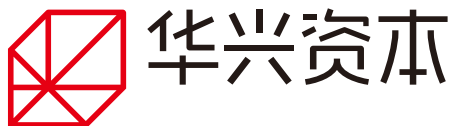




INTERIM REPORT
2023



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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xie Yi Jing (*Chairman*)
Mr. Lam Ka Cheong Jason (*Vice-Chairman*)
Mr. Du Yongbo
Mr. Wang Lixing

Non-Executive Directors

Mr. Lin Ning David
Ms. Sun Chin Hung

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. Xie Yi Jing
Mr. Zhao Yue

NOMINATION COMMITTEE

Mr. Xie Yi Jing (*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

ZHONGHUI ANDA CPA Limited
Registered Public Interest Entity Auditors
23/F, Tower 2, Enterprise Square Five,
38 Wang Chiu Road, Kowloon Bay,
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

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International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

LEGAL ADVISORS

As to Hong Kong law
Reed Smith Richards Butler

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

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Services Limited
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Hopewell Centre
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Wanchai
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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 CITIC Bank
CMB Wing Lung Bank
HSBC
SPD Silicon Valley Bank
Goldman Sachs

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,	
	2023	2022
	RMB'000	RMB'000
Total revenue	536,575	603,705
Total revenue and net investment gains or losses	584,406	512,287
Total operating expenses	(551,959)	(585,623)
Operating profit (loss)	32,447	(73,336)
Loss before tax	(112,193)	(113,959)
Income tax expenses	(50,980)	(84,079)
Loss for the period	(163,173)	(198,038)
Loss for the period attributable to owners of the Company	(180,132)	(153,735)

To supplement our financial information presented in accordance with IFRS, we also use adjusted net loss 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 loss 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,	
	2023 RMB'000	2022 RMB'000
Loss for the period attributable to owners of the Company	(180,132)	(153,735)
Add:		
Share-based payment expenses	41,280	70,923
Change in fair value of call option	152,990	(1,490)
Subtotal before adjustments relating to carried interest	14,138	(84,302)
Add:		
Reversal of unrealized net carried interest ⁽¹⁾	(175,367)	(86,732)
Non-IFRS Measure: Adjusted net loss attributable to owners of the Company (unaudited)⁽²⁾	(161,229)	(171,034)

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,	
	2023 RMB'000	2022 RMB'000
Reversal of unrealized income from carried interest	(567,710)	(309,103)
Reversal of carried interest to management team and other parties	392,343	222,371
Reversal of unrealized net carried interest	(175,367)	(86,732)

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 of June 30, 2023, accumulated unrealized income from carried interest and unrealized net carried interest were RMB3.2 billion and RMB0.9 billion, respectively. 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 loss attributable to owners of the Company as 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) reversal of unrealized income from carried interest, and (iv) reversal of carried interest to management team and other parties.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the first half of 2023, the financial market environment remained grim: The Hong Kong IPO market has been sluggish since last year, and it continued to underperform in the first half of this year. US-listed Chinese stocks have seen a significant decline in fundraising. Domestic investment sentiment in private financing market was weak, with only US\$15.8 billion invested in the second quarter, reaching a trough both in terms of volume and project numbers. In the face of the complicated external environment, China Renaissance maintained its strategic focus. Despite Mr. Bao Fan's cooperation with relevant authority's investigation which has put pressure on the Group's business development since February 2023, the overall business and development of the Group remained stable. As at the end of the Reporting Period, the number of employees of the Group was 639, representing a decrease of approximately 15% as compared to the end of 2022. The total revenue and net investment income for the first half of the year of the Group amounted to RMB584 million, representing a year-on-year increase of 14%.

Investment management business accounted for 52% of the Group's total revenue in the first half of the year. In spite of market challenges, fund management fees of the Group remained relatively stable. With the continued exit of assets under management (AUM), the scale of fee-earning AUM as at the end of the period was RMB25.7 billion, with the total AUM amounting to RMB40.1 billion. The carried interest in the first half of 2023 continued to realize and provided support for the Group's financial results. During the Reporting Period, China Renaissance realized carried interest of nearly RMB100 million (with net carried interest exceeding RMB25 million), which was significantly higher than the same period last year. As at the end of the Reporting Period, gross unrealized carried interest amounted to RMB3.2 billion (with net unrealized carried interest of RMB900 million), more than half of which was from funds raised between 2013 and 2015. It is also expected to be a significant source of income for asset management and the business performance of the Group in the future. In the first half of 2023, fund investment projects such as Fenbi and SmarterMicro were successfully listed. During the Reporting Period, the Group actively exited from fund projects, with the amount totaling RMB2 billion.

Since 2023, the investment banking business of the Group has faced considerable pressure mainly affected by the lackluster performance of the HK/US IPO and domestic private financing markets. China Renaissance's transaction volume decreased year-on-year, leading to a decline in revenue. Despite notable market pressure, China Renaissance continued to maintain a competitive market position in the private financing sector. The strategic positioning in key areas of the new economy in previous years began to bear fruit in 2023, especially in new energy, hard technology and advanced manufacturing where further breakthroughs have been achieved with the completion of financing projects for companies such as Daqin Digital Energy Technology (大秦) and Talent New Energy (太藍). For the first half of 2023, revenue from new energy, new materials and advanced industrial sectors accounted for 49% of the revenue of the private financing business, compared to 3% for the same period last year. Meanwhile, it has gained fruitful results in the field of artificial general intelligence, and a number of market-leading enterprises have completed or are in the progress of financing projects in hot areas such as foundation model, AGI applications, multi mode, and embodied AI. While there was a significant year-on-year decline in primary market-related income, the equity sales and trading business in secondary market showed greater resilience, providing some support for investment banking revenue during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

BUSINESS REVIEW (CONTINUED)

CR Securities' performance in the first half of 2023 was significantly better than the same period in 2022. Total revenue and net investment income grew by 217% compared to the same period last year, with key business segments showing upward momentum. The investment banking business sustained its growth with exceptional operations. In the first half of the year, it completed a convertible bond issuance project for Sanfame (三房巷) and served as a financial advisor for projects of AaltoSemi (芯愛), UISEE (馭勢) and other hard technology enterprises. In addition, it assisted clients in completing financing for projects such as Guodong Network Communication Group (國動通信), with several other sponsorship, merger and acquisition and financial advisory projects progressing steadily. The Group also carried out strategic transformation for its retail business and optimized its client structure, achieving precise client acquisition. The number of registered users of Duoduojin APP (多多金) was over 160,000, with client assets amounting to nearly RMB900 million, which almost tripled when compared to the end of the previous year. Continuous efforts were made to explore and refine the monetization model of the retail business, resulting in an upward trend in monthly revenue and reflecting a growing significance of new revenue streams. In the first half of 2023, CR Securities adopted prudent investment strategy and recorded investment gains as compared to the investment losses in the same period of last year.

BUSINESS OUTLOOK

Although the road ahead is long and fraught with challenges, by persevering ahead we will reach our goals. In the past six months, China Renaissance has experienced the most challenging period since its establishment. With the leadership of the Board of Directors and the Executive Committee, all business segments are currently developing steadily while breakthroughs are being sought in new areas. With shared strategic vision and a united team, we are full of confidence in China Renaissance's sustainability and stability.

There are many opportunities where uncertainties lie. As China's economy transitions from pandemic prevention to a regular mode, many outstanding companies with competitive strengths are emerging domestically. China Renaissance will continue to identify and support these excellent companies and entrepreneurs, helping them grow into new industry leaders. We will continue to develop our investment management business, fulfill our responsibilities and play an active role. At the same time, our investment management business will continue its project exits, realizing carried interest and achieving returns for fund investors.

It is particularly during turbulent times that clients need more guidance from their trusted advisor, and we shall fulfill our role as a champion for our clients. China Renaissance will further strengthen its relationship with clients, continues to pivot towards new growth sectors, such as core technology, new energy and advanced manufacturing, and seize these new opportunities.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENT PERFORMANCE

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

	For the six months ended June 30,			
	2023 RMB'000	2022 RMB'000	Change RMB'000	% of change
Business Segment				
Investment Banking	112,770	232,611	(119,841)	-51.5%
Investment Management	306,468	188,086	118,382	62.9%
CR Securities	119,685	37,749	81,936	217.1%
Others	45,483	53,841	(8,358)	-15.5%
Total revenue and net investment gains or losses	584,406	512,287	72,119	14.1%

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,			
	2023 RMB'000	2022 RMB'000	Change RMB'000	% of change
Business Segment				
Investment Banking	(27,624)	(1,683)	(25,941)	1,541.4%
Investment Management	126,247	75,398	50,849	67.4%
CR Securities	(41,865)	(107,889)	66,024	-61.2%
Others	(24,311)	(39,162)	14,851	-37.9%
Operating profit (loss)	32,447	(73,336)	105,783	n.m.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENT PERFORMANCE (CONTINUED)

Investment Banking

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,			
	2023 RMB'000	2022 RMB'000	Change RMB'000	% of change
Investment Banking				
Advisory services	54,295	148,389	(94,094)	-63.4%
Equity underwriting	3,744	15,563	(11,819)	-75.9%
Sales, trading, and brokerage	54,466	67,298	(12,832)	-19.1%
Segment revenue	112,505	231,250	(118,745)	-51.3%
Net investment gains	265	1,361	(1,096)	-80.5%
Segment revenue and net investment gains	112,770	232,611	(119,841)	-51.5%
Compensation and benefit expenses	(108,991)	(176,406)	67,415	-38.2%
Impairment loss under expected credit loss model, net of reversal	29,386	—	29,386	n.m.
Other operating expenses	(60,789)	(57,888)	(2,901)	5.0%
Segment operating expenses	(140,394)	(234,294)	93,900	-40.1%
Segment operating loss	(27,624)	(1,683)	(25,941)	1,541.4%

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,			
	2023	2022	Change	% of change
	RMB in million	RMB in million	RMB in million	
Transaction Value				
Advisory services	11,374	14,408	(3,034)	-21.1%
Equity underwriting	75	2,839	(2,764)	-97.4%
Total	11,449	17,247	(5,798)	-33.6%

Segment Revenue and Net Investment Gains

Investment banking revenue and net investment gains were RMB112.8 million for the six months ended June 30, 2023, a decrease of 51.5% from RMB232.6 million for the six months ended June 30, 2022. This decrease was mainly attributable to the significantly reduced financing activities in private placement market, resulting in lower advisory services revenue to the Group.

