLOWS (CONTINUED)

Cash Flows from Investing Activities (Continued)

For the six months ended June 30, 2020, net cash generated from investing activities was RMB34.6 million, primarily due to (i) net proceeds of RMB271.6 million from the maturity of term deposits, (ii) proceeds of RMB78.9 million from disposal of other financial assets, (iii) repayment of loan from third parties of RMB53.0 million, (iv) proceeds of RMB4.1 million from disposal of financial assets at fair value through profit or loss, (v) repayment of RMB3.8 million from related parties, (vi) investment returns of RMB18.4 million received from associates, (vii) interest received of RMB10.7 million, and offset by (viii) loans to third parties of RMB274.9 million, (ix) acquisition of investments in associates of RMB94.6 million; (x) net cash outflows for the purchase of financial assets at fair value through profit or loss of RMB13.8 million, (xi) purchase of intangible assets of RMB12.1 million, (xii) advance to related parties of RMB7.6 million and (xiii) purchase of property and equipment of RMB2.9 million.

Cash Flows from Financing Activities

Financing activities primarily consist of bank borrowings, issuance of ordinary shares for share options exercised, proceeds from financial liabilities at fair value through profit or loss, cash injection by third-party holders of consolidated structured entities, capital contribution from non-controlling shareholders, repayment of bank borrowings, repurchase of shares, distribution of dividends to Shareholders and non-controlling shareholders, cash repayment to third-party holders of consolidated structured entities, repayment of financial liabilities at fair value through profit or loss, repayment of lease liabilities and interest paid on the banking borrowings.

For the six months ended June 30, 2021, net cash used in financing activities was RMB136.5 million, primarily due to (i) repayment of bank borrowings of RMB357.9 million, (ii) cash repayment to third-party holders of consolidated structured entities of RMB186.5 million, (iii) repayments of financial liability at fair value through profit or loss of RMB314.4 million, (iv) repayments of leases liabilities of RMB27.9 million, (v) distribution of RMB12.5 million to non-controlling shareholders and (vi) interest paid for the bank borrowing of RMB51.8 million, and offset by (vii) proceeds of RMB745.9 million from bank borrowings, (viii) proceeds of RMB38.6 million from issuance of ordinary shares for share options exercised, (ix) cash injection by third-party holders of consolidated structured entities of RMB18.4 million; and (x) capital contribution from non-controlling shareholders of RMB11.6 million.

For the six months ended June 30, 2020, net cash generated from financing activities was RMB47.9 million, primarily due to (i) proceeds of RMB202.3 million from bank borrowings, (ii) proceeds of RMB5.7 million from issuance of ordinary shares for share options exercised, (iii) cash injection by third-party holders of consolidated structured entities of RMB43.1 million; (iv) capital contribution from non-controlling shareholders of RMB0.5 million, (v) net proceeds of RMB127.6 million from financial liabilities at fair value through profit or loss, and offset by (vi) repayment of bank borrowings of RMB147.3 million, (vii) payment on repurchase of shares of RMB108.8 million, (viii) cash repayment to third-party holders of consolidated structured entities of RMB39.9 million, (ix) repayments of leases liabilities of RMB27.4 million, (x) distribution of RMB4.7 million to non-controlling shareholders, and (xi) interest paid for the bank borrowing of RMB3.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of June 30, 2021, 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 six months ended June 30, 2021. The Group is aware of the need to use capital for further business expansion, continuously seeking various means of financing. As of June 30, 2021, the Group had RMB499.6 million of outstanding bank borrowings and held credit facilities from authorized institutions in aggregate principal amount of RMB3,304.3 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 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 31.4% as of June 30, 2021, compared with 24.8% as of December 31, 2020. The increase was mainly due to outstanding bank borrowings as of June 30, 2021 and an increase of financial assets sold under repurchase agreements as of June 30, 2021.

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 June 30, 2021 RMB'000	As of December 31, 2020 RMB'000
Investments in our own private equity funds in our capacity as a general partner and limited partner	2,282,425	1,596,747
Investments in third-party private equity funds in our capacity as a limited partner	1,519,839	771,135
Strategic minority equity investments		
– Investments in the form of preferred shares of other companies	374,294	123,577
– Passive equity holdings in non-associate companies	622,263	400,785
Total	4,798,821	2,892,244

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SIGNIFICANT INVESTMENTS HELD (CONTINUED)

As of June 30, 2021, the Group had investments of our primary investment activities amounting to an aggregate of approximately RMB4,798.8 million measured in fair value, which increased by 65.9% as compared to December 31, 2020. Each investment was individually less than 5% of the total assets of the Group as of June 30, 2021, except the following significant investment which accounted for 6.4% of the Group's total assets as of June 30, 2021:

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 June 30, 2021 RMB'000	Accumulated unrealized gain/(loss) change in fair value RMB'000	Realised/unrealised gain (including dividend and interest received/receivable) during the six months ended June 30, 2021 RMB'000
East Image Limited	20.5%	5,125,000	132,432	964,216	831,784	406,083

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.

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 and in this Interim Report, the Group did not have other plans for material investments and capital assets as at June 30, 2021.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have material acquisitions and disposals of subsidiaries and affiliated companies for the six months ended June 30, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2021, we had 654 full-time employees, including over 83% advisory and investment professionals.

The following table sets forth the number of our employees by function as of June 30, 2021.

Function	Number of Employees	Percentage
Investment Banking	241	37%
Investment Management	76	11%
CR Securities	206	31%
Others	23	4%
Group Middle and Back Office	108	17%
Total	654	100%

The following table sets forth the number of our employees by geographic region as of June 30, 2021.

Geographic Region	Number of Employees	Percentage
Beijing, China	307	47%
Shanghai, China	196	30%
Other cities in China	25	4%
Hong Kong, China	106	16%
United States	18	3%
Singapore	2	—
Total	654	100%

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees performance-based cash bonuses and other incentives in addition to base salaries. As of June 30, 2021, 111 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 six months ended June 30, 2021 were RMB744.6 million, representing an increase of 54.3% as compared to the six months ended June 30, 2020.

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 RMB. When considered appropriate, we enter into hedging activities with regard to exchange rate risk. As of June 30, 2021, we did not hedge or consider it necessary to use financial instruments for hedging purposes.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

PLEDGE OF ASSETS

As of June 30, 2021, the Company pledged one US\$ bank deposit of US\$0.6 million (equivalent to approximately RMB3.9 million) to secure the long term credit facilities.

CONTINGENT LIABILITIES

As of June 30, 2021, we did not have any material contingent liabilities.

INTERIM DIVIDENDS

The Board does not recommend the distribution of an interim dividend for the six months ended June 30, 2021.

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 in 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.

During the six months ended June 30, 2021, a final dividend of RMB38 cents per share in respect of the year ended December 31, 2020 was declared to owners of the Company. The aggregate amount of the final dividend declared in the six months ended June 30, 2021 amounted to RMB209.3 million, and such cash dividend was paid on July 22, 2021.

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

	For the six months ended	
	June 30,	
	2021	2020
	RMB'000	RMB'000
Dividends to the Shareholders	209,281	79,896

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CONTINUING DISCLOSURE PURSUANT TO RULES 13.18 AND 13.21 OF THE LISTING RULES

On May 26, 2021, the Company, as borrower, entered into a facility agreement (the “**Facility Agreement**”) for a syndicated term loan in the total principal amount of up to US\$300.0 million (the “**Facilities**”) at an interest rate of LIBOR plus 2% per annum. The Facilities have a final repayment date falling 36 months from the first drawdown date. The purpose of the Facilities is mainly for the Group’s general corporate purpose and financing or refinancing.

As provided in the Facility Agreement, it is one of the events allowing the majority lenders to cancel their commitments and require immediate mandatory prepayment of all the outstanding loans under the Facilities if Mr. Bao Fan, the Chief Executive Officer, Chairman of the Board and our controlling shareholder, ceases to (i) remain as the single largest shareholder (directly or indirectly) of the Company; or (ii) remain as the Chairman of the Board. For further details, please refer to the announcement of the Company dated May 26, 2021.

Save as disclosed above, the Company does not have other disclosure obligations under Rules 13.18 and 13.21 of the Listing Rules.

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 June 30, 2021, the interests and short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

(i) Interest in Shares and underlying Shares

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding ⁽¹⁾
Mr. Bao ⁽²⁾	Interest in a controlled corporation	230,764,721	41.90%
	Settlor of a trust who can influence how the trustee exercises the voting power of its shares	31,817,231	5.78%
	Beneficial owner	5,052,600	0.92%
	Beneficiary of a trust (other than a discretionary interest)	1,861,296	0.34%
	Other	2,657,312	0.48%
Mr. Xie Yi Jing ⁽³⁾	Beneficial owner	400,000	0.07%
	Beneficiary of a trust (other than a discretionary interest)	419,545	0.08%
Mr. Wang Lixing ⁽⁴⁾	Beneficial owner	3,321,092	0.60%
	Beneficiary of a trust (other than a discretionary interest)	1,535,756	0.28%
Mr. Liu Xing	Beneficial owner	506,504	0.09%
	Interest of spouse	4,851	0.0009%
Mr. Li Shujun ⁽⁵⁾	Interest in a controlled corporation	35,652,172	6.47%