Segment Operating Expenses

For the investment banking segment, segment operating expenses decreased by 40.1% from RMB234.3 million for the six months ended June 30, 2022 to RMB140.4 million for the six months ended June 30, 2023, which was primarily attributed to the decrease in compensation and benefit expenses from RMB176.4 million for the six months ended June 30, 2022 to RMB109.0 million for the six months ended June 30, 2023.

Segment Operating Loss

For the investment banking segment, segment operating loss was RMB27.6 million and RMB1.7 million for the six months ended June 30, 2023 and 2022, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENT PERFORMANCE (CONTINUED)

Investment Management

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,		Change RMB in million	% of change
	2023 RMB in million	2022 RMB in million		
Investment Management				
Management fees	227,544	251,002	(23,458)	-9.3%
Realized income from carried interest	94,218	32,752	61,466	187.7%
Interest income	14,690	6,332	8,358	132.0%
Segment revenue	336,452	290,086	46,366	16.0%
Net investment losses	(29,984)	(102,000)	72,016	-70.6%
Segment revenue and net investment losses	306,468	188,086	118,382	62.9%
Compensation and benefit expenses	(62,702)	(54,588)	(8,114)	14.9%
Finance costs	(10,313)	(9,181)	(1,132)	12.3%
Carried interest to management team and other parties	(69,149)	(18,335)	(50,814)	277.1%
Investment losses attributable to interest holders of consolidated structured entities	14,434	21,263	(6,829)	-32.1%
Impairment loss under expected credit loss model, net of reversal	5	(7,179)	7,184	n.m.
Other operating expenses	(52,496)	(44,668)	(7,828)	17.5%
Segment operating expenses	(180,221)	(112,688)	(67,533)	59.9%
Segment operating profit	126,247	75,398	50,849	67.4%
Segment operating margin	41.2%	40.1%		

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, 2022	1,363,650	1,092,716
Invested Capital	17,618	6,699
Distribution	(43,406)	(8,479)
Change in value	(65,767)	3,934
Effect of exchange rate change	19,310	32,941
Balance at June 30, 2023	1,291,405	1,127,811

As of June 30, 2023, the internal rate of return of investments in our own private equity funds and investments in third-party private equity funds was 22.6% and 21.4%, respectively.

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

	As of June 30, 2023 RMB in million	As of December 31, 2022 RMB in million
Committed Capital	36,181	36,551
Invested Capital	31,009	30,424
Fair Value of Investments	58,003	58,692
Fee-earning AUM	25,747	26,904
AUM	40,077	42,896

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	Realized Investments ⁽¹⁾	Unrealized Investments	Gross Multiple		
	Capital	Invested capital	Fair Value	Invested capital	Fair Value	of Invested Capital ⁽²⁾
As of June 30, 2023						
Main Funds ⁽³⁾	29,944	5,338	16,147	18,455	29,146	1.9
Project Funds	6,237	2,976	7,175	4,240	5,535	1.8
Total	36,181	8,314	23,322	22,695	34,681	1.9
As of December 31, 2022						
Main Funds ⁽³⁾	29,516	4,655	14,138	18,653	32,228	2.0
Project Funds	7,035	2,819	7,012	4,297	5,314	1.7
Total	36,551	7,474	21,150	22,950	37,542	1.9

- (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, 2023 and December 31, 2022, we managed eleven main private equity funds, including eight under our Huaxing Growth Capital and three under our Huaxing Healthcare Capital.

Segment Revenue and Net Investment Losses

For the investment management segment, management fees decreased by 9.3% from RMB251.0 million for the six months ended June 30, 2022 to RMB227.5 million for the six months ended June 30, 2023. This decrease was primarily due to the decrease in fee-earning AUM with the distribution of funds in the second half of 2022 and first half of 2023. 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 losses were RMB30.0 million and RMB102.0 million for the six months ended June 30, 2023 and 2022, respectively. Volatilities in secondary markets still affected the mark-to-market valuations in our investment management business, despite our active management of public market positions within investment portfolios.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENT PERFORMANCE (CONTINUED)

Investment Management (Continued)

Segment Revenue and Net Investment Losses (Continued)

As of June 30, 2023, the total return of three main funds and seven project funds 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. During the six months ended June 30, 2023, RMB94.2 million of realized income from carried interest from two main funds and three project funds was recognized, which increased from RMB32.8 million for the six months ended June 30, 2022.

Segment Operating Expenses

For the investment management segment, segment operating expenses increased by 59.9% from RMB112.7 million for the six months ended June 30, 2022 to RMB180.2 million for the six months ended June 30, 2023. This increase was primarily due to the increase in carried interest to management team and other parties.

Segment Operating Profit

For the investment management segment, segment operating profit increased by 67.4% from RMB75.4 million for the six months ended June 30, 2022 to RMB126.2 million for the six months ended June 30, 2023. Segment operating margin was 41.2% and 40.1% for the six months ended June 30, 2023 and 2022, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENT PERFORMANCE (CONTINUED)

CR Securities

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,			
	2023 RMB'000	2022 RMB'000	Change RMB'000	% of change
CR Securities				
Transaction and advisory fees	40,670	49,681	(9,011)	-18.1%
Interest income	6,676	10,052	(3,376)	-33.6%
Segment revenue	47,346	59,733	(12,387)	-20.7%
Net investment gains (losses)	72,339	(21,984)	94,323	n.m.
Segment revenue and net investment gains or losses	119,685	37,749	81,936	217.1%
Compensation and benefit expenses	(105,536)	(103,993)	(1,543)	1.5%
Investment gains attributable to interest holders of consolidated structured entities	—	(122)	122	-100.0%
Impairment loss under expected credit loss model, net of reversal	869	20	849	4,245.0%
Finance cost	(8,602)	(11,623)	3,021	-26.0%
Other operating expenses	(48,281)	(29,920)	(18,361)	61.4%
Segment operating expenses	(161,550)	(145,638)	(15,912)	10.9%
Segment operating loss	(41,865)	(107,889)	66,024	-61.2%

Segment Revenue and Net Investment Gains or Losses

For the CR Securities segment, segment revenue and net investment gains were RMB119.7 million for the six months ended June 30, 2023, an increase of 217.1% from RMB37.7 million for the six months ended June 30, 2022. This increase was primarily due to increase in investment income from principal investment and co-investment in previously underwritten IPO project on Science and Technology Innovation Board.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENT PERFORMANCE (CONTINUED)

CR Securities (Continued)

Segment Operating Expenses

For the CR Securities segment, segment operating expenses increased by 10.9% from RMB145.6 million for the six months ended June 30, 2022 to RMB161.6 million for the six months ended June 30, 2023. This increase was primarily due to the increase in other operating expenses, resulting from the advancement of innovative brokerage business, which was in line with the increase in innovative brokerage revenue.

Segment Operating Loss

For the CR Securities segment, segment operating loss was RMB41.9 million and RMB107.9 million for the six months ended June 30, 2023 and 2022, respectively.

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,			
	2023 RMB'000	2022 RMB'000	Change RMB'000	% of change
Others				
Segment revenue	40,272	22,636	17,636	77.9%
Segment revenue and net investment gains	45,483	53,841	(8,358)	-15.5%
Compensation and benefit expenses	(43,174)	(44,472)	1,298	-2.9%
Impairment loss under expected credit loss model, net of reversal	3,323	29	3,294	11,358.6%
Finance cost	(22,586)	(22,201)	(385)	1.7%
Other operating expenses	(7,357)	(26,359)	19,002	-72.1%
Segment operating expenses	(69,794)	(93,003)	23,209	-25.0%
Segment operating loss	(24,311)	(39,162)	14,851	-37.9%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SEGMENT PERFORMANCE (CONTINUED)

Others (Continued)

Segment Revenue and Net Investment Gains

For the others segment, total revenue and net investment gains were RMB45.5 million for the six months ended June 30, 2023, decreased by 15.5% from RMB53.8 million for the six months ended June 30, 2022.

Segment Operating Expenses

For the others segment, segment operating expenses decreased by 25.0% from RMB93.0 million for the six months ended June 30, 2022 to RMB69.8 million for the six months ended June 30, 2023.

Segment Operating Loss

For the others segment, segment operating loss was RMB24.3 million and RMB39.2 million for the six months ended June 30, 2023 and 2022, respectively.

RESULTS OF OPERATIONS

Revenue and Net Investment Gains or Losses

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

	For the six months ended June 30,		Change RMB'000	% of change
	2023 RMB'000	2022 RMB'000		
Transaction and advisory fees	153,175	280,931	(127,756)	-45.5%
Management fees	239,380	267,133	(27,753)	-10.4%
Interest income	49,802	22,889	26,913	117.6%
Realized income from carried interest	94,218	32,752	61,466	187.7%
Total revenue	536,575	603,705	(67,130)	-11.1%
Net investment gains (losses)	47,831	(91,418)	139,249	n.m.
Total revenue and net investment gains or losses	584,406	512,287	72,119	14.1%

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Revenue and Net Investment Gains or Losses (Continued)

Total revenue was RMB536.6 million for the six months ended June 30, 2023, a decrease of 11.1% from RMB603.7 million for the six months ended June 30, 2022.

- Transaction and advisory fees were RMB153.2 million, a decrease of 45.5% from the prior period.
- Management fees were RMB239.4 million, a decrease of 10.4% from the prior period.
- Interest income was RMB49.8 million, an increase of 117.6% from the prior period.
- Realized income from carried interest was RMB94.2 million, an increase of 187.7% from the prior period.

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. Net investment gains were RMB47.8 million for the six months ended June 30, 2023, as compared to RMB91.4 million of net investment losses for the six months ended June 30, 2022.

Total revenue and net investment gains were RMB584.4 million for the six months ended June 30, 2023, an increase of 14.1% from RMB512.3 million for the six months ended June 30, 2022.

Operating Expenses

Total operating expenses decreased by 5.7% from RMB585.6 million for the six months ended June 30, 2022 to RMB552.0 million for the six months ended June 30, 2023.

Compensation and benefit expenses decreased by 15.6% from RMB379.5 million for the six months ended June 30, 2022 to RMB320.4 million for the six months ended June 30, 2023. Among compensation and benefit expenses, share-based compensation decreased by 41.8% from RMB70.9 million for the six months ended June 30, 2022 to RMB41.3 million for the six months ended June 30, 2023.

Finance costs decreased by 3.5% from RMB43.0 million for the six months ended June 30, 2022 to RMB41.5 million for the six months ended June 30, 2023.

Reversal of impairment losses under expected credit loss model was RMB33.6 million for the six months ended June 30, 2023, as compared to RMB7.1 million of provision of impairment losses under expected credit loss model for the six months ended June 30, 2022.

Investment losses attributable to interest holders of consolidated structured entities were RMB14.4 million and RMB21.1 million for the six months ended June 30, 2023 and 2022, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Operating Expenses (Continued)

Carried interest to management team and other parties increased from RMB18.3 million for the six months ended June 30, 2022 to RMB69.1 million for the six months ended June 30, 2023, in line with the increase in income from carried interest.

Other operating expenses increased by 6.4% from RMB158.8 million for the six months ended June 30, 2022 to RMB168.9 million for the six months ended June 30, 2023.

Operating Profit (Loss)

Operating profit was RMB32.4 million for the six months ended June 30, 2023, as compared to RMB73.3 million of operating loss for the six months ended June 30, 2022.

Other Income, Gains or Losses

Other gains were RMB7.9 million for the six months ended June 30, 2023, as compared to RMB5.4 million of other losses for the six months ended June 30, 2022. Other gains or losses mainly came from government grants, net exchange loss, gain on partially disposal of an associate. Please refer to the Note 5 to the condensed consolidated financial statements for further details.

Investment Loss arising from Certain Incidental and Ancillary Investments

Incidental to, and ancillary of, our business operations, we have made investments from time to time, the primary types of which include strategic minority equity investments. Usually we make strategic minority equity investments primarily to establish long-term business relationships with selected companies to facilitate our business. These companies operate in various new economy sectors, such as data service and information technology, and we leverage their expertise to enhance our various business operations.

Investment loss arising from certain incidental and ancillary investments decreased from RMB30.2 million for the six months ended June 30, 2022 to nil for the six months ended June 30, 2023.

Share of Results of Associates

Share of gain of associates was RMB0.4 million for the six months ended June 30, 2023, as compared to RMB2.3 million of share of loss of associates for the six months ended June 30, 2022.

Share of Results of Joint Ventures

Share of loss of joint ventures decreased from RMB4.2 million for the six months ended June 30, 2022 to nil for the six months ended June 30, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

RESULTS OF OPERATIONS (CONTINUED)

Change in Fair Value of Call Option

The Special Administrative Measures for Access of Foreign Investment (Negative List) (2018 Edition) was promulgated on June 28, 2018 and became effective on July 28, 2018, pursuant to which the limit of ownership percentage by foreign investors in a securities company increased from 49% to 51%. On March 13, 2020, the CSRC announced an elimination of foreign equity cap in securities companies starting from April 1, 2020. Qualified foreign investors can render applications to establish new wholly-owned securities companies or change actual controllers in their existing joint ventures according to Chinese laws, regulations and applicable rules and service guides of the CSRC. Our call option to acquire the non-controlling interests in CR Securities is substantially exercisable and is mandatorily measured at fair value through profit or loss as a derivative in accordance with IFRS. A loss of RMB153.0 million for the six months ended June 30, 2023 was recorded under the change in fair value of call option.

Loss before Tax

Loss before tax was RMB112.2 million and RMB114.0 million for the six months ended June 30, 2023 and 2022, respectively.

Income Tax Expense

Income tax expense was RMB51.0 million and RMB84.1 million for the six months ended June 30, 2023 and 2022, respectively. The decrease was primarily due to less taxable income generated for the six months ended June 30, 2023.

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

Loss for the period was RMB163.2 million and RMB198.0 million for the six months ended June 30, 2023 and 2022, respectively. Loss attributable to owners of the Company was RMB180.1 million and RMB153.7 million for the six months ended June 30, 2023 and 2022, respectively.

Adjusted Net Loss Attributable to Owners of the Company

Adjusted net profit attributable to owners of the Company without unrealized net carried interest was RMB14.1 million for the six months ended June 30, 2023, as compared to RMB84.3 million of adjusted net loss attributable to owners of the Company without unrealized net carried interest for the six months ended June 30, 2022. Unrealized net carried interest, calculated as unrealized income from carried interest subtracting carried interest to management team and other parties, was a reverse of RMB175.4 million and a reverse of RMB86.7 million for the six months ended June 30, 2023 and 2022, respectively. Adjusted net loss attributable to owners of the Company with unrealized net carried interest was RMB161.2 million and RMB171.0 million for the six months ended June 30, 2023 and 2022, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CASH FLOWS

During the six months ended June 30, 2023, 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 development.

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, 2023, we had aggregate cash and cash equivalents of RMB1,083.2 million. Excluding CR Securities, we had cash and cash equivalents of RMB996.2 million. As of June 30, 2023, the Group had RMB1,782.8 million of cash and cash equivalents and highly liquid cash management products. Besides, the Group also had RMB2,261.1 million of highly liquid financial assets which mainly comprise of listed corporate bonds.

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) loss before income tax adjusted for non-cash and non-operating items, such as depreciation of property and equipment, amortization of intangible assets, interest income, finance costs, change in fair value of call option, net investment gains or losses, investment losses attributable to interest holders of consolidated structured entities, investment loss arising from certain incidental and ancillary investments, gain on partially disposal of an associate, impairment losses under expected credit loss model, net of reversal, 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, financial assets purchased under resale agreements, amounts due from related parties, amounts due to related parties, cash held on behalf of brokerage clients, financial assets sold under repurchase agreements, accounts and other payables, payable to brokerage clients 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.

For the six months ended June 30, 2023, we had net cash generated from operating activities of RMB887.3 million, resulting from our loss before income tax of RMB112.2 million adjusted for non-cash and non-operating items of RMB139.2 million, income tax payment of RMB85.7 million, interest earned of RMB32.2 million and positive movements in working capital of RMB913.8 million. Positive movements in working capital primarily reflected: (i) a decrease of RMB831.6 million in accounts and other receivables in connection with our business operations, (ii) a decrease of RMB428.0 million in amounts due from related parties, (iii) a decrease of RMB278.4 million in financial assets at fair value through profit or loss, (iv) an increase of RMB243.6 million in financial assets sold under repurchase agreements, (v) a decrease of RMB130.1 million in cash held on behalf of brokerage clients, (vi) an increase of RMB106.8 million in contract liabilities, (vii) a decrease of RMB4.8 million in financial assets purchased under resale agreements, and offset by (viii) a decrease of RMB978.8 million in accounts and other payables, (ix) a decrease of RMB130.1 million in payable to brokerage clients, and (x) a decrease of RMB0.7 million in amounts due to related parties.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CASH FLOWS (CONTINUED)

Cash Flows from Operating Activities (Continued)

For the six months ended June 30, 2022, we had net cash used in operating activities of RMB249.7 million, resulting from our loss before income tax of RMB114.0 million adjusted for non-cash and non-operating items of RMB227.8 million, income tax payment of RMB93.0 million, interest earned of RMB9.5 million and negative movements in working capital of RMB280.1 million. Negative movements in working capital primarily reflected: (i) an increase of RMB130.9 million in accounts and other receivables in connection with our business operations, (ii) an increase of RMB56.8 million in amounts due from related parties, (iii) a decrease of RMB11.7 million in amounts due to related parties, (iv) an increase of RMB581.3 million in cash held on behalf of brokerage clients, (v) an increase of RMB30.9 million in financial assets at fair value through profit or loss, (vi) a decrease of RMB298.9 million in financial assets sold under repurchase agreements, and offset by (vii) a decrease of RMB103.3 million in financial assets purchased under resale agreements, (viii) an increase of RMB67.6 million in accounts and other payables, (ix) an increase of RMB581.3 million in payable to brokerage clients, and (x) an increase of RMB78.3 million in contract liabilities.

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, 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, 2023, net cash generated from investing activities was RMB743.3 million, primarily due to (i) net proceeds of RMB471.6 million from the maturity of term deposits, (ii) net proceeds of RMB209.2 million from disposal of financial assets at fair value through other comprehensive income, (iii) proceeds of RMB58.9 million from pledge bank deposits, (iv) investment returns of RMB43.4 million received from associates, (v) interest received of RMB23.6 million, (vi) proceeds of RMB12.6 million from disposal of financial assets at fair value through profit or loss and (vii) repayment of RMB10.0 million of loans receivable, and offset by (viii) cash outflows for the purchase of financial assets at fair value through profit or loss of RMB35.4 million, (ix) loans to third parties of RMB27.0 million, (x) acquisition of investments in associates of RMB17.6 million, (xi) purchase of intangible assets of RMB4.6 million and (xii) purchase of property and equipment of RMB1.1 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CASH FLOWS (CONTINUED)

Cash Flows from Investing Activities (Continued)

For the six months ended June 30, 2022, net cash generated from investing activities was RMB390.2 million, primarily due to (i) proceeds of RMB648.3 million from disposal of financial assets at fair value through profit or loss, (ii) net proceeds of RMB214.6 million from the maturity of term deposits, (iii) investment returns of RMB43.0 million received from associates, (iv) net cash inflows of RMB37.4 million from foreign currency forward contracts, (v) repayment of RMB14.1 million from related parties, (vi) interest received of RMB7.6 million and (vii) proceeds of RMB3.4 million from disposal of other financial assets, and offset by (viii) loans to third parties of RMB177.3 million, (ix) acquisition of investments in associates of RMB142.1 million, (x) cash outflows for the purchase of financial assets at fair value through profit or loss of RMB210.9 million, (xi) purchase of intangible assets of RMB19.8 million, (xii) advance to related parties of RMB15.1 million and (xiii) purchase of property and equipment of RMB1.3 million.

Cash Flows from Financing Activities

Financing activities primarily consist of issuances of ordinary shares for share option exercised, bank borrowings, structured notes, cash injection by third-party holders to consolidated structured entities, capital contribution from non-controlling shareholders, purchase of shares to be held under share award scheme, repurchase of shares, distribution of dividends to non-controlling shareholders, cash repayment to third-party holders of consolidated structured entities, repayment of lease liabilities, repayments of financial liabilities at fair value through profit or loss, and interest paid on the banking borrowings.

For the six months ended June 30, 2023, net cash used in financing activities was RMB2,210.9 million, primarily due to (i) repayment of bank borrowings of RMB2,170.6 million, (ii) redemption of structured notes of RMB115.8 million, (iii) interest paid for the bank borrowing of RMB44.0 million, (iv) repayments of leases liabilities of RMB29.7 million, (v) cash repayment to third-party holders of consolidated structured entities of RMB19.0 million and (vi) distribution of RMB3.8 million to non-controlling shareholders, and offset by (vii) proceeds of RMB100.5 million from issuance of structured notes, (viii) proceeds of RMB67.9 million from bank borrowings and (ix) cash injection by third-party holders of consolidated structured entities of RMB2.5 million.