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 550,739,376 Shares in issue as at June 30, 2021.
2. FBH Partners owns 81.65% equity interest in CR Partners, and 53.82% equity interest in CRP Holdings Limited, respectively. 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 218,477,332 Shares held by CR Partners, and the 47,389 Shares held by CRP Holdings Limited, respectively. In addition, Mr. Bao owns 100% equity interest in Best Fellowship Limited, Under the SFO, Mr. Bao is deemed to be interested in the 12,240,000 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 31,817,231 Shares held through Sky Allies Development Limited for the trust, under the SFO, Mr. Bao is also deemed to be interested in the 31,817,231 Shares held by Sky Allies Development Limited. Separately, Mr. Bao directly holds 892,600 Shares and is entitled to receive 4,160,000 Shares pursuant to the exercise of his options granted under the ESOP. Accordingly, Mr. Bao is the beneficial owner of an aggregate of 5,052,600 Shares. Additionally, pursuant to the RSU Plan of the Company, Mr. Bao is a beneficiary of 1,861,296 Shares under the RSU Plan. Separately, Mr. Bao is entitled to use the voting rights in respect of 2,657,312 Shares held by Go Perfect Development Limited in accordance 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 Yi Jing is a beneficiary of 419,545 Shares under the RSU Plan.
4. Mr. Wang Lixing is entitled to receive 3,321,092 Shares pursuant to the exercise of his options granted under the ESOP and 1,025,756 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 Director	Name of member of the Group	Capacity/ Nature of interest	Amount of registered capital (RMB)	Approximate percentage of holding
Mr. Bao	Tianjin Huahuang	Interests held as a limited partner	1,000,000	6.67%
	Huaxing Associates, L.P.	Interests held as a limited partner through controlled corporation ⁽¹⁾	Not applicable	Not applicable
	Huaxing Associates II, L.P.	Interests held as a limited partner through controlled corporation ⁽¹⁾	Not applicable	Not applicable
	Huaxing Associates III, L.P.	Interests held as a limited partner through controlled corporation ⁽¹⁾	Not applicable ⁽²⁾	Not applicable ⁽²⁾

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 June 30, 2021, 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 June 30, 2021, 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:

Name of Shareholder	Capacity/ Nature of interest	Number of ordinary shares	Approximate percentage of holding ⁽¹⁾
CR Partners ⁽²⁾	Beneficial owner	218,477,332	39.67%
FBH Partners ⁽²⁾	Interest in a controlled corporation	218,524,721	39.68%
Mr. Bao ⁽²⁾	Interest in a controlled corporation	230,764,721	41.90%
	Settlor of a trust who can influence how the trustee exercises the voting power of its shares	31,817,231	5.78%
	Beneficial owner	5,052,600	0.92%
	Beneficiary of a trust (other than a discretionary interest)	1,861,296	0.34%
	Other	2,657,312	0.48%
Renaissance Greenhouse HK Limited ⁽³⁾	Beneficial owner	38,000,484	6.90%
CW Renaissance Holdings Limited ⁽³⁾	Interest in a controlled corporation	38,000,484	6.90%
Chengwei Capital HK Limited ⁽³⁾	Interest in a controlled corporation	38,000,484	6.90%
Chengwei Evergreen Capital, LP ⁽³⁾	Interest in a controlled corporation	38,000,484	6.90%
Chengwei Evergreen Management, LLC ⁽³⁾	Interest in a controlled corporation	38,000,484	6.90%
Mr. Li Shujun ⁽⁴⁾	Interest in a controlled corporation	35,652,172	6.47%
Sky Allies Development Limited ⁽⁵⁾	Nominee for another person (other than a trustee)	31,817,231	5.78%
Infiniti Trust (Hong Kong) Limited ⁽⁵⁾	Trustee	31,817,231	5.78%

OTHER INFORMATION (CONTINUED)

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

Notes:

1. The calculation is based on the total number of 550,739,376 Shares in issue as at June 30, 2021.
2. FBH Partners owns 81.65% equity interest in CR Partners, and 53.82% equity interest in CRP Holdings Limited, respectively. 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 218,477,332 Shares held by CR Partners, and the 47,389 Shares held by CRP Holdings Limited, respectively. In addition, Mr. Bao owns 100% equity interest in Best Fellowship Limited. Under the SFO, Mr. Bao is deemed to be interested in the 12,240,000 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 31,817,231 Shares held through Sky Allies Development Limited for the trust, under the SFO, Mr. Bao is also deemed to be interested in the 31,817,231 Shares held by Sky Allies Development Limited. Separately, Mr. Bao directly holds 892,600 Shares and is entitled to receive 4,160,000 Shares pursuant to the exercise of his options granted under the ESOP. Accordingly, Mr. Bao is the beneficial owner of an aggregate of 5,052,600 Shares. Additionally, pursuant to the RSU Plan, Mr. Bao is a beneficiary of 1,861,296 Shares under the RSU Plan. Separately, Mr. Bao is entitled to exercise the voting rights in respect of 2,657,312 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 38,000,484 Shares held by Renaissance Greenhouse HK Limited.
4. 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.
5. 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 June 30, 2021, 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 June 30, 2021, (a) our Directors were holding unexercised options under the ESOP to subscribe for a total of 7,881,092 Shares, representing approximately 1.43% 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 18,893,688 Shares, representing approximately 3.43% 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, 2020	Exercised during the six months ended June 30, 2021	Cancelled/Lapsed during the six months ended June 30, 2021	Outstanding as at June 30, 2021
Director								
Mr. Bao	April 1, 2017	5 years from the date of grant	10 years from the date of grant	US\$0.625	10,000,000	6,000,000	—	4,000,000
	April 1, 2018	5 years from the date of grant	10 years from the date of grant	US\$0.75	400,000	240,000	—	160,000
Mr. 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
Mr. Wang Lixing	January 1, 2015	5 years from the date of grant	10 years from the date of grant	US\$0.25	521,092	171,092	—	350,000
	January 1, 2016	5 years from the date of grant	10 years from the date of grant	US\$0.625	1,000,000	228,908	—	771,092
	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
Other grantees								
In aggregate	Between November 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	25,243,500	5,146,812	1,203,000	18,893,688
Total					39,764,592	11,786,812	1,203,000	26,774,780

OTHER INFORMATION (CONTINUED)

SHARE OPTION SCHEMES (CONTINUED)

1. Employee's Share Option Plan (Continued)

Details of the movements during the six months ended June 30, 2021 of the options granted under the ESOP are as follows:

Date of grant	As at December 31, 2020	Number of share options			As at June 30, 2021	Exercise price US\$	Exercise period
		Granted during the six months ended June 30, 2021	Exercised during the six months ended June 30, 2021	Lapsed during the six months ended June 30, 2021			
November 5, 2012	536,000	—	50,000	—	486,000	0.25	2021
January 1, 2013	600,000	—	300,000	—	300,000	0.375	2021
January 1, 2014	1,280,000	—	459,000	—	821,000	0.25	2021
January 1, 2015	8,971,092	—	3,034,092	—	5,937,000	0.25	2021
October 1, 2015	112,500	—	50,000	—	62,500	0.25	2021
January 1, 2016	2,750,500	—	883,408	400,000	1,467,092	0.625	2021
January 1, 2016	287,500	—	87,500	—	200,000	0.25	2021
July 1, 2016	570,000	—	100,000	—	470,000	0.625	2021
January 1, 2017	100,000	—	50,000	—	50,000	0.625	2021
April 1, 2017	14,572,000	—	6,183,000	102,000	8,287,000	0.625	2021
April 1, 2018	9,365,000	—	589,812	701,000	8,074,188	0.75	2021

2. RSU Plan

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

The purpose of the RSU Plan is to enable the officers, employees or directors of, and consultants to, the Group to share in the success of the Company, in order to assure a closer identification of the interests of such persons with those of the Group and stimulate the efforts of such persons on the Company Group's behalf.

For the six months ended June 30, 2021, the Company granted an aggregate of 4,335,147 RSUs to 85 grantees in total, among whom 12 grantees are connected persons of the Company, in accordance with the terms of the RSU Plan.

Further details of the ESOP and the RSU Plan are set out in note 21 to the condensed consolidated financial statements for the six months ended June 30, 2021.

OTHER INFORMATION (CONTINUED)

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

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

Save for code provision A.2.1 of the CG Code, the Company has complied with all the applicable code provisions set out in the CG Code throughout the six months ended June 30, 2021.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code throughout the six months ended June 30, 2021.

OTHER INFORMATION (CONTINUED)

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

During the six months ended June 30, 2021, the Company repurchased 100 Shares on the Stock Exchange for an aggregate consideration of approximately HK\$1.6 thousand including expenses. The repurchased Shares were subsequently cancelled on February 8, 2021. 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 are as follows:

Month of repurchase	No. of Shares repurchased	Highest price paid per Share HK\$	Lowest price paid per Share HK\$	Aggregate consideration (HK\$'000)
January 2021	100	15.70	15.70	1.6
Total	100			1.6

Save as disclosed above, neither the Company nor any member of the Group purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2021.

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 of the Company were approximately HK\$2,517.6 million after deducting underwriting commissions and other expenses paid and payable by the Company in the initial public offering. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus.

As at June 30, 2021, approximately HK\$2,168.3 million of the net proceeds had been utilized. The following table sets forth the status of the use of proceeds from the Company's initial public offering as of June 30, 2021.

OTHER INFORMATION (CONTINUED)

USE OF NET PROCEEDS FROM LISTING (CONTINUED)

	% of use of proceeds	Net proceeds from the initial public offering HK\$ million	Actual usage up to December 31, 2020 HK\$ million	Actual usage for the six months ended June 30, 2021 HK\$ million	Unutilized amount as at June 30, 2021 HK\$ million	Expected timeline of full utilisation of the balance
Expand our investment banking business	40%	1,007.0	701.1	99.2	206.7	2021
Expand our investment management business	20%	503.5	503.5	—	—	—
Develop private wealth management business	20%	503.5	503.5	—	—	—
Invest in technology across all our business lines	10%	251.8	95.0	14.2	142.6	2022
General corporate purposes	10%	251.8	251.8	—	—	—
Total		2,517.6	2,054.9	113.4	349.3	

CHANGE IN DIRECTOR'S INFORMATION

Since March 2021, Mr. Bao Fan ceased to act as an independent director of KE Holdings Inc. (NYSE Ticker: BEKE).