For the six months ended June 30, 2022, net cash used in financing activities was RMB86.6 million, primarily due to (i) repayment of bank borrowings of RMB166.4 million, (ii) cash repayment to third-party holders of consolidated structured entities of RMB20.8 million, (iii) redemption of structured notes of RMB171.3 million, (iv) repayments of leases liabilities of RMB26.7 million, (v) distribution of RMB13.2 million to non-controlling shareholders, (vi) interest paid for the bank borrowing of RMB35.0 million and (vii) payment of RMB24.8 million on repurchase of Shares, and offset by (viii) proceeds of RMB169.7 million from bank borrowings, (ix) proceeds of RMB20.5 million from issuance of ordinary shares for share options exercised, (x) cash injection by third-party holders of consolidated structured entities of RMB27.9 million and (xi) proceeds of RMB153.4 million from issuance of structured notes.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of June 30, 2023, 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 is aware of the need to use capital for further business development, continuously seeking various means of financing. The Group actively reduced the debt level in the first half of 2023. As of June 30, 2023, the Group had RMB78.9 million of outstanding bank borrowings and held credit facilities from authorized institutions in aggregate principal amount of RMB2,590.5 million. As of June 30, 2023, the Group had RMB1,782.8 million of cash and cash equivalents and highly liquid cash management products. Besides, the Group also had RMB2,261.1 million of highly liquid financial assets which mainly comprise of listed corporate bonds.

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 16.4% as of June 30, 2023, compared with 31.6% as of December 31, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

SIGNIFICANT INVESTMENTS HELD

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

	As of June 30, 2023 RMB'000	As of December 31, 2022 RMB'000
Investments in our own private equity funds in our capacity as a general partner and limited partner	1,291,405	1,363,650
Investments in third-party private equity funds in our capacity as a limited partner	1,127,811	1,092,716
Strategic minority equity investments		
— Investments in the form of preferred shares of other companies	286,301	278,222
— Equity holdings in non-associate companies	212,331	212,331
Total	2,917,848	2,946,919

As of June 30, 2023, the Group had investments of our primary investment activities amounting to an aggregate of approximately RMB2,917.8 million measured in fair value, which decreased by 1.0% as compared to December 31, 2022. Each investment was individually less than 5% of the total assets of the Group as of June 30, 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group did not have any plans for material investments and capital assets as at June 30, 2023.

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, 2023.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2023, we had 639 full-time employees, including over 85% advisory and investment professionals.

The following table sets forth the number of our employees by function as of June 30, 2023.

Function	Number of Employees	Percentage
Investment Banking	164	26%
Investment Management	65	10%
CR Securities	287	45%
Others	26	4%
Group Middle and Back Office	97	15%
Total	639	100%

The following table sets forth the number of our employees by geographic region as of June 30, 2023.

Geographic Region	Number of Employees	Percentage
Beijing, China	264	41%
Shanghai, China	222	35%
Other cities in China	46	7%
Hong Kong, China	92	15%
United States	12	2%
Singapore	3	—%
Total	639	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, 2023, 106 grantees held options granted under the ESOP (as defined in the Prospectus) and restricted shares under the RSU Plan (as defined in the Prospectus) which remained outstanding. The total remuneration expenses, including share-based payment expense, for the six months ended June 30, 2023 were RMB320.4 million, representing a decrease of 15.6% as compared to six months ended June 30, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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, 2023, we did not hedge or used any financial instruments for hedging purposes.

PLEDGE OF ASSETS

As of June 30, 2023, no assets of the Group were pledged.

CONTINGENT LIABILITIES

As of June 30, 2023, 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, 2023.

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

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

No dividends have been declared or paid by the Company during the six months ended June 30, 2023. The following table sets forth our dividend declarations for the periods indicated.

	For the six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
Dividends to the Shareholders	—	201,114

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, 2023, 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 C3 to the Listing Rules were as follows:

(i) Long positions in Shares and underlying Shares

Name of Director	Capacity	Number of ordinary shares	Approximate percentage of holding ⁽¹⁾
Mr. Bao ⁽²⁾	Interest in a controlled corporation	230,367,332	40.53%
	Settlor of a trust who can influence how the trustee exercises the voting power of its shares	25,277,192	4.45%
	Beneficial owner	5,052,600	0.89%
	Beneficiary of a trust	3,256,724	0.57%
	Other	13,179,462	2.32%
Mr. Xie Yi Jing ⁽³⁾	Beneficial owner	400,000	0.07%
	Beneficiary of a trust	824,234	0.15%
Mr. Wang Lixing ⁽⁴⁾	Beneficial owner	2,721,092	0.48%
	Beneficiary of a trust	1,729,591	0.30%
Mr. Liu Xing	Beneficial owner	506,504	0.09%
	Interest of spouse	4,851	0.0009%

Notes:

- The calculation is based on the total number of 568,397,776 Shares in issue as at June 30, 2023.
- FBH Partners owns 81.73% equity interest in CR Partners. Mr. Bao owns 79% of the equity interest in FBH Partners, and as a result of a voting proxy granted by Ms. Hui Yin Ching, Mr. Bao's spouse, the 21% owner of FBH Partners, over all her equity interests in FBH Partners, Mr. Bao controls 100% of the voting power at the general meetings of FBH Partners. Under the SFO, Mr. Bao is deemed to be interested in the 218,127,332 Shares held by CR Partners. In addition, Mr. Bao owns 100% equity interest in Best Fellowship Limited. Under the SFO, Mr. Bao is deemed to be interested in the 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 25,277,192 Shares held through Sky Allies Development Limited for the trust, under the SFO, Mr. Bao is also deemed to be interested in the 25,277,192 Shares held by Sky Allies Development Limited. Separately, Mr. Bao directly holds 4,972,600 Shares and is entitled to receive 80,000 Shares pursuant to the exercise of his options granted under the ESOP. Accordingly, Mr. Bao is the beneficial owner of an aggregate interest in 5,052,600 Shares. Additionally, pursuant to the RSU Plan of the Company, Mr. Bao is a beneficiary of 3,256,724 Shares held by Go Perfect Development Limited, a trust under the RSU Plan. Separately, Mr. Bao is entitled to use the voting rights in respect of 13,179,462 Shares held by Go Perfect Development Limited in accordance with the terms of the RSU Plan.
- 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 824,234 Shares held by Go Perfect Development Limited, a trust under the RSU Plan.
- Mr. Wang Lixing is entitled to receive 2,721,092 Shares pursuant to the exercise of his options granted under the ESOP and 1,219,591 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.

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⁾
	Huaxing Growth Capital Partners Feeder, L.P.	Interest held as a limited partner through controlled corporation ⁽¹⁾	Not applicable	Not applicable

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, 2023, 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, 2023, 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	Long position	218,127,332	38.38%
FBH Partners ⁽²⁾	Interest in a controlled corporation	Long position	218,127,332	38.38%
Mr. Li Shujun ⁽³⁾	Interest in a controlled corporation	Long position	35,390,872	6.23%
FIL Limited ⁽⁴⁾	Interest in a controlled corporation	Long position	44,214,300	7.78%
Pandanus Associates Inc. ⁽⁴⁾	Interest in a controlled corporation	Long position	44,214,300	7.78%
Pandanus Partners L.P. ⁽⁴⁾	Interest in a controlled corporation	Long position	44,214,300	7.78%
Brown Brothers Harriman & Co. ⁽⁵⁾	Approved lending agent	Long position	29,137,880	5.13%
	Approved lending agent	Lending pool	29,137,880	5.13%

Notes:

- The calculation is based on the total number of 568,397,776 Shares in issue as at June 30, 2023.
- FBH Partners owns 81.73% equity interest in CR Partners. Mr. Bao owns 79% of the equity interest in FBH Partners, and as a result of a voting proxy granted by Ms. Hui Yin Ching, Mr. Bao's spouse, the 21% owner of FBH Partners, over all her equity interests in FBH Partners, Mr. Bao controls 100% of the voting power at the general meetings of FBH Partners. Under the SFO, Mr. Bao is deemed to be interested in the 218,127,332 Shares held by CR Partners.
- 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 19,869,350 Shares held by Greenhouse CR Holdings Co., Ltd. and the 15,521,522 Shares held by Greenhouse CR Holdings II Co., Ltd. in the capacity of holders of interests in controlled corporations as opposed to beneficial owners.
- Based on the Corporate Substantial Shareholders Notices dated 7 March 2023 and filed by Pandanus Associates Inc., Pandanus Partners L.P. and FIL Limited with the Hong Kong Stock Exchange, Pandanus Associates Inc. holds 100% interest in Pandanus Partners L.P. and Pandanus Partners L.P. holds 38.71% interest in FIL Limited.
- Based on the Corporate Substantial Shareholders Notice dated 7 February 2023 filed by Brown Brothers Harriman & Co. with the Hong Kong Stock Exchange.

OTHER INFORMATION (CONTINUED)

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

Save as disclosed above, so far as is known to any Director or the chief executive of the Company, as at June 30, 2023, 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 which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under section 336 of the SFO.

SHARE INCENTIVE 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, 2023, (a) our Directors were holding unexercised options under the ESOP to subscribe for a total of 3,201,092 Shares, representing 0.56% 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 14,429,688 Shares, representing approximately 2.54% 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, 2022	Exercised during the Reporting Period	Cancelled/ Lapsed during the Reporting Period	Outstanding as at June 30, 2023
Director								
Mr. Bao	April 1, 2018	5 years from the date of grant	15 years from the date of grant	US\$0.75	80,000	–	–	80,000
Mr. Xie Yi Jing	April 1, 2018	5 years from the date of grant	15 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	15 years from the date of grant	US\$0.25	350,000	–	–	350,000
	January 1, 2016	5 years from the date of grant	15 years from the date of grant	US\$0.625	771,092	–	–	771,092
	April 1, 2017	5 years from the date of grant	15 years from the date of grant	US\$0.625	700,000	–	–	700,000
	April 1, 2018	5 years from the date of grant	15 years from the date of grant	US\$0.75	900,000	–	–	900,000
Other grantees								
In aggregate	Between November 5, 2012 and April 1, 2018	Up to 5 years from the date of grant or specific date	15 years from the date of grant	Between US\$0.25 and US\$0.75	14,489,688	–	60,000	14,429,688
Total					17,690,780	–	60,000	17,630,780

OTHER INFORMATION (CONTINUED)

SHARE INCENTIVE SCHEMES (CONTINUED)

1. Employee's Share Option Plan (Continued)

Details of the movements during the six months ended June 30, 2023 of the options granted under the ESOP are as follows:

Date of grant	Number of share options				As at June 30, 2023	Exercise price	Exercise period
	As at December 31, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period			
November 5, 2012	440,000	—	—	—	440,000	US\$0.25	2023
January 1, 2013	0	—	—	—	0	US\$0.375	2023
May 13, 2013	300,000	—	—	—	300,000	US\$0.25	2023
January 1, 2014	626,000	—	—	—	626,000	US\$0.25	2023
January 1, 2015	4,682,000	—	—	—	4,682,000	US\$0.25	2023
October 1, 2015	62,500	—	—	—	62,500	US\$0.25	2023
January 1, 2016	1,249,092	—	—	—	1,249,092	US\$0.625	2023
January 1, 2016	200,000	—	—	—	200,000	US\$0.25	2023
July 1, 2016	470,000	—	—	—	470,000	US\$0.625	2023
January 1, 2017	0	—	—	—	0	US\$0.625	2023
April 1, 2017	3,251,000	—	—	—	3,251,000	US\$0.625	2023
October 1, 2017	320,000	—	—	—	320,000	US\$0.625	2023
April 1, 2018	6,090,188	—	—	60,000	6,030,188	US\$0.75	2023

No options under the ESOP were granted during the six months ended June 30, 2023. 60,000 options under the ESOP were cancelled during the six months ended June 30, 2023.

2. RSU Plan

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

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

During the six months ended June 30, 2023, no RSU was granted by the Company in accordance with the terms of the RSU Plan.

OTHER INFORMATION (CONTINUED)

SHARE INCENTIVE SCHEMES (CONTINUED)

2. RSU Plan (Continued)

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

Name of Director	Date of grant	Granted on the relevant grant date	Vested during the Reporting Period	Forfeited during the Reporting Period	Vesting Period
Mr. Bao Fan	April 1, 2019	762,435	–	–	April 1, 2019–July 1, 2023
	April 1, 2020	511,898	–	–	April 1, 2020–April 1, 2023
	April 1, 2021	900,787	–	–	April 1, 2021–April 1, 2024
	April 1, 2022	1,395,428	–	–	April 1, 2022–April 1, 2025
Mr. Xie Yi Jing	April 1, 2019	182,983	–	–	April 1, 2019–July 1, 2023
	April 1, 2020	136,506	–	–	April 1, 2020–April 1, 2023
	April 1, 2021	133,601	–	–	April 1, 2021–April 1, 2024
	July 1, 2021	8,515	–	–	April 1, 2021–April 1, 2024
	April 1, 2022	396,174	–	–	April 1, 2022–April 1, 2025
Mr. Wang Lixing	April 1, 2019	466,380	–	–	April 1, 2019–July 1, 2023
	April 1, 2020	267,397	–	–	April 1, 2020–April 1, 2023
	April 1, 2021	323,071	–	–	April 1, 2021–April 1, 2024
	April 1, 2022	163,922	–	–	April 1, 2022–April 1, 2025
	July 1, 2022	29,913	–	–	April 1, 2022–April 1, 2025

Movements in the number of RSUs outstanding are as follows:

	Number of RSUs
As of December 31, 2022	17,285,545
Granted	0
Forfeited	(117,502)
Vested	(405,507)
Outstanding balance as of June 30, 2023	16,762,536

Number of Shares underlying the RSUs

Further details of the ESOP and the RSU Plan are set out in the section headed “Statutory and General Information” on Appendix IV of the Prospectus and Note 27 to the consolidated financial statements for the six months ended June 30, 2023.

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 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 C.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, 2023.

As of the Latest Practicable Date, Mr. Xie Yi Jing 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. Xie 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 also notes that the Executive Committee (details of which are set out below) plays a complementary role to the Chief Executive Officer in the decision-making process. 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 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, 2023.

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

No repurchases of Shares have been made by the Company during the six months ended June 30, 2023 (whether on the Stock Exchange or otherwise). Save as disclosed in this Interim Report, 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, 2023.

OTHER INFORMATION (CONTINUED)

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, 2023, approximately HK\$2,512.4 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, 2023.

	% of use of proceeds	Net proceeds from the initial public offering HK\$ million	Actual usage up to December 31, 2022 HK\$ million	Actual usage for the six months ended June 30, 2023 HK\$ million	Unutilized amount as at June 30, 2023 HK\$ million	Expected timeline of full utilisation of the balance
Expand our investment banking business	40%	1,007.0	1,007.0	–	–	–
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	215.4	31.2	5.2	2023
General corporate purposes	10%	251.8	251.8	–	–	–
Total		2,517.6	2,481.2	31.2	5.2	

OTHER INFORMATION (CONTINUED)

CHANGE IN DIRECTOR'S AND SENIOR MANAGEMENT'S INFORMATION

After the year ended December 31, 2022 and up till the Latest Practicable Date, the changes in information of Directors and senior management of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below.

With effect from February 2, 2024: (i) Mr. Bao Fan has resigned as an executive Director, the Chairman of the Board, the Chief Executive Officer of the Company, the chairman of the Nomination Committee, the chairman of the Executive Committee and member of the Remuneration Committee; (ii) Mr. Xie Yi Jing was appointed as the Chairman of the Board, the Chief Executive Officer of the Company, the chairman of the Nomination Committee, the chairman of the Executive Committee and member of the Remuneration Committee; (iii) Mr. Lam Ka Cheong Jason was appointed as an executive Director and Vice-Chairman of the Board; (iv) Mr. Du Yongbo was appointed as an executive Director; (v) each of Mr. Wang Lixing and Mr. Du Yongbo was appointed as Co-President of the Group, in addition to their role as executive Director; and (vi) Ms. Sun Chin Hung was appointed as a non-executive Director. Please refer to the Company's announcement dated February 2, 2024 in relation to the changes of directors and senior management for more details.

Save as above, as at the Latest Practicable Date, there is no change in information of the Directors and senior management 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

The Company did not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules during the six months ended June 30, 2023.

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, 2023, (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 RMB32,751,680 was received by the general partner of the relevant investment funds as set out below:

Name of relevant investment funds	Amount of carried interest received by the general partner of the fund (RMB)
Huaxing Growth Capital USD Fund I	9,334,950
Huaxing Growth Capital USD Fund II	2,307,110
Project fund(s)	21,109,620

OTHER INFORMATION (CONTINUED)

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. 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, 2023 and the Interim Report. 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.

As disclosed in the Company's announcement dated December 13, 2023 and the section headed "Subsequent Events After the Reporting Period" below, Deloitte Touche Tohmatsu ("**Deloitte**") resigned as the auditor of the Company with effect from December 13, 2023, and confirmed in its letter of resignation that there are no matters in relation to its resignation that need to be brought to the attention of the members of the Company. The Board, having taken into account the recommendation from the Audit Committee, has resolved to appoint Zhonghui Anda CPA Limited ("**Zhonghui**") as the new auditor of the Company with effect from December 13, 2023 to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company.

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.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

(a) The Incidents in relation to Mr. Bao Fan

The Company disclosed in its announcements dated February 16, 2023, February 26, 2023 and August 9, 2023 (the “**Announcements**”), that the board of directors of the Company noted that Mr. Bao Fan, the controlling shareholder of the Company, previous chairman of the board of directors, executive director and chief executive officer of the Company was in cooperation with an investigation by the relevant authority in the PRC (the “**Matter**”). The Company announced on February 2, 2024 that, with effect from that day, Mr. Bao Fan resigned as an executive director, the chairman of the board of directors and the chief executive officer of the Company. In the last quarter of 2023, as per notification received, the Group paid certain restricted amounts of approximately RMB77,669,000 in relation to the Matter (“**Restricted Amounts**”). All of these events are collectively referred to as “the Incidents”.

Save as disclosed above and elsewhere in this Interim Report, the directors of the Company are not aware of any other significant impact on the business operation of the Group arising from the Incidents. Should the Company become aware of any changes with respect to this assessment, it would make further announcements as and when appropriate.

(b) Grant of RSUs pursuant to the 2018 RSU Plan

On July 1, 2023, the Company granted 2,792,152 RSU to 50 grantees, which will vest on the date that is three years following the vesting commencement date of July 1, 2023. No performance target is attached to the RSUs granted. For details, please see the announcement of the Company dated July 2, 2023.

(c) Change of auditor of the Company

As disclosed in the Company’s announcement dated December 13, 2023 and the section headed “Audit Committee and Review of Financial Statements” above, Deloitte resigned as the auditor of the Company with effect from December 13, 2023, and confirmed in its letter of resignation that there are no matters in relation to its resignation that need to be brought to the attention of the members of the Company. The Board and the Audit Committee of the Company confirmed that there are no other disagreements or unresolved matters between the Company and Deloitte in respect of the change of auditor which should be brought to the attention of the members of the Company.

The Board, having taken into account the recommendation from the Audit Committee, has resolved to appoint Zhonghui as the new auditor of the Company with effect from December 13, 2023 to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company.

OTHER INFORMATION (CONTINUED)

(d) Settlement arrangement with Huaxing Growth Capital RMB Fund IV (“HGC RMB Fund IV”)

On March 11, 2024, the Company and HGC RMB Fund IV entered into the settlement agreement. Pursuant to that agreement, the Company agreed to accept transfer of the relevant interests of certain equity investments held by HGC RMB Fund IV at approximately RMB790,772,000. HGC RMB Fund IV is required to apply such payment in full settlement of the outstanding investment amount, following which the outstanding amounts unpaid by HGC RMB Fund IV to the Group (amounting to approximately RMB90,072,000 as at December 31, 2023) will no longer be payable. For details, please see the announcement of the Company dated March 11, 2024.

(e) Exit Agreement

On August 30, 2024, Shanghai Huijia Investment Advisor Co., Ltd (“**Shanghai Huijia**”) and China Renaissance Broking Services (Hong Kong) Limited (“**CR Broking**”) (both are wholly-owned subsidiaries of the Company) entered into an exit agreement (“**Exit Agreement**”) with other parties. Under the Exit Agreement, one of the parties to the Exit Agreement (“**Think Trader**”) agreed to repurchase from Shanghai Huijia 10% equity interest in Think Trader at the total consideration of RMB202 million, and CR Broking agreed to acquire from Think Trader 40.8163% equity interest in a company incorporated in the PRC which holds approximately 3.49% equities interest in CR Securities at the consideration of RMB100 million. For details, please refer to the announcement of the Company dated August 30, 2024.