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this Interim Report, the Company did not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules during the six months ended June 30, 2021.

OTHER INFORMATION (CONTINUED)

CARRIED INTEREST DISTRIBUTION DURING THE REPORTING PERIOD

As disclosed in the section headed “Connected Transactions — Waiver Applications — 1. Carried Interest Distribution Framework Agreement” of the Prospectus, the Company will disclose in its subsequent interim and annual reports: (i) the amount of carried interest received by each of the Connected Investment Team Members (on a named basis) during the relevant reporting period; and (ii) the amount of carried interest that the Group receives from each of the Relevant Investment Funds (save for project funds which will be disclosed on an aggregated basis) during the relevant reporting period.

During the six months ended June 30, 2021, (i) the Group did not make any distribution of carried interest to the Connected Investment Team Members; and (ii) carried interest in the total amount of RMB4,124,220 was received by the general partner of Huaxing Growth Capital USD Fund I.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established an Audit Committee 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, risk management and internal controls system of the Group, review and approve connected transactions and provide advice and comments to 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.

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended June 30, 2021. 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 and the external auditor of the Company, Deloitte Touche Tohmatsu.

The condensed consolidated financial statements of the Group for the six months ended June 30, 2021 has been reviewed by the Company’s external auditor in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity, issued by the International Auditing and Assurance Standards Board.

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.

OTHER INFORMATION (CONTINUED)

SUBSEQUENT EVENTS AFTER THE REPORTING DATE

On July 30, 2021, the Company cancelled a total number of 1,950,600 Shares which it had repurchased on the open market of the Stock Exchange from July 8, 2021 to July 15, 2021, pursuant to the general mandate to repurchase Shares approved by the Shareholders at the annual general meeting of the Company held on June 30, 2021, from its issued share capital.

On July 22, 2021, a final dividend of RMB38 cents (HK\$0.45585) per Share for the year ended December 31, 2020 (the “**Final Dividend**”) had been paid up by the Company out of the share premium account in Hong Kong dollars to Shareholders whose names appeared on the register of members of the Company as at the close of business on Friday, July 9, 2021. For details of the payment date and exchange rate for the Final Dividend payment, please refer to the Company’s announcement dated July 9, 2021.

On August 23, 2021, the Company announced the resignation of Mr. Li Shujun as a non-executive Director, and the appointment of Mr. Lin Ning David as a non-executive Director, with effect from August 24, 2021. For details of the change of non-executive Directors, please refer to the Company’s announcement dated August 23, 2021.

Save as disclosed above, no other important events affecting the Company have occurred since June 30, 2021 and up to the date of this Interim Report.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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To the Board of Directors of China Renaissance Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Renaissance Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 43 to 91, which comprise the condensed consolidated statement of financial position as of June 30, 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the International Auditing and Assurance Standards Board. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

August 23, 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2021

	Notes	Six months ended June 30,	
		2021	2020
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Revenue	3		
Transaction and advisory fees		794,905	278,585
Management fees		207,801	204,707
Interest income		41,133	35,414
Income from carried interest		4,124	20,931
Total revenue		1,047,963	539,637
Net investment gains	4	1,410,358	627,793
Total revenue and net investment gains		2,458,321	1,167,430
Compensation and benefit expenses		(744,556)	(482,425)
Carried interest to management team and other parties		(2,846)	(13,955)
Investment gains attributable to interest holders of consolidated structured entities		(52,535)	(41,764)
Impairment loss under expected credit loss model, net of reversal	17	(14,766)	(199)
Finance costs		(66,168)	(5,511)
Other operating expenses		(172,491)	(155,700)
Total operating expenses		(1,053,362)	(699,554)
Operating profit		1,404,959	467,876
Other income, gains or losses	5	14,998	8,095
Investment income arising from certain incidental and ancillary investments	6	24,204	—
Share of results of associates		(2,203)	(1,501)
Share of results of joint ventures		(2,039)	(1,061)
Change in fair value of call option	14	(7,570)	—
Profit before tax		1,432,349	473,409
Income tax expense	7	(155,722)	(44,438)
Profit for the period	8	1,276,627	428,971

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

For the six months ended June 30, 2021

	Notes	Six months ended June 30,	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Other comprehensive (expense) income			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		(223,029)	119,720
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		124,579	(78,154)
Fair value gain on debt instruments measured at fair value through other comprehensive income		2,883	—
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss		99	—
Other comprehensive (expense) income for the period, net of tax		(95,468)	41,566
Total comprehensive income for the period		1,181,159	470,537
Profit for the period attributable to:			
— Owners of the Company		1,228,474	407,357
— Non-controlling interests		48,153	21,614
		1,276,627	428,971
Total comprehensive income for the period attributable to:			
— Owners of the Company		1,133,544	448,238
— Non-controlling interests		47,615	22,299
		1,181,159	470,537
EARNINGS PER SHARE			
Basic	10	RMB2.49	RMB0.83
Diluted	10	RMB2.32	RMB0.78

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

	Notes	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
Non-current assets			
Property and equipment	11	135,679	125,659
Intangible assets	12	65,902	71,095
Deferred tax assets		190,988	233,280
Investments in associates	13	2,338,813	1,829,220
Investments in joint ventures		47,961	3,124
Financial assets at fair value through profit or loss	14	2,312,698	1,342,697
Financial assets at fair value through other comprehensive income	15	816,483	252,696
Pledged bank deposits		3,876	—
Rental deposits		18,650	20,406
Other financial assets		51,624	130,616
		5,982,674	4,008,793
Current assets			
Accounts and other receivables	16	1,645,291	2,877,726
Loans to third parties		439,295	630,507
Amounts due from related parties	22	56,325	47,394
Financial assets at fair value through profit or loss	14	4,439,933	3,692,171
Term deposits		84,830	168,473
Cash held on behalf of brokerage clients		1,232,041	460,747
Cash and cash equivalents		1,236,190	646,756
		9,133,905	8,523,774
Assets classified as held for sale		—	4,762
		9,133,905	8,528,536
TOTAL ASSETS		15,116,579	12,537,329
Current liabilities			
Accounts and other payables	18	5,318,787	3,903,356
Payables to interest holders of consolidated structured entities		308,970	424,984
Amounts due to related parties	22	8,859	51,068
Contract liabilities		173,834	38,199
Bank borrowings	19	176,641	112,262
Lease liabilities		43,064	45,464
Income tax payables		133,163	161,604
Financial liabilities at fair value through profit or loss		—	275,818
		6,163,318	5,012,755
Net current assets		2,970,587	3,515,781
TOTAL ASSETS LESS CURRENT LIABILITIES		8,953,261	7,524,574

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2021

	Notes	June 30, 2021 RMB'000 (unaudited)	December 31, 2020 RMB'000 (audited)
Non-current liabilities			
Lease liabilities		66,323	56,439
Bank borrowings	19	323,587	—
Contract liabilities		14,451	15,774
Deferred tax liabilities		127,149	70,383
		531,510	142,596
NET ASSETS		8,421,751	7,381,978
Capital and reserves			
Share capital	20	90	87
Reserves		6,888,788	5,895,755
Equity attributable to owners of the Company		6,888,878	5,895,842
Non-controlling interests		1,532,873	1,486,136
		8,421,751	7,381,978

The condensed consolidated financial statements on pages 43 to 91 were approved and authorised for issue by the board of directors on August 23, 2021 and were signed on its behalf by.

Bao Fan
Chairman

Xie Yi Jing
Executive Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2021

	Attributable to owners of the Company										
	Notes	Share capital RMB'000	Treasury stock RMB'000	Share premium RMB'000	Other reserves RMB'000	Surplus reserve RMB'000	(Accumulated losses)		Non-controlling interests RMB'000	Total equity RMB'000	
							retained earnings RMB'000	Reserves Sub-total RMB'000			Sub-total RMB'000
At January 1, 2021 (audited)		87	(6)	6,316,235	100,076	29,734	(550,284)	5,895,755	5,895,842	1,486,136	7,381,978
Profits for the period		-	-	-	-	-	1,228,474	1,228,474	1,228,474	48,153	1,276,627
Other comprehensive (expense) income for the period		-	-	-	(94,930)	-	-	(94,930)	(94,930)	(538)	(95,468)
Total comprehensive (expense) income for the period		-	-	-	(94,930)	-	1,228,474	1,133,544	1,133,544	47,615	1,181,159
Capital contribution from non-controlling shareholders		-	-	-	-	-	-	-	-	11,628	11,628
Recognition of equity-settled share-based payment expense	21	-	-	-	30,140	-	-	30,140	30,140	-	30,140
Share options exercised	21	2	-	91,102	(52,470)	-	-	38,632	38,634	-	38,634
Restricted share units vested	21	-	1	17,286	(17,287)	-	-	-	-	-	-
Shares issued to the Trusts	20	1	(1)	-	-	-	-	(1)	-	-	-
Dividends to shareholders	9	-	-	-	-	-	(209,281)	(209,281)	(209,281)	-	(209,281)
Dividends to non-controlling shareholders		-	-	-	-	-	-	-	-	(12,506)	(12,506)
Share repurchased and cancelled	20	-	-	(14)	13	-	-	(1)	(1)	-	(1)
Balance at June 30, 2021 (unaudited)		90	(6)	6,424,609	(34,458)	29,734	468,909	6,888,788	6,888,878	1,532,873	8,421,751

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended June 30, 2021

	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			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At January 1, 2020 (audited)		89	(7)	6,454,704	262,621	21,538	(1,579,840)	5,159,016	5,159,105	1,513,040	6,672,145
Profits for the period		–	–	–	–	–	407,357	407,357	407,357	21,614	428,971
Other comprehensive income for the period		–	–	–	40,881	–	–	40,881	40,881	685	41,566
Total comprehensive income for the period		–	–	–	40,881	–	407,357	448,238	448,238	22,299	470,537
Capital contribution from non-controlling shareholders		–	–	–	–	–	–	–	–	495	495
Recognition of equity-settled share-based payment expense	21	–	–	–	35,516	–	–	35,516	35,516	–	35,516
Share options exercised	21	–	–	13,550	(7,803)	–	–	5,747	5,747	–	5,747
Restricted share units vested	21	–	–	11,199	(11,199)	–	–	–	–	–	–
Dividends to shareholders and non-controlling shareholders	9	–	–	–	–	–	(79,896)	(79,896)	(79,896)	(4,693)	(84,589)
Share repurchased but not yet cancelled	20	–	–	–	(210)	–	–	(210)	(210)	–	(210)
Share repurchased and cancelled	20	(1)	–	(108,685)	141	–	–	(108,544)	(108,545)	–	(108,545)
Balance at June 30, 2020 (unaudited)		88	(7)	6,370,768	319,947	21,538	(1,252,379)	5,459,867	5,459,955	1,531,141	6,991,096

Note: Other reserves mainly 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 expense; and (4) share repurchase reserve.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash generated from operations	1,479,576	183,416
Interest received	4,204	16,951
Income taxes paid	(86,141)	(58,240)
Net cash generated from operating activities	1,397,639	142,127
Cash flows from investing activities		
Interest received	17,840	10,700
Purchases of property and equipment	(17,277)	(2,945)
Payments for rental deposits	(1,233)	(120)
Proceeds from rental deposits	3,510	84
Disposal of associates	8,000	—
Purchases of intangible assets	(1,051)	(12,061)
Purchases of financial assets at fair value through profit or loss	(472,106)	(13,837)
Proceeds from disposal of financial assets at fair value through profit or loss	39,662	4,118
Purchases of financial assets at fair value through other comprehensive income	(552,908)	—
Acquisition of investments in associates	(51,533)	(94,552)
Acquisition of investment in a joint venture	(50,000)	—
Investment returns received from associates	137,235	18,356
Proceeds from other financial assets	79,322	78,941
Placement of pledge bank deposits	(3,881)	—
Advance to related parties	(7,334)	(7,593)
Repayment from related parties	—	3,849
Placement of term deposits	(223,591)	(2,986,719)
Proceeds from term deposits	305,626	3,258,270
Origination of loans receivable	(54,911)	(274,862)
Repayment of loans receivable	237,501	53,000
Net cash (used in) generated from investing activities	(607,129)	34,629

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended June 30, 2021

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from financing activities		
Payment on repurchase of shares	(1)	(108,755)
Proceeds from issuance of ordinary shares for share options exercised	38,634	5,747
Proceeds from bank borrowings	745,921	202,340
Repayment of bank borrowings	(357,881)	(147,256)
Interest paid	(51,805)	(3,512)
Repayments of leases liabilities	(27,923)	(27,386)
Proceeds from financial liabilities at fair value through profit or loss	—	127,642
Repayments of financial liability at fair value through profit or loss	(314,409)	—
Capital contribution from non-controlling shareholders	11,628	495
Distribution to non-controlling shareholders	(12,506)	(4,693)
Cash injection by third-party holders of consolidated structured entities	18,414	43,105
Cash repayment to third-party holders of consolidated structured entities	(186,536)	(39,860)
Net cash (used in) generated from financing activities	(136,464)	47,867
Net increase in cash and cash equivalents	654,046	224,623
Cash and cash equivalents at beginning of the period	646,756	1,022,043
Effect of foreign exchange rate changes	(64,612)	12,735
Cash and cash equivalents at end of period	1,236,190	1,259,401

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those presented in the Group’s annual consolidated financial statements for the year ended December 31, 2020.

Application of amendments to IFRSs

In the current interim period, 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, for the first time, which are mandatory effective for the annual period beginning on or after January 1, 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 16,
Amendments to IFRS 9,
IAS 39, IFRS 7
IFRS 4 and IFRS 16

Covid-19-Related Rent Concessions
Interest Rate Benchmark Reform — Phase 2

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

3. 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.

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;
- (d) The others segment mainly comprises 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results

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

	Six months ended June 30, 2021 (unaudited)					
	Investment banking RMB'000	Investment management RMB'000	CR Securities RMB'000	Others RMB'000	Consolidation adjustments and reconciling items RMB'000	Total consolidated RMB'000
Transaction and advisory fees	730,645	—	64,260	—	—	794,905
Management fees	—	194,860	—	12,941	—	207,801
Interest income	1,590	—	15,148	24,395	—	41,133
Income from Carried Interest	—	1,202,373	—	—	(1,198,249) ^(note)	4,124
Total Revenue	732,235	1,397,233	79,408	37,336	(1,198,249)	1,047,963
Net investment gains	9,730	1,121,658	272,867	6,103	—	1,410,358
Total revenue and net investment gains	741,965	2,518,891	352,275	43,439	(1,198,249)	2,458,321
Compensation and benefit expenses	(375,756)	(196,606)	(137,031)	(35,163)	—	(744,556)
Carried interest to management team and other parties	—	(915,102)	—	—	912,256 ^(note)	(2,846)
Investment gains attributable to interest holders of consolidated structured entities	—	(45,651)	(6,884)	—	—	(52,535)
Impairment loss under expected credit loss model, net of reversal	(5,991)	(324)	(133)	(8,318)	—	(14,766)
Finance costs	—	(32,564)	(14,825)	(18,779)	—	(66,168)
Other operating expenses	(75,786)	(47,813)	(31,124)	(17,768)	—	(172,491)
Operating profit (loss)	284,432	1,280,831	162,278	(36,589)	(285,993)	1,404,959

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

The following is an analysis of the Group's revenue and results by reportable segments: (continued)

	Six months ended June 30, 2021 (unaudited)					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	
Other income, gains or losses						14,998
Investment income arising from certain incidental and ancillary investments						24,204
Share of results of associates						(2,203)
Share of results of joint ventures						(2,039)
Change in fair value of call option						(7,570)
Profit before tax						1,432,349
Income tax expense						(155,722)
Profit for the period						1,276,627

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

The following is an analysis of the Group's revenue and results by reportable segments: (continued)

	Six months ended June 30, 2020 (unaudited)					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	268,495	—	10,090	—	—	278,585
Management fees	—	199,534	—	5,173	—	204,707
Interest income	2,618	—	9,034	23,762	—	35,414
Income from Carried Interest	—	829,505	—	—	(808,574) ^(note)	20,931
Total Revenue	271,113	1,029,039	19,124	28,935	(808,574)	539,637
Net investment gains	5,702	422,808	175,078	24,205	—	627,793
Total revenue and net investment gains	276,815	1,451,847	194,202	53,140	(808,574)	1,167,430
Compensation and benefit expenses	(165,953)	(167,020)	(102,976)	(46,476)	—	(482,425)
Carried interest to management team and other parties	—	(638,436)	—	—	624,481 ^(note)	(13,955)
Investment gains attributable to interest holders of consolidated structured entities	—	(24,811)	(16,953)	—	—	(41,764)
Impairment loss under expected credit loss model, net of reversal	(177)	(116)	—	94	—	(199)
Finance costs	—	—	(454)	(5,057)	—	(5,511)
Other operating expenses	(71,588)	(42,982)	(28,950)	(12,180)	—	(155,700)
Operating profit (loss)	39,097	578,482	44,869	(10,479)	(184,093)	467,876
Other income, gains or losses						8,095
Share of results of associates						(1,501)
Share of results of joint ventures						(1,061)
Profit before tax						473,409
Income tax expense						(44,438)
Profit for the period						428,971

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

The following is an analysis of the Group's revenue and results by reportable segments: (continued)

Segment profit or loss represents the results of each segment without allocation of corporate items including other income, gains or losses, investment income arising from certain incidental and ancillary investments (the "Passive Investment Income"), share of results of associates, share of results of joint ventures, 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:

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 are earned based on fund performance during the period, subject to the achievement of minimum return levels, in accordance with the respective terms set out in each fund's governing agreements. The segment results of investment management include the unrealised income from Carried Interest calculated 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 unrealised income from Carried Interest of RMB1,198,249,000 and RMB808,574,000 for the six months ended June 30, 2021 and 2020 respectively, which are based on the underlying fair value change of the respective funds managed by the Group. The associated expense adjustments represent the unrealised carried interest payable to fund management team and other third parties of RMB912,256,000 and RMB624,481,000 for the six months ended June 30, 2021 and 2020 respectively. The unrealised 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 realised as of such date, irrespective of whether such amounts have been realised.

As the fair value of underlying investments varies 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 carried interest payable to fund management teams and other parties is included, on a basis consistent with such income from Carried Interest, as an expense in the investment management segment.

However, for the six months ended June 30, 2021 and 2020, except for RMB4,124,000 and RMB20,931,000, respectively, of Carried Interest realised for certain fund, no income from Carried Interest for other funds was recognised as revenue and it will not be recognised until (a) it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur, or (b) the uncertainty associated with the variable consideration is subsequently resolved. All allocations of Carried Interest as an expense are recognised only when the amounts that will 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 "crystallised".