Save as disclosed above, no important events affecting the Company have occurred since June 30, 2023 and up to the Latest Practicable Date.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2023

	Notes	Six months ended June 30,	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Revenue	3		
Transaction and advisory fees		153,175	280,931
Management fees		239,380	267,133
Interest income		49,802	22,889
Income from carried interest		94,218	32,752
Total revenue		536,575	603,705
Net investment gains (losses)	4	47,831	(91,418)
Total revenue and net investment gains or losses		584,406	512,287
Compensation and benefit expenses		(320,403)	(379,459)
Carried interest to management team and other parties		(69,149)	(18,335)
Investment losses attributable to interest holders of consolidated structured entities		14,434	21,141
Impairment loss under expected credit loss model, net of reversal	19	33,583	(7,130)
Finance costs		(41,501)	(43,005)
Other operating expenses		(168,923)	(158,835)
Total operating expenses		(551,959)	(585,623)
Operating profit (loss)		32,447	(73,336)
Other income, gains or losses	5	7,920	(5,384)
Investment loss arising from certain incidental and ancillary investments	6	—	(30,201)
Share of results of associates		430	(2,295)
Share of results of a joint venture		—	(4,233)
Change in fair value of call option	14	(152,990)	1,490
Loss before tax		(112,193)	(113,959)
Income tax expense	7	(50,980)	(84,079)
Loss for the period	8	(163,173)	(198,038)

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

For the six months ended June 30, 2023

	Notes	Six months ended June 30,	
		2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		353,838	418,561
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(245,991)	(270,575)
Fair value loss on debt instruments measured at fair value through other comprehensive income		(329)	(283)
Reclassification adjustment to profit or loss on disposal of debt instruments measured at fair value through other comprehensive income		430	—
Impairment loss for debt instruments at fair value through other comprehensive income included in profit or loss, net of reversal		(22)	(20)
Income tax that may be reclassified subsequently to profit or loss		88	76
Other comprehensive income for the period, net of tax		108,014	147,759
Total comprehensive expense for the period		(55,159)	(50,279)
(Loss) profit for the period attributable to:			
— Owners of the Company		(180,132)	(153,735)
— Non-controlling interests		16,959	(44,303)
		(163,173)	(198,038)
Total comprehensive (expense) income for the period attributable to:			
— Owners of the Company		(72,544)	(7,047)
— Non-controlling interests		17,385	(43,232)
		(55,159)	(50,279)
Loss per share			
Basic and diluted loss per share	10	RMB(0.36)	RMB(0.30)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2023

	Notes	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Non-current assets			
Property and equipment	11	97,056	129,067
Intangible assets	12	108,829	119,031
Deferred tax assets		152,436	160,960
Investments in associates	13	1,348,150	1,417,957
Financial assets at fair value through profit or loss	14	1,966,075	2,049,359
Financial assets at fair value through other comprehensive income	15	71,425	111,908
Rental deposits		18,575	18,868
Loans to third parties	16	81,186	86,574
		3,843,732	4,093,724
Current assets			
Accounts and other receivables	17	454,924	1,252,730
Financial assets purchased under resale agreements	18	—	4,715
Loans to third parties	16	27,755	—
Amounts due from related parties	28	902,639	1,330,377
Financial assets at fair value through profit or loss	14	3,145,196	3,315,794
Financial assets at fair value through other comprehensive income	15	72,289	245,764
Term deposits		—	500,207
Pledged bank deposits		—	58,350
Cash held on behalf of brokerage clients		608,059	738,166
Cash and cash equivalents		1,083,185	1,537,730
		6,294,047	8,983,833
TOTAL ASSETS		10,137,779	13,077,557

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at June 30, 2023

	Notes	June 30, 2023 RMB'000 (unaudited)	December 31, 2022 RMB'000 (audited)
Current liabilities			
Accounts and other payables	20	730,461	1,718,928
Financial assets sold under repurchase agreements	21	398,155	150,065
Short-term debt instrument issued	22	223,479	236,648
Payable to brokerage clients	23	608,059	738,166
Payables to interest holders of consolidated structured entities	24	194,706	223,046
Amounts due to related parties	28	2,092	1,728
Contract liabilities		133,292	23,745
Bank borrowings	25	78,964	611,927
Lease liabilities		46,035	55,366
Income tax payables		104,277	133,587
		2,519,520	3,893,206
Net current assets		3,774,527	5,090,627
TOTAL ASSETS LESS CURRENT LIABILITIES		7,618,259	9,184,351
Non-current liabilities			
Lease liabilities		35,715	54,460
Bank borrowings	25	—	1,512,566
Contract liabilities		3,164	5,916
Deferred tax liabilities		57,729	72,129
		96,608	1,645,071
NET ASSETS		7,521,651	7,539,280
Capital and reserves			
Share capital	26	93	93
Reserves		6,470,133	6,501,397
Equity attributable to owners of the Company		6,470,226	6,501,490
Non-controlling interests		1,051,425	1,037,790
		7,521,651	7,539,280

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2023

Notes	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Treasury stock	Share premium	Other reserves	Surplus reserve	Retained earnings	Reserves sub-total	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2023 (audited)	93	(8)	6,104,384	(276,890)	34,178	639,733	6,501,397	6,501,490	1,037,790	7,539,280
(Loss) profit for the period	–	–	–	–	–	(180,132)	(180,132)	(180,132)	16,959	(163,173)
Other comprehensive income for the period	–	–	–	107,588	–	–	107,588	107,588	426	108,014
Total comprehensive income (loss) for the period	–	–	–	107,588	–	(180,132)	(72,544)	(72,544)	17,385	(55,159)
Recognition of equity-settled share-based payment expense	27	–	–	41,280	–	–	41,280	41,280	–	41,280
Restricted share units vested	27	–	2,962	(2,962)	–	–	–	–	–	–
Dividends to non-controlling shareholders	–	–	–	–	–	–	–	–	(3,750)	(3,750)
Balance at June 30, 2023 (unaudited)	93	(8)	6,107,346	(130,984)	34,178	459,601	6,470,133	6,470,226	1,051,425	7,521,651

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended June 30, 2023

Notes	Attributable to owners of the Company								Non-controlling interests	Total equity
	Share capital	Treasury stock	Share premium	Other reserves	Surplus reserve	Retained earnings	Reserves sub-total	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(note)						
At January 1, 2022 (audited)	90	(6)	6,211,260	(489,124)	30,471	1,073,341	6,825,942	6,826,032	1,081,483	7,907,515
Loss for the period	—	—	—	—	—	(153,735)	(153,735)	(153,735)	(44,303)	(198,038)
Other comprehensive income for the period	—	—	—	146,688	—	—	146,688	146,688	1,071	147,759
Total comprehensive income (expense) for the period	—	—	—	146,688	—	(153,735)	(7,047)	(7,047)	(43,232)	(50,279)
Recognition of equity-settled share-based payment expense	27	—	—	70,923	—	—	70,923	70,923	—	70,923
Share options exercised	27	1	48,417	(27,914)	—	—	20,503	20,504	—	20,504
Restricted share units vested	27	—	29,037	(29,038)	—	—	—	—	—	—
Dividends to shareholders	9	—	—	—	—	(201,114)	(201,114)	(201,114)	—	(201,114)
Dividends to non-controlling shareholders		—	—	—	—	—	—	—	(9,207)	(9,207)
Purchase of shares held under share award scheme	27	—	—	(24,849)	—	—	(24,849)	(24,849)	—	(24,849)
Balance at June 30, 2022 (unaudited)	91	(5)	6,288,714	(353,314)	30,471	718,492	6,684,358	6,684,449	1,029,044	7,713,493

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; (4) share repurchase reserve; and (5) reserve of acquisition of equity interest from non-controlling shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2023

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Loss before tax	(112,193)	(113,959)
Adjustments for:		
Depreciation of property and equipment	31,479	35,121
Amortisation of intangible assets	13,983	8,717
Losses on disposal of property and equipment	59	—
Losses on disposal of right-of-use assets	4,037	—
Interest income	(49,802)	(22,889)
Finance costs	41,501	43,005
Change in fair value of call option	152,990	(1,490)
Net investment (gains) losses	(47,831)	91,418
Investment losses attributable to interest holders of consolidated structured entities	(14,434)	(16,018)
Investment loss arising from certain incidental and ancillary investments	—	30,201
Gain on partially disposal of an associate	—	(24,837)
Impairment losses under expected credit loss model, net of reversal	(33,583)	7,130
Share of results of associates	(430)	2,295
Share of results of a joint venture	—	4,233
Share-based payment expense	41,280	70,923
Operating cash flows before movements in working capital	27,056	113,850
Decrease (increase) in accounts and other receivables	831,593	(130,897)
Decrease in financial assets purchased under resale agreements	4,789	103,317
Decrease (increase) in amounts due from related parties	428,016	(56,762)
Decrease in amounts due to related parties	(734)	(11,747)
Decrease (increase) in cash held on behalf of brokerage clients	130,107	(581,319)
Decrease (increase) in financial assets at fair value through profit or loss	278,427	(30,948)
Increase (decrease) in financial assets sold under repurchase agreements	243,632	(298,879)
(Decrease) increase in accounts and other payables	(978,759)	67,559
(Decrease) increase in payable to brokerage clients	(130,107)	581,319
Increase in contract liabilities	106,795	78,254
Cash generated from (used in) operations	940,815	(166,253)
Interest received	32,156	9,513
Income taxes paid	(85,660)	(93,000)
Net cash generated from (used in) operating activities	887,311	(249,740)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended June 30, 2023

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from investing activities		
Interest received	23,582	7,574
Purchases of property and equipment	(1,137)	(1,288)
Payments for rental deposits	(522)	—
Proceeds from rental deposits	63	—
Purchases of intangible assets	(4,640)	(19,775)
Proceeds from disposal of intangible assets	895	—
Purchases of financial assets at fair value through profit or loss	(35,426)	(210,850)
Proceeds from disposal of financial assets at fair value through profit or loss	12,617	648,253
Purchases of financial assets at fair value through other comprehensive income	(406)	—
Proceeds from disposal of financial assets at fair value through other comprehensive income	209,571	—
Acquisition of investments in associates	(17,618)	(142,086)
Investment returns received from associates	43,406	42,992
Proceeds from other financial assets	—	3,355
Placement of pledge bank deposits	—	(11,673)
Proceeds from pledge bank deposits	58,896	—
Advance to related parties	(746)	(15,089)
Repayment from related parties	180	14,075
Placement of term deposits	(2,495,125)	(6,468)
Proceeds from term deposits	2,966,756	221,113
Origination of loans receivable	(27,000)	(177,349)
Repayment of loans receivable	10,000	—
Net cash inflows from foreign currency forward contracts	—	37,414
Net cash generated from investing activities	743,346	390,198

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the six months ended June 30, 2023