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

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

Geographical information

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

	Revenue from external customers		Non-current assets (note)	
	Six months ended June 30,		At June 30, At December 31,	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(audited)
Mainland China	578,914	409,158	2,545,171	1,990,933
Hong Kong	439,705	107,732	35,065	27,782
USA	29,344	22,747	8,119	10,383
	1,047,963	539,637	2,588,355	2,029,098

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

Timing of revenue recognition for revenue from contract of customers

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
A point of time	799,029	299,516
Over time	207,801	204,707
	1,006,830	504,223

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

4. NET INVESTMENT GAINS

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net realised and unrealised gains from financial assets at fair value through profit or loss ("FVTPL")		
– Wealth management related products	6,103	17,695
– Asset management schemes	20,068	7,278
– Structured finance related products	9,730	5,702
– Financial bonds	38,092	7,836
– Unlisted investment funds at fair value	550,611	22,113
– Listed equity security investments	202,695	141,998
Gross gain from consolidated structured entities		
– Asset management schemes	11,094	17,965
Gross gain from investments in associates measured at fair value		
– Investment in funds	607,903	495,193
Net realised and unrealised losses from financial liabilities at FVTPL		
– Securities borrowing	(36,856)	(94,498)
Dividend income from		
– Wealth management related products	–	6,511
– Asset management schemes	918	–
	1,410,358	627,793

5. OTHER INCOME, GAINS OR LOSSES

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants (note)	13,858	14,549
Net exchange gain (loss)	1,851	(3,465)
Impairment loss on investment in a joint venture	(3,124)	–
Gain on disposal of associates	2,239	–
Others	174	(2,989)
	14,998	8,095

Note:

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

6. INVESTMENT INCOME ARISING FROM CERTAIN INCIDENTAL AND ANCILLARY INVESTMENTS

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Passive Investment Income from		
– Unlisted equity security investment	24,204	–
	24,204	–

Investment income 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.

7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
Mainland China	33,441	47,675
Hong Kong	24,259	7
	57,700	47,682
Deferred tax	98,022	(3,244)
Total income tax expense	155,722	44,438

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

8. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property and equipment	42,601	35,278
Amortisation of intangible assets	6,233	5,780
Expenses recognised relating to short-term leases	1,462	2,697
Staff costs, including directors' remuneration:		
– Directors' fees	521	680
– Salaries, bonus and other allowances	698,085	439,026
– Retirement benefit scheme contributions	15,810	7,203
– Equity-settled share-based payments expenses	30,140	35,516

9. DIVIDENDS

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends to shareholders of the Company	209,281	79,896

During the six months ended June 30, 2021, a final dividend of RMB38 cents per share in respect of the year ended December 31, 2020 (2020: RMB15 cents per share in respect of the year ended December 31, 2019) was declared to owners of the Company. The aggregate amount of the final dividend declared in the six months ended June 30, 2021 amounted to RMB209,281,000 (2020: RMB79,896,000), and such cash dividend was paid on July 22, 2021 (2020: paid on August 10, 2020).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

10. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2021	2020
	(unaudited)	(unaudited)
Earnings for the purpose of basic and diluted earnings per share		
Earnings for the period attributable to owners of the Company (RMB'000)	1,228,474	407,357
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	492,935,325	491,278,923
Effect of dilutive potential ordinary shares:		
Share options of the Group	33,675,291	26,648,750
Restricted share units of the Group	3,921,437	1,963,047
Weighted average number of ordinary shares for the purpose of diluted earnings per share	530,532,053	519,890,720
Basic earnings per share (RMB)	2.49	0.83
Diluted earnings per share (RMB)	2.32	0.78

For the six months ended June 30, 2021 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.

11. MOVEMENT IN PROPERTY AND EQUIPMENT

During the current interim period, the Group paid approximately RMB17,277,000 (six months ended June 30, 2020: RMB 2,945,000) for addition of property and equipment.

During the current interim period, the Group entered into several new lease agreements with lease terms ranged from 2 to 5 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets of RMB35,760,000 (six months ended June 30, 2020: nil) and lease liability RMB35,476,000 (six months ended June 30, 2020: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

12. MOVEMENT IN INTANGIBLE ASSETS

For the six months ended June 30, 2021 and 2020, the Group did not dispose of any intangible assets. During the current interim period, the Group paid approximately RMB1,051,000 (six months ended June 30, 2020: RMB12,061,000) on addition of software for the purpose of daily operation.

13. INVESTMENTS IN ASSOCIATES

	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Investments in unlisted companies (a)	56,388	63,641
Investments in funds (b)	2,282,425	1,765,579
	2,338,813	1,829,220

(a) Investments in unlisted companies

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			At June 30, 2021	At December 31, 2020	At June 30, 2021	At December 31, 2020	
Shanghai Genus Information Technology Limited ("Genus") (Note 1, Note 3)	Shanghai, PRC	PRC	N/A	3.00%	N/A	3.00%	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") (Note 4)	Guangzhou, PRC	PRC	N/A	20.00%	N/A	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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

13. 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 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 in the six months ended June 30, 2021.
- 3) On September 22, 2020, the Group entered into an agreement to dispose of its equity interest in Genus to a third party. In the current interim period, the transaction has been completed at a total consideration of RMB7,000,000 and resulted in the Group recognising a gain of RMB2,239,000 in other income, gains or losses.
- 4) In the current interim period, the Group disposed of its equity interest in GZZZ to a third party for cash proceeds of RMB1,000,000 without any gains or losses.

	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Cost of unlisted investments in associates	101,984	106,930
Share of post-acquisition profit or loss and other comprehensive income	(6,296)	(4,093)
Impairment loss	(39,026)	(39,026)
Exchange adjustments	(274)	(170)
	56,388	63,641

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

13. 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 investment in these associates at fair value. Details of such investment funds are summarised as follows:

	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Cost of investments in funds	724,112	682,707
Fair value changes in funds (note)	1,575,804	1,091,132
Exchange adjustments	(17,491)	(8,260)
	2,282,425	1,765,579

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

	Place of incorporation	Ownership interest held As at June 30, 2021	As at December 31, 2020
Material Funds			
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 Growth Capital III, L.P.	Cayman Islands	3.45%	3.45%
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")	Tianjin, PRC	7.76%	7.76%

The Group is able to exercise significant influence over the above funds' operating and financial policies because it manages the funds' day to day investment and disposition activities on behalf of the fund under the constitutional document of above funds.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

13. INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Investments in funds (continued)

Summarized financial information of material fund investments

	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Funds		
HSLF		
Net asset value	15,013,325	16,247,049
Total comprehensive income for the period	664,086	7,688,513
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)		
Net asset value	6,077,414	5,844,037
Total comprehensive income for the period	568,438	395,065
Huaxing Capital Partners, L.P.		
Net asset value	617,816	622,675
Total comprehensive income (expense) for the period	22,937	(26,146)
Huaxing Capital Partners II, L.P.		
Net asset value	2,456,194	1,799,534
Total comprehensive income for the period	675,376	628,123
Huaxing Growth Capital III, L.P.		
Net asset value	5,537,464	4,930,622
Total comprehensive income for the period	104,755	2,157,569
East Image Limited		
Net asset value	4,122,444	2,846,658
Total comprehensive income for the period	1,709,670	2,143,938
Starwick Investment Limited		
Net asset value	5,054,053	3,392,888
Total comprehensive income for the period	2,131,649	2,638,295
BJRZ		
Net asset value	2,262,697	2,260,441
Total comprehensive (expense) income for the period	(8,213)	979,842

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

13. INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Investments in funds (continued)

Aggregate information of fund investments that are not individually material

	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Fair value change on funds	53,039	50,691
Carrying amount of the Group's investments in funds	239,486	119,318

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Current		
Unlisted cash management products (Note i)	775,435	1,434,778
Money market funds (Note ii)	293,535	164,951
Listed financial bonds (Note iii)	2,606,858	1,533,669
Trust products (Note iv)	129,072	156,814
Listed equity security investments (Note v)	615,653	401,959
Convertible notes (Note vi)	19,380	—
	4,439,933	3,692,171
Non-current		
Trust products (Note iv)	66,264	120,559
Listed equity security investments (Note v)	31,372	—
Unlisted investment funds at fair value (Note vii)	1,519,839	771,135
Unlisted debt security investments (Note viii)	570,486	319,714
Unlisted equity security investments (Note ix)	22,207	21,189
Call option for obtaining non-controlling interests (Note x)	102,530	110,100
	2,312,698	1,342,697

Note i: The Group purchased cash management products with expected rates of return per annum ranging from 2.35% to 3.20% as at June 30, 2021 (December 31, 2020: 2.68% to 3.15%). 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

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

- Note iii:* The Group invested in financial bonds with fixed interest rates ranging from 0.10% to 5.72% as at June 30, 2021 (December 31, 2020: from 0.20% 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.
- Note iv:* The Group invested in trust products with expected return rate ranging from 6.00% to 12.00% per annum as at June 30, 2021 (December 31, 2020: 6.00% to 12.00%). As the trust product 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 condensed consolidated statement of profit or loss and other comprehensive income.
- Note vi:* In June 2021, the Group invested in convertible notes with fixed interest rates of 6.00% and with a term of six months, which shall be extended for six months unless otherwise agreed by the Group and investee. The Group had conversion right to convert notes into equity shares of investee before the maturity date.
- Note vii:* 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 condensed consolidated statement of profit or loss and other comprehensive income.
- Note viii:* These investments represent investments in the preferred shares of unlisted companies, and subsequent fair value change of the investments are recorded in the Passive Investment Income in the condensed consolidated statement of profit or loss and other comprehensive income.
- Note ix:* These investments represent equity investments in the unlisted companies, and subsequent fair value change of the investments are recorded in the Passive Investment Income in the condensed consolidated statement of profit or loss and other comprehensive income.
- 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 (China) Co. Ltd. ("China Renaissance Securities"), at the book value of the non-controlling interests exercisable at any time after its establishment. The fair value as at June 30, 2021 amounted to RMB102,530,000 (December 31, 2020: RMB110,100,000). 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Listed financial bonds	816,483	252,696

The total cost of the financial bonds as at June 30, 2021 was RMB796,651,000 (December 31, 2020: RMB248,127,000) and the fair value as at June 30, 2021 was RMB816,483,000 (December 31, 2020: RMB252,696,000) and with changes in fair value recorded in other comprehensive expense in the condensed consolidated statement of profit or loss and other comprehensive income. The expected credit losses of financial bonds amounting to RMB192,000 as at June 30, 2021 (December 31, 2020: RMB60,000) was recognized in other reserves.

16. ACCOUNTS AND OTHER RECEIVABLES

	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Accounts receivables		
— Accounts receivable (Note i)	141,425	295,877
— Open trade receivable (Note ii)	1,200,465	1,795,521
Financial assets purchased under resale agreements	7,600	279,595
Advance to suppliers	16,311	15,313
Other receivables		
— Refundable deposits	247,278	457,189
— Staff loans	17,224	17,313
— Value-added tax recoverable	2,227	6,908
Others	13,732	13,135
Subtotal	1,646,262	2,880,851
Less: Impairment loss allowance	(971)	(3,125)
Total	1,645,291	2,877,726

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

16. ACCOUNTS AND OTHER RECEIVABLES (CONTINUED)

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 June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
0–30 days	106,270	214,690
31–60 days	1,454	58,346
61–90 days	19,523	13,961
91–180 days	6,430	6,308
181–360 days	6,744	—
> 360 days	530	200
	140,951	293,505

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.

Details of the impairment assessment are set out in Note 17.

17. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Six months ended June 30, 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Impairment loss recognized in respect of		
Accounts and other receivables	(2,668)	200
Loans to third parties	16,414	(1,437)
Amounts due from related parties	901	1,443
Financial assets at fair value through other comprehensive income ("FVTOCI")	132	—
Other financial assets	(13)	(7)
	14,766	199

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

18. ACCOUNTS AND OTHER PAYABLES

	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Salaries, bonus and other benefit payables	714,213	613,759
Open trade payable (note a)	1,189,011	1,748,736
Payable to brokerage clients (note a)	1,209,455	410,274
Financial assets sold under repurchase agreements (note a) (note b)	1,900,249	1,030,215
Other payables	46,095	42,673
Consultancy fee payables	19,605	14,680
Carried interests to management team and other parties	3,085	245
Other tax payables	12,016	23,204
Accrued listing expenses and issue costs	225	228
Accrued expenses	15,552	19,342
Dividend payable	209,281	—
	5,318,787	3,903,356

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 condensed 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 1.48% to 6.35% (December 31, 2020: 2.98% to 4.10%) 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 June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Carrying amount of transferred assets		
— financial assets at FVTPL	1,930,008	1,223,188
— financial assets at FVTOCI	816,483	252,696
Carrying amount of associated liabilities	(1,900,249)	(1,030,215)
Net position	846,242	445,669

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

19. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB745,921,000 (six months ended June 30, 2020: RMB202,340,000) and repaid bank loans amounting to RMB357,881,000 (six months ended June 30, 2020: RMB147,256,000). The loans carry interest at fixed market rates per annum ranging from 2.09% to 4.35% (December 31, 2020: 2.19% to 5.90%) are repayable in instalments within one year or over a period of three years. The proceeds were used for daily operation for the Group.

20. SHARE CAPITAL

	Number of shares	Nominal value per share US\$	Share capital US\$	
Authorised				
At January 1, 2020, January 1, 2021 and June 30, 2021	2,000,000,000	0.000025	50,000	
	Number of shares	Nominal value per share US\$	Share capital US\$	Amount shown in the financial statements RMB
Issued and fully paid				
At January 1, 2020	541,379,012	0.000025	13,535	88,800
Shares repurchased and cancelled	(11,905,756)	0.000025	(298)	(2,052)
Exercise of share options	3,480,408	0.000025	87	600
At January 1, 2021	532,953,664	0.000025	13,324	87,348
Shares repurchased and cancelled (note)	(1,100)	0.000025	—	—
Shares issued to the Trusts (Note 21)	6,000,000	0.000025	150	970
Exercise of share options	11,786,812	0.000025	295	1,908
At June 30, 2021	550,739,376		13,769	90,226
		As at June 30, 2021	As at December 31, 2020	
		RMB'000	RMB'000	
		(unaudited)	(audited)	
Presented as		90	87	

Note: 100 ordinary shares were repurchased and cancelled during the six months ended June 30, 2021. Besides, 1,000 shares repurchased in December 2020 were cancelled in February 2021.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

21. SHARE-BASED PAYMENTS

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

The 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 28, 2018, the maximum number was adjusted to 91,304,348 ordinary shares.

The table below discloses movement of the Company’s share options held by the Group’s employees and executive directors:

	Number of share options
Outstanding as at January 1, 2021	39,764,592
Exercised during the period	(11,786,812)
Forfeited during the period	(1,203,000)
Outstanding as at June 30, 2021	26,774,780

Share-based compensation expenses of RMB5,754,000 for share options has been recognised in profit or loss for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB16,851,000).

(b) 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. 46,000,000 shares 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

21. SHARE-BASED PAYMENTS (CONTINUED)

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

The table below discloses movement of the Company's RSUs held by the Group's employees and executive directors:

	Number of RSUs
Outstanding as at January 1, 2021	9,293,297
Granted during the period	4,335,147
Vested during the period	(2,543,735)
Forfeited during the period	(427,317)
Outstanding as at June 30, 2021	10,657,392

On April 1, 2021, the Company granted 2,502,612 time-based RSU to employees and will be vested yearly over three years with yearly instalments after April 1, 2021. The Group used share price of HK\$30.65 on April 1, 2021 to determine the fair value on grant date.

On April 1, 2021, the Company granted 1,832,535 performance-based RSU and will be vested on the date that is three years following the vesting commencement date of April 1, 2021 only if the performance conditions of the Company's average share price has been satisfied. 60% and 30% of vested shares cannot be disposed of during the lockup period of two 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 Finnerty 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 discount for lack of marketability ("DLOM").

	April 1, 2021
Grant date share price	HK\$30.65
Performance target share price	HK\$40.00
Expected life	3 years
Expected volatility	41.00%
Risk-free interest rate	2.823%
Expected dividend yield	0.00%
DLOM	7.00%

Share-based compensation expenses of RMB24,386,000 for restricted shares has been recognised in profit or loss for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB18,665,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

22. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group include major shareholders of the Company 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 June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Huaxing Capital Partners, L.P.	3,744	3,386
Huaxing Capital Partners II, L.P.	36,594	38,373
Huaxing Growth Capital III, L.P.	261	649
CR HB XI Venture Feeder, L.P.	1,094	831
Tianjing Huazhe Consulting Partnership (Limited Partnership)	165	80
Shanghai Huasheng Lingjin Investment Partnership (Limited Partnership)	188	—
Huaxing Yichong LLC	139	—
Huaxing Yihui LLC	903	—
Green Galaxy LLC	468	—
Glory Galaxy LLC	65	—
Tianjin Huajie Haihe Health Investment Partnership (Limited Partnership)	1,436	—
Ningbo Meishan Bonded Port Area Huahao Investment Management Partnership (Limited Partnership)	183	—
Less: Impairment loss allowance	(1,262)	(1,293)
	43,978	42,026

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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

22. 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 invoice dates, are as follows:

	As at June 30, 2021	As at December 31, 2020
	RMB'000	RMB'000
	(unaudited)	(audited)
0–30 days	4,570	3,483
31–60 days	—	2,054
61–90 days	1,811	1,988
91–180 days	6,160	5,965
181–360 days	14,533	7,754
> 360 days	16,904	20,782
	43,978	42,026

Amounts due from related parties — non-trade nature

		As at June 30, 2021	As at December 31, 2020
	Notes	RMB'000	RMB'000
		(unaudited)	(audited)
Beijing Huajie Ruizhong Investment Management Center (Limited Partnership)	i	3,691	2,723
Dazi Chonghua Enterprise Management Co., Ltd.	ii(a)	2,797	2,797
Suzhou Huaxing Zhiyang Venture Capital Center (Limited Partnership)	i	1,800	—
Tianjin Huaxing Fengxiang Technology Partnership (Limited Partnership)	i	1,807	—
Tianjin Huaxing Fengfu Technology Partnership (Limited Partnership)	i	2,007	—
Huaxing Growth Capital IV, L.P.	i	691	—
Other funds managed by the Group	i	186	126
Less: Impairment loss allowance		(632)	(278)
		12,347	5,368

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Amounts due from related parties (continued)

Advance to related parties

	Note	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
Beijing Pengyang Enterprise Management Co., Ltd. ("PYEM")	iii(a)	236	504
		236	504

(b) Amounts due to related parties

Amounts due to related parties — trade nature

	Notes	As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
HSLF	iv	330	19
FBH Partners Limited ("FBH")	v(a)	244	253
Bao Fan	v(a)	309	313
CR Partners Limited	vi	7,691	258
Huaxing Growth Capital III L.P.	vi	92	49,625
Dazi Huasheng Venture Investment Partnership (Limited Partnership)	vi	193	—
HRZX	vii(a)	—	600
		8,859	51,068

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 June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
0-30 days	8,697	50,468
31-60 days	33	—
61-90 days	32	—
91-180 days	97	—
> 360 days	—	600
	8,859	51,068

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Amounts due to related parties (continued)

Amounts due to related parties — trade nature (continued)

Contract liabilities

	As at June 30, 2021	As at December 31, 2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Shanghai Huasheng Lingshi Venture Investment Partnership (Limited Partnership)	8,625	716
Ningbo Meishan Bonded Port Area Huahao Investment Management Partnership (Limited Partnership)	—	710
Shanghai Peixi Investment Management Partnership (Limited partnership)	313	454
No. 1 Tianjin Huaxing Heli Medical Equity Investment Partnership (Limited Partnership)	7,693	8,685
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Partnership (Limited Partnership)	54,235	—
Ningbo Meishan Bonded Port Area Huaxing Linghong Equity Investment Partnership (Limited Partnership)	9,387	—
Huajie (Tianjin) Health Investment Partnership (Limited Partnership)	10,201	—
Ruizhi (Tianjin) Health Investment Partnership (Limited Partnership)	12,862	—
HSLF	48,324	2,620
	151,640	13,185

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.