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Cash flows from financing activities		
Shares held under share award scheme	—	(24,849)
Proceeds from issuance of ordinary shares for share options exercised	—	20,504
Proceeds from related parties	1,098	—
Proceeds from bank borrowings	67,880	169,740
Repayment of bank borrowings	(2,170,579)	(166,375)
Interest paid	(44,030)	(34,951)
Repayments of leases liabilities	(29,676)	(26,720)
Proceeds from issuance of structured notes	100,450	153,400
Redemption of structured notes	(115,800)	(171,300)
Distribution to non-controlling shareholders	(3,750)	(13,158)
Cash injection by third-party holders of consolidated structured entities	2,500	27,912
Cash repayment to third-party holders of consolidated structured entities	(18,980)	(20,815)
Net cash used in financing activities	(2,210,887)	(86,612)
Net (decrease) increase in cash and cash equivalents	(580,230)	53,846
Cash and cash equivalents at beginning of the period	1,537,730	2,381,646
Effect of foreign exchange rate changes	125,685	119,491
Cash and cash equivalents at end of period	1,083,185	2,554,983

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 2023

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 IFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in the annual consolidated financial statements of the Group for the year ended December 31, 2022.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by International Accounting Standards Board, for the first time, which are mandatorily effective for the annual period beginning on January 1, 2023 for the preparation of the Group’s condensed consolidated financial statements:

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

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, 2023

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 *Segment* 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 comprises the Group’s investment banking and asset management businesses in mainland China, which overlap with the other two segments in nature but are otherwise separately operated and focuses on regulated securities market in mainland China and has an independent risk control framework; and
- (d) Others mainly comprise of wealth management business, and investment and management of its own funds. Wealth management business provides value-added wealth management services for high net worth individuals and other high net worth groups represented by new-economy entrepreneurs, and this business also helps the Group integrate and enhance investment and management of its own funds.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

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, 2023 (unaudited)				Total consolidated RMB'000
	Investment banking RMB'000	Investment management RMB'000	CR Securities RMB'000	Others RMB'000	
Transaction and advisory fees	112,505	—	40,670	—	153,175
Management fees	—	227,544	—	11,836	239,380
Interest income	—	14,690	6,676	28,436	49,802
Income from carried interest	—	94,218	—	—	94,218
Total revenue	112,505	336,452	47,346	40,272	536,575
Net investment gains (losses)	265	(29,984)	72,339	5,211	47,831
Total revenue and net investment gains or losses	112,770	306,468	119,685	45,483	584,406
Compensation and benefit expenses	(108,991)	(62,702)	(105,536)	(43,174)	(320,403)
Carried interest to management team and other parties	—	(69,149)	—	—	(69,149)
Investment losses attributable to interest holders of consolidated structured entities	—	14,434	—	—	14,434
Impairment loss under expected credit loss model, net of reversal	29,386	5	869	3,323	33,583
Finance costs	—	(10,313)	(8,602)	(22,586)	(41,501)
Other operating expenses	(60,789)	(52,496)	(48,281)	(7,357)	(168,923)
Operating (loss) profit	(27,624)	126,247	(41,865)	(24,311)	32,447
Other income, gains or losses					7,920
Share of results of associates					430
Change in fair value of call option					(152,990)
Loss before tax					(112,193)
Income tax expense					(50,980)
Loss for the period					(163,173)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

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, 2022 (unaudited)				Total consolidated RMB'000
	Investment banking RMB'000	Investment management RMB'000	CR Securities RMB'000	Others RMB'000	
Transaction and advisory fees	231,250	—	49,681	—	280,931
Management fees	—	251,002	—	16,131	267,133
Interest income	—	6,332	10,052	6,505	22,889
Income from carried interest	—	32,752	—	—	32,752
Total revenue	231,250	290,086	59,733	22,636	603,705
Net investment gains (losses)	1,361	(102,000)	(21,984)	31,205	(91,418)
Total revenue and net investment gains or losses	232,611	188,086	37,749	53,841	512,287
Compensation and benefit expenses	(176,406)	(54,588)	(103,993)	(44,472)	(379,459)
Carried interest to management team and other parties	—	(18,335)	—	—	(18,335)
Investment losses (gains) attributable to interest holders of consolidated structured entities	—	21,263	(122)	—	21,141
Impairment loss under expected credit loss model, net of reversal	—	(7,179)	20	29	(7,130)
Finance costs	—	(9,181)	(11,623)	(22,201)	(43,005)
Other operating expenses	(57,888)	(44,668)	(29,920)	(26,359)	(158,835)
Operating (loss) profit	(1,683)	75,398	(107,889)	(39,162)	(73,336)
Other income, gains or losses					(5,384)
Investment loss arising from certain incidental and ancillary investments					(30,201)
Share of results of associates					(2,295)
Share of results of a joint venture					(4,233)
Change in fair value of call option					1,490
Loss before tax					(113,959)
Income tax expense					(84,079)
Loss for the period					(198,038)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

3. REVENUE AND SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (continued)

Segment profit or loss represents the results of each segment without allocation of corporate items including other income, gains or losses, investment loss arising from certain incidental and ancillary investments (the “**Investment Loss**”), 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 negative RMB567,710,000 and RMB309,103,000 for the six months ended June 30, 2023 and 2022, 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 negative RMB392,343,000 and RMB222,371,000 for the six months ended June 30, 2023 and 2022 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, 2023 and 2022, except for RMB94,218,000 and RMB32,752,000, respectively, of Carried Interest realised for certain funds, 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, 2023

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, 2023	2022	At June 30, 2023	At December 31, 2022
	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (unaudited)	RMB'000 (audited)
Mainland China	443,532	461,461	199,067	233,128
Hong Kong	83,104	121,859	20,510	25,765
USA	9,939	20,385	592	2,558
	536,575	603,705	220,169	261,451

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,	
	2023	2022
	RMB'000 (unaudited)	RMB'000 (unaudited)
A point of time	247,393	313,683
Over time	239,380	267,133
	486,773	580,816

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

4. NET INVESTMENT GAINS (LOSSES)

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net realised and unrealised gains (losses) from financial assets at fair value through profit or loss ("FVTPL")		
— Wealth management related products	10,197	(9,834)
— Asset management schemes	(2,745)	35,337
— Structured finance related products	1,185	1,957
— Financial bonds	7,158	(2,540)
— Listed equity security investments	82,401	(55,161)
— Convertible notes	8,781	3,815
— Unlisted investment funds at fair value	3,934	(81,360)
— Foreign currency forward contracts	—	37,414
Net realized gains from financial assets at fair value through other comprehensive income ("FVTOCI")		
— Financial bonds	430	—
Net realised gains from partially transferred investment portfolio		
— Unlisted debt security and equity security investments (note)	—	106,340
Gross gain from consolidated structured entities		
— Asset management schemes	—	342
Gross loss from investments in associates measured at fair value		
— Investment in funds	(65,876)	(137,442)
Dividend income from		
— Wealth management related products	2,365	5,385
— Listed equity security investments	1	2,177
— Asset management schemes	—	2,152
	47,831	(91,418)

Note:

As the ordinary course of the investment management business, the Group holds several investment portfolio for the newly established fund managed by the Group prior to the fund's closing. During the six months ended June 30, 2022, as agreed in advance, after the first closing of the fund, the Group transferred to the fund partial interests in several subsidiaries which only hold FVTPL investments amounting to RMB1,717,435,000, and hold the remaining interest in these FVTPL investment through several structured entities accounted for as investments in associates. Total consideration of such transfer was RMB1,823,775,000 and resulted in a gain of RMB106,340,000.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

5. OTHER INCOME, GAINS OR LOSSES

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Government grants (note)	19,596	15,753
Net exchange loss	(13,475)	(39,771)
Gain on partially disposal of an associate (note 13)	—	24,837
Others	1,799	(6,203)
	7,920	(5,384)

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.

6. INVESTMENT LOSS ARISING FROM CERTAIN INCIDENTAL AND ANCILLARY INVESTMENTS

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Investment loss from		
— Convertible notes	—	(30,201)
	—	(30,201)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

7. INCOME TAX EXPENSE

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
Mainland China	54,876	11,255
Hong Kong	1,475	—
	56,351	11,255
Deferred tax	(5,371)	72,824
Total income tax expense	50,980	84,079

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging:

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property and equipment	31,479	35,121
Amortisation of intangible assets	13,983	8,717
Expenses recognised relating to short-term leases	1,199	1,375
Staff costs, including directors' remuneration:		
– Directors' fees	443	418
– Salaries, bonus and other allowances	267,772	289,602
– Retirement benefit scheme contributions	10,908	18,516
– Equity-settled share-based payments expenses	41,280	70,923

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

9. DIVIDENDS

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Dividends to shareholders of the Company	—	201,114

During the six months ended June 30, 2022, a final dividend of RMB38 cents per share in respect of the year ended December 31, 2021 was declared to owners of the Company. The aggregate amount of the final dividend declared in the six months ended June 30, 2022 amounted to RMB201,114,000, and such cash dividend was paid on July 22, 2022.

No dividends have been declared or paid by the Company during the six months ended June 30, 2023.

10. LOSS PER SHARE

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

	Six months ended June 30,	
	2023	2022
	(unaudited)	(unaudited)
Loss for the purpose of basic and diluted loss per share		
Loss for the period attributable to owners of the Company (RMB'000)	(180,132)	(153,735)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and dilutive loss per share	502,642,560	507,132,222
Basic and dilutive loss per share (RMB)	(0.36)	(0.30)

The computation of diluted loss per share for the six months ended June 30, 2023 and 2022 has not considered the effect of share options and restricted share units given that the effects are anti-dilutive.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

11. MOVEMENT IN PROPERTY AND EQUIPMENT

During the current interim period, the Group disposed of certain electronic equipment and furniture and fixtures with an aggregate carrying amount of RMB59,000 (six months ended June 30, 2022: RMB nil), resulting in a loss on disposal of RMB59,000 (six months ended June 30, 2022: RMB nil). During the current interim period, the Group paid approximately RMB1,137,000 (six months ended June 30, 2022: RMB1,288,000) for addition of property and equipment.

During the current interim period, the Group entered into one new lease agreement with lease term of 3 years (six months ended June 30, 2022: 2.5 years). The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets of RMB817,000 (six months ended June 30, 2022: RMB10,227,000) and lease liability RMB811,000 (six months ended June 30, 2022: RMB10,171,000).