(c) The transactions with related parties are listed out below:

		Six months ended June 30,	
		2021	2020
	Note	RMB'000	RMB'000
		(unaudited)	(unaudited)
Marketing service from:			
HRZX	vii(b)	—	327

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) The transactions with related parties are listed out below: (continued)

	Notes	Six months ended June 30, 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Fund raising commission to:			
PYEM	iii(b)	504	236
No. 2 Tianjin Huaxing Heli Medical Equity Investment Partnership (Limited Partnership)	viii	297	—
Dazi Huasheng Venture Investment Partnership (Limited Partnership)	viii	192	282

	Note	Six months ended June 30, 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Consulting service from:			
Shanghai Huayou Business Consulting Limited	ix	—	94

		Six months ended June 30, 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Realised carried interest income:			
HSPY		—	20,931
Huaxing Capital Partners, L.P.		4,124	—

Funds managed by the Group, and the Group recognised carried interest income from these entities.

	Notes	Six months ended June 30, 2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Accrued carried interest to:			
FBH	v(b)	969	—
High Fortune Investments Limited	ii(b)	184	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) The transactions with related parties are listed out below: (continued)

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Management fees from:		
Huaxing Capital Partners L.P.	1,039	1,153
Huaxing Capital Partners II, L.P.	6,064	11,720
Shanghai Huasheng Lingshi Venture Capital Partnership (Limited Partnership)	8,092	8,594
HSLF	43,645	47,250
Huajie (Tianjin) Health Investment Partnership (Limited Partnership)	9,467	9,519
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)	50,918	51,059
Ningbo Meishan Bonded Port Area Huaxing Linghong Equity Investment Partnership (Limited Partnership)	8,711	8,735
Green Galaxy LLC	469	510
Huaxing Yihui LLC	904	1,285
Shanghai Peixi Investment Management Partnership (Limited Partnership)	133	423
CR HB XI Venture Feeder, L.P.	272	291
Ningbo Meishan Bonded Port Area Huahao Investment Management Partnership (Limited Partnership)	842	842
Huaxing Yichong LLC	139	151
Shenzhen Huasheng Lingxiang Equity Investment Partnership (Limited Partnership)	—	193
Glory Galaxy LLC	65	70
Huaxing Growth Capital III, L.P.	31,955	42,771
Tianjin Huajie Haihe Health Investment Partnership (Limited Partnership)	1,355	1,332
Tianjing Huazhe Consulting Partnership (Limited Partnership)	80	—
Ruizhi (Tianjin) Health Investment Partnership (Limited Partnership)	11,937	—
No. 1 Tianjin Huaxing Heli Medical Equity Investment Partnership (Limited Partnership)	936	—
Beijing Huajie Ruizhong Investment Management Center (Limited Partnership)	19	—
CR Life Star Fund LLC	2,364	—
Shanghai Huasheng Lingjin Equity Investment Partnership (Limited Partnership)	178	179
	179,584	186,077

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) The transactions with related parties 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 six months ended June 30, 2021.
- iii. 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 six months ended June 30, 2021 and 2020.
 - b. The entity provides fund raising services to the Group during the six months ended June 30, 2021 and 2020.
- iv. 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.
- v. 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 six months ended June 30, 2021.
- vi. 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.
- vii. HRZX is the Group's associate after February 28, 2019,
 - a. The balance represents amount due to the entity in relation to consulting services received by the Group.
 - b. The Group received marketing services from the entity during the six months ended June 30, 2020.
- viii. Entities managed by the Group in which the Group has significant influence, provided fund raising services to the Group during the six months ended June 30, 2021 and 2020.
- ix. A joint venture of the Group, and the Group received consulting services from the entity during the six months ended June 30, 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

22. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(d) Compensation of key management personnel

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries, bonus and other allowance	36,712	23,558
Retirement benefit scheme contributions	137	47
Equity-settled share-based payments expenses	15,998	18,803
	52,847	42,408

The remunerations of the key management are determined by the remuneration committee having regard to the performance of individuals and market trends.

Other related party transactions

In addition to the above, the Group has other related party transactions as follows:

Mr. Bao Fan is the Chief Executive Officer of the Company. A close member of Bao Fan's family has significant influence over Pengyang Asset Management Co., Ltd ("Pengyang"). During the six months ended June 30, 2020, the Group purchased cash management products at market price from Pengyang. The cash management products balances held by the Group were RMB38,661,000 as of June 30, 2020. The Group did not purchase cash management products from Pengyang during the six months ended June 30, 2021, and no remaining balance as at June 30, 2021 and December 31, 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

23. STRUCTURED ENTITIES

23.1 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 schemes where the Group involves as manager. As at June 30, 2021, the aggregate net assets of the consolidated structured entities amounted to RMB692,575,000 (December 31, 2020: RMB802,880,000).

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.

23.2 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, investments in funds, money market funds and trust products managed by third parties.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

23. STRUCTURED ENTITIES (CONTINUED)

23.2 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 gross carrying amounts of interests held by the Group as at June 30, 2021 and December 31, 2020 in the structured entities managed by third party institutions.

	As at June 30, 2021 (unaudited)			Type of income
	Other financial assets RMB'000	Financial assets at FVTPL RMB'000	Maximum (Note) RMB'000	
Cash management products	—	775,435	775,435	Net investment gains
Investments in funds	—	1,519,839	1,519,839	Net investment gains
Trust products	—	195,336	195,336	Net investment gains
Money market funds	—	293,535	293,535	Net investment gains
Private equity fund with fixed interest rate	51,624	—	51,624	Interest income
Total	51,624	2,784,145	2,835,769	

	As at December 31, 2020 (audited)			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
Total	130,616	2,648,237	2,778,853	

Note: As at June 30, 2021 and December 31, 2020, 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

23. STRUCTURED ENTITIES (CONTINUED)

23.2 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 the net investment gains from these structured entities.

For the six months ended June 30, 2021, the management fee recognised amounted to RMB194,860,000 (six months ended June 30, 2020: RMB199,534,000).

For the six months ended June 30, 2021, the carried interest recognised amounted to RMB4,124,000 (six months ended June 30, 2020: RMB20,931,000).

For the six months ended June 30, 2021, the net investment gains recognised amounted to RMB607,903,000 (six months ended June 30, 2020: RMB495,193,000).

As at June 30, 2021, the Group's interests in these structured entities amounted to RMB2,282,425,000 (December 31, 2020: RMB1,765,579,000).

As at June 30, 2021, the amount of assets held by the funds managed by the Group amounted to RMB60,760 million (December 31, 2020: RMB57,346 million).

24. COMMITMENTS

As at June 30, 2021, the Group had commitments for future investments in funds and associates invested by the Group amounted to RMB113,770,000 (December 31, 2020: RMB119,008,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

This note provides information about how the Group determines fair value of the following financial assets and financial liabilities that are measured at fair value on a recurring basis.

	Fair value as at June 30, 2021 RMB'000 (unaudited)	Fair value as at December 31, 2020 RMB'000 (audited)	Fair value Hierarchy	Valuation technique and key input	Significant unobservable input(s)
Financial assets					
Unlisted investment funds at fair value	1,519,839	771,135	Level 3	Note (1)	Note (1)
Unlisted debt security investments	318,542	319,714	Level 3	Note (2)	Note (2)
Unlisted debt security investments	251,944	—	Level 2	Recent transaction price	N/A
Call option for obtaining non-controlling interests	102,530	110,100	Level 3	Note (3)	Note (3)
Financial bonds	3,423,341	1,786,365	Level 1	Open market transaction price	N/A
Money market funds	293,535	164,951	Level 2	Quoted price from a financial institution	N/A
Cash management products	775,435	1,434,778	Level 2	Quoted price from a financial institution	N/A
Convertible notes	19,380	—	Level 2	Recent transaction price	N/A
Unlisted equity security investments	—	15,627	Level 2	Recent transaction price	N/A
Unlisted equity security investments	22,207	5,562	Level 3	Note (4)	Note (4)
Listed equity security investments	243,162	218,501	Level 1	Open market transaction price	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (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 June 30, 2021 RMB'000 (unaudited)	Fair value as at December 31, 2020 RMB'000 (audited)	Fair value Hierarchy	Valuation technique and key input	Significant unobservable input(s)
Listed equity security investments	403,863	183,458	Level 2	Quoted price from a financial institution	N/A
Trust products	195,336	277,373	Level 2	Quoted price from a financial institution	N/A
Associates measured at fair value	2,282,425	1,765,579	Level 3	Note (5)	Note (5)
Financial liabilities					
Payables to interest holders of consolidated structured entities in which the Group is the general partner of the investment funds	279,997	238,447	Level 3	Note (6)	Note (6)
Payables to interest holders of consolidated structured entities which are asset management schemes managed by the Group	28,973	186,537	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

Unlisted equity security investments were transferred from level 2 to level 3 during the current interim period. The fair value of these investments as at June 30, 2021 amount to RMB16,700,000 (December 31, 2020: RMB15,627,000). Since there is no recent transaction prices available for these investments as at June 30, 2021, 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 CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Notes:

- (1) The Group's investments in unlisted investment funds which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB1,519,839,000 as at June 30, 2021 (December 31, 2020: RMB771,135,000). 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 RMB75,992,000 as at June 30, 2021 (December 31, 2020: RMB38,557,000).
- (2) The Group's investments in unlisted debt security investment which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB318,542,000 as at June 30, 2021 (December 31, 2020: RMB319,714,000). 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 RMB7,409,000 as at June 30, 2021 (December 31, 2020: RMB7,425,000). A 5% decrease in the volatility, holding all other variables constant, would increase the carrying amounts of these investments by RMB1,835,000 as at June 30, 2021 (December 31, 2020: RMB1,853,000).
- (3) The Group's call option to obtain non-controlling interests amounting to RMB102,530,000 as at June 30, 2021 (December 31 2020: RMB110,100,000) 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 of the Group by RMB8,320,000 as at June 30, 2021 (December 31, 2020: RMB6,450,000).
- (4) The Group's investments in unlisted equity security investment which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB22,007,000 as at June 30, 2021 (December 31, 2020: RMB5,562,000). 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 DLOM, the lower the fair value of the financial assets at FVTPL will be. A 5% increase/decrease in the DLOM, holding all other variables constant, would decrease/increase the carrying amounts of these investments by RMB1,600,000 as at June 30, 2021 (December 31, 2020: RMB30,000).
- (5) The Group's associates measured at fair value amounted to RMB2,282,425,000 as at June 30, 2021 (December 31, 2020: RMB1,765,579,000) 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 of the Group by RMB114,121,000 as at June 30, 2021 (December 31, 2020: RMB88,279,000).
- (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 RMB279,997,000 as at June 30, 2021 (December 31, 2020: RMB238,447,000) 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 RMB14,000,000 as at June 30, 2021 (December 31, 2020: RMB11,922,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of level 3 fair value measurements of financial assets is as below:

	Unlisted investment funds at fair value RMB'000
At January 1, 2020 (audited)	414,015
Capital contribution	276,706
Distribution	(32,533)
Changes in fair value	127,970
Effect of exchange rate change	(15,023)
Balance at December 31, 2020 (audited)	771,135
Capital contribution	220,162
Distribution	(16,572)
Changes in fair value	550,611
Effect of exchange rate change	(5,497)
Balance at June 30, 2021 (unaudited)	1,519,839

	Unlisted debt security investments RMB'000
At January 1, 2020 (audited)	—
Transfer from level 2 to level 3	343,268
Changes in fair value	(16,498)
Effect of exchange rate change	(7,056)
Balance at December 31, 2020 (audited)	319,714
Effect of exchange rate change	(1,172)
Balance at June 30, 2021 (unaudited)	318,542

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of level 3 fair value measurements of financial assets is as below: (continued)

	Call option for obtaining non-controlling interests RMB'000
At January 1, 2020 (audited)	97,667
Change in fair value	19,801
Effect of exchange rate change	(7,368)
Balance at December 31, 2020 (audited)	110,100
Change in fair value	(7,570)
Balance at June 30, 2021 (unaudited)	102,530

	Unlisted equity security investments RMB'000
At January 1, 2020 (audited)	—
Transfer from level 2 to level 3	2,093
Changes in fair value	3,605
Effect of exchange rate change	(136)
Balance at December 31, 2020 (audited)	5,562
Transfer from level 2 to level 3	15,627
Changes in fair value	1,204
Effect of exchange rate change	(186)
Balance at June 30, 2021 (unaudited)	22,207

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of level 3 fair value measurements of financial assets is as below: (continued)

	Associates measured at fair value RMB'000
At January 1, 2020 (audited)	596,014
Capital contribution	129,091
Addition	140,707
Distribution	(48,994)
Changes in fair value	973,940
Effect of exchange rate change	(25,179)
Balance at December 31, 2020 (audited)	1,765,579
Capital contribution	51,533
Distribution	(133,359)
Changes in fair value	607,903
Effect of exchange rate change	(9,231)
Balance at June 30, 2021 (unaudited)	2,282,425

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2021

25. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Reconciliation of level 3 fair value measurements of financial assets is as below: (continued)

	Payables to interest holders of consolidated structured entities in which the Group is the general partner of the investment funds RMB'000
At January 1, 2020 (audited)	582,105
Capital contribution	52,173
Distribution	(11,689)
Disposal	(440,504)
Changes in fair value	61,753
Effect of exchange rate change	(5,391)
Balance at December 31, 2020 (audited)	238,447
Capital contribution	1,861
Distribution	(5,535)
Changes in fair value	45,651
Effect of exchange rate change	(427)
Balance at June 30, 2021 (unaudited)	279,997

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximated their fair values at the end of each reporting period.

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the Audit Committee of the Board
“AUM” or “asset under management”	the value of assets managed by a fund manager, including the fair value of investments held by the funds, plus the capital contributed but not invested, the capital that the fund manager is entitled to call from the investors pursuant to the terms of their respective capital commitments; which, when used to refer to our AUM or asset under management, shall exclude that of our project funds from which we do not derive management fees and income from carried interest
“Board”	the board of directors of our Company
“Carried Interest Distribution Framework Agreement”	the framework agreement entered into by, among others, the Company and Huagan Shanghai on June 15, 2018 (and amended and restated on September 11, 2018) in relation to the distribution of carried interest to the designated individuals of the Group’s investment funds, the details of which are set out in the section headed “Connected Transactions” of the Prospectus
“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 Interim Report only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Company”, “our Company”, “the Company” or “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 Investment Team Members”	has the same meaning as defined in the section headed “Connected Transactions” of the Prospectus
“connected transactions”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entities”	Shanghai Quanyuan, Dazi Hualing, Dazi Huafeng and Dazi Huashi

DEFINITIONS (CONTINUED)

“COVID-19”	the 2019 Novel Coronavirus
“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
“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
“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
“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
“Group”, “our Group”, “the Group”, “we”, “us” or “our”	the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS (CONTINUED)

“Huasheng Xinhang”	Shanghai Huasheng Xinhang Capital Management Center, L.P. (上海華晟信航股權投資管理中心(有限合夥)), a limited partnership registered in China on August 19, 2015, which is the general partner of Huaxing Growth Capital RMB Fund II
“Huaxing Growth Capital”	comprised of six main private equity funds managed under the Group’s investment management business, namely, Huaxing Growth Capital USD Fund I, Huaxing Growth Capital USD Fund II, Huaxing Growth Capital USD Fund III, Huaxing Growth Capital RMB Fund I, Huaxing Growth Capital RMB Fund II and Huaxing Growth Capital RMB Fund III
“Huaxing Healthcare Capital”	comprised of three main private equity funds under the Group’s investment management business, namely, Huaxing Healthcare RMB Fund I, Huaxing Healthcare RMB Fund II and Huaxing Healthcare Haihe Fund
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“IRR”	Internal Rate of Return
“LIBOR”	London Interbank Offered Rate
“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 were listed and on which dealings in the Shares were 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 GEM 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, Executive Director and Controlling Shareholder

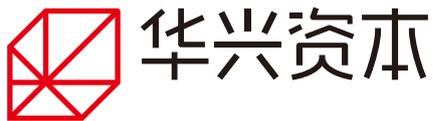
DEFINITIONS (CONTINUED)

“Ningbo Xinshou”	Ningbo Meishan Bonded Port Huaxing Xinshou Capital Management Center, L.P. (寧波梅山保稅港區華興信守股權投資管理中心(有限合夥)), a limited partnership registered in China on April 11, 2017. Ningbo Xinshou is the general partner of Huaxing Growth Capital RMB Fund III
“Prospectus”	the prospectus of the Company dated September 14, 2018
“Relevant Investment Funds”	has the same meaning as defined in the section headed “Connected Transactions” of the Prospectus
“Reporting Period”	the six months ended June 30, 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency of PRC
“ROE”	Return on Equity
“RSU Plan”	the China Renaissance Holdings Limited 2018 Restricted Share Unit Plan as approved by the Board on June 15, 2018
“RSUs”	restricted share units
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Quanyuan”	Shanghai Quanyuan Investment Co., Ltd. (上海全源投資有限公司), a company incorporated with limited liability in China on October 28, 2014, and one of our Consolidated Affiliated Entities
“Share(s)”	ordinary share(s) in the share capital of our Company, currently with a par value of US\$0.000025 each
“Shareholder(s)”	holder(s) of the Share(s)
“STAR market”	Science and Technology Innovation Board of Shanghai Stock Exchange
“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

DEFINITIONS (CONTINUED)

“Tianjin Huahuang”	Tianjin Huahuang Enterprise Management Advisors Partners, L.P. (天津華煌企業管理諮詢合夥企業(有限合夥)), a limited partnership registered in China on July 16, 2018, which is the general partner of Huaxing Growth Capital RMB Parallel Fund III
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars”, “U.S. dollars”, “US\$” or “USD”	United States dollars, the lawful currency of the United States
“%”	per cent

Note: Unless otherwise defined in this Interim Report, capitalised terms used herein bear the same meanings as defined in the Prospectus.



CHINA RENAISSANCE HOLDINGS LIMITED
華興資本控股有限公司

Units 8107-08, International Commerce Centre
1 Austin Road West, Kowloon, Hong Kong
+852 2287 1600
ir@chinarenaissance.com