12. MOVEMENT IN INTANGIBLE ASSETS

During the current interim period, the Group dispose of certain software with an aggregate carrying amount of RMB895,000 (six months ended June 30, 2022: RMB nil) for cash proceeds of RMB895,000 (six months ended June 30, 2022: RMB nil). During the current interim period, the Group paid approximately RMB4,640,000 (six months ended June 30, 2022: RMB19,775,000) mainly on addition of internal developed software for the purpose of daily operation.

13. INVESTMENTS IN ASSOCIATES

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Investments in unlisted companies (a)	14,284	13,353
Investments in funds (b)	1,333,866	1,404,604
	1,348,150	1,417,957

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

13. INVESTMENTS IN ASSOCIATES (CONTINUED)

(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	At	At	At	
			June 30, 2023	December 31, 2022	June 30, 2023	December 31, 2022	
Fountainhead Partners Holding Company Limited ("Fountainhead") (Note 1)	Cayman Islands	Cayman Islands	12.12%	12.12%	12.12%	12.12%	Wealth management
Beijing Yuan Ji Hua Yi Sheng Wu Technology Co., Ltd ("HYSW") (Note 1, Note 2)	Beijing, PRC	PRC	14.93%	14.93%	14.93%	14.93%	Technology development
Beijing Huarui Zhixun Technology Limited ("HRZX")	Beijing, PRC	PRC	45.22%	45.22%	45.22%	45.22%	Marketing and business information services

Notes:

- 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.
- As at January 27, 2022, under the group reorganisation scheme of HYSW to rationalise its structure, HYSW disposed of its subsidiary, which led to the Group's partial disposal of its investment in HYSW to exchange for equity interests in an overseas company which under the control of HYSW's controlling shareholders. The investment in the overseas company is measured at fair value and included in "unlisted equity security investments" at FVTPL. The fair value of the Group's investment in HYSW disposed of at the reorganisation date was RMB62,806,000, which exceeded the net carrying amount of RMB37,969,000, and the gain from the disposal amounting to RMB24,837,000 was recognised in other income, gains or losses. The Group's remaining interests in HYSW is accounted for as investment in associates.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

13. INVESTMENTS IN ASSOCIATES (CONTINUED)

(a) Investments in unlisted companies (continued)

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Cost of unlisted investments in associates	64,377	63,976
Share of post-acquisition profit or loss and other comprehensive expense	(11,805)	(11,952)
Impairment loss	(39,026)	(39,721)
Exchange adjustments	738	1,050
	14,284	13,353

(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, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Cost of investments in funds	934,974	936,720
Fair value changes in funds (note)	324,230	414,148
Exchange adjustments	74,662	53,736
	1,333,866	1,404,604

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

13. INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Investments in funds (continued)

	Place of incorporation	Ownership interest held	
		As at June 30, 2023	As at December 31, 2022
Material Funds			
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)	Ningbo, PRC	1.73%	1.73%
Huaxing Growth Capital III, L.P.	Cayman Islands	3.45%	3.45%
Huaxing Growth Capital IV, L.P.	Cayman Islands	4.20%	4.20%
Beijing Ruizhi Medical Equity Investment Partnership (Limited Partnership)	Beijing, PRC	8.12%	8.12%
Tianjin Huajie Medical Equity Investment Partnership (Limited Partnership)	Tianjin, PRC	0.94%	0.94%

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, 2023

13. INVESTMENTS IN ASSOCIATES (CONTINUED)

(b) Investments in funds (continued)

Summarised financial information of material fund investments

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)		
Net asset value	7,069,586	7,393,989
Total comprehensive (expense) income for the period/year	(324,404)	513,194
Huaxing Growth Capital III, L.P.		
Net asset value	5,074,558	4,924,704
Total comprehensive expense for the period/year	(34,842)	(1,262,720)
Huaxing Growth Capital IV, L.P.		
Net asset value	2,513,448	2,352,435
Total comprehensive (expense) income for the period/year	(131,922)	9,407
Beijing Ruizhi Medical Equity Investment Partnership (Limited Partnership)		
Net asset value	2,680,264	3,327,413
Total comprehensive (expense) income for the period/year	(536,499)	837,019
Tianjin Huajie Medical Equity Investment Partnership (Limited Partnership)		
Net asset value	2,065,033	3,180,276
Total comprehensive income for the period/year	326,460	597,773

Aggregate information of fund investments that are not individually material

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Fair value change on funds	(24,295)	(365,839)
Carrying amount of the Group's investments in funds	606,534	617,611

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Current		
Unlisted cash management products (Note i)	205,293	456,515
Money market funds (Note ii)	494,323	579,909
Listed financial bonds (Note iii)	2,257,525	1,854,255
Trust products (Note iv)	3,541	21,652
Listed equity security investments (Note v)	12	216,611
Convertible notes (Note vi)	184,502	186,852
	3,145,196	3,315,794
Non-current		
Unlisted investment funds at fair value (Note vii)	1,154,353	1,092,716
Unlisted debt security investments (Note viii)	436,829	429,195
Unlisted equity security investments (Note ix)	91,803	91,368
Call option for obtaining non-controlling interests (Note x)	283,090	436,080
	1,966,075	2,049,359

Note i: The Group purchased cash management products with expected rates of return per annum ranging from 0.87% to 6.28% as at June 30, 2023 (December 31, 2022: 1.69% to 4.26%). The fair values are based on cash flow discounted using the expected rate of return based on management judgement.

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

Note iii: The Group invested in financial bonds with fixed interest rates ranging from 0.10% to 5.08% as at June 30, 2023 (December 31, 2022: from 0.10% to 5.08%) 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 is 11.00% per annum as at June 30, 2023 (December 31, 2022: 11.00% 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

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

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 (losses) in the condensed consolidated statement of profit or loss and other comprehensive income.

Note vi: The Group invested in convertible notes with fixed interest rates of 10.00% (December 31, 2022: 10.00%) and with terms of within one year, which may be extended by the investee pursuant to its terms. The Group had conversion right to convert notes into equity shares of investee before the maturity date. On February 13, 2023, the final repayment date was extended by the investee to April 11, 2024 pursuant to its terms. In 2024, the Group and other lenders of the syndicated convertible note facility entered into a standstill agreement with the investee for a period ending October 11, 2024, whereby the lenders agreed not to make any claim, enforcement action or proceeding against the investee, whilst the investee explored other refinancing opportunities. The Group has the right to terminate the standstill agreement early.

Note vii: The fair values of the unlisted investment funds are mainly 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 (losses) 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. The subsequent fair value change of the investments are recorded in the investment loss arising from certain incidental and ancillary investments 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 investment loss arising from certain incidental and ancillary investments 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 shareholder 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, 2023 amounted to RMB283,090,000 (December 31, 2022: RMB436,080,000). 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, 2023

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Listed financial bonds	143,714	357,672
Less: non-current portion	(71,425)	(111,908)
	72,289	245,764

The total cost of the financial bonds as at June 30, 2023 was RMB139,806,000 (December 31, 2022: RMB348,971,000) and the fair value as at June 30, 2023 was RMB143,714,000 (December 31, 2022: RMB357,672,000) and with changes in fair value recorded in fair value loss on debt instruments measured at fair value through other comprehensive expense. The accumulated expected credit losses of financial bonds amounting to RMB14,000 as at June 30, 2023 (December 31, 2022: RMB36,000) was recognised in other reserves.

16. LOANS TO THIRD PARTIES

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Wallaby Medical Holding, Inc. (“ Wallaby ”) (note a)	198,733	192,717
Zhejiang Shengze Credit Management Co., Ltd (“ Shengze ”) (note b)	27,772	—
Song Huanping (“ Song ”) (note c)	—	11,418
Less: Impairment loss allowance	(117,564)	(117,561)
	108,941	86,574
Less: non-current portion	(81,186)	(86,574)
	27,755	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

16. LOANS TO THIRD PARTIES (CONTINUED)

Notes:

- (a) In March 2022, the Group entered into agreement with Wallaby, a third party. A loan amounting to US\$24,935,000 (equivalent to approximately RMB173,662,000) as at December 31, 2022 was made to Wallaby. The loan will be repaid on the second anniversary of the loan origination, which could be extended for 12 months by Wallaby pursuant to its terms. The interest rates from first year to third year were 8%, 8.5% and 9.5% per annum, respectively, plus 7% compound interest per annum. In February 2024, the maturity date of the loan was extended by Wallaby for 12 months to April 2025 pursuant to its terms. There was evidence indicating the asset is credit-impaired. As of June 30, 2023, impairment allowance of RMB117,548,000 was made on credit-impaired debtor.
- (b) In February 2023, the Group entered into agreement with Shengze, a third party. A loan amounting to RMB27,000,000 with an interest rate of 12% was made to Shengze as at June 30, 2023. The loan will be repaid in instalments within one year. The loan was secured by a pledge over the equity interest held by Shengze and was guaranteed by Shengze's parent company.
- (c) In January 2022, the Group entered into agreement with Song, a third-party individual. A loan amounting to RMB10,000,000 with an interest rate of 15% was made to Song. The loan will be repaid on the fourth anniversary of the loan origination. The loan was guaranteed by a third-party company and was secured by a pledge over the restricted shares of a third party company. The loan was early repaid with an interest rate of 7.5% as at June 30, 2023.

17. ACCOUNTS AND OTHER RECEIVABLES

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Accounts receivables		
— Accounts receivable (note i)	49,979	93,032
— Open trade receivable (note ii)	249,482	977,380
Advance to suppliers	12,564	17,160
Prepayment for money market fund investments	—	8,567
Other receivables		
— Refundable deposits	99,328	110,309
— Staff loans	27,309	45,482
— Value-added tax recoverable	1,473	2,347
Others	24,256	37,141
Subtotal	464,391	1,291,418
Less: Impairment loss allowance	(9,467)	(38,688)
Total	454,924	1,252,730

Note i: The Group allows an average credit period of 180 days for its customers. The following is an aging analysis of accounts receivables based on invoice dates at the end of the reporting periods:

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

17. ACCOUNTS AND OTHER RECEIVABLES (CONTINUED)

Aging of accounts receivable (net of impairment loss allowance)

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
0–30 days	16,062	39,473
31–60 days	152	2,680
61–90 days	4,258	4,365
91–180 days	7,131	5,279
181–360 days	12,424	1,815
> 360 days	577	1,067
	40,604	54,679

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 19.

18. FINANCIAL ASSETS PURCHASED UNDER RESALE AGREEMENTS

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Analysed by collateral type:		
– Debt securities	–	4,713
Add: Interest receivable	–	2
Total	–	4,715
Analysed by market:		
– Stock exchanges	–	4,715
Total	–	4,715

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Impairment loss (reversed) recognised in respect of		
Accounts and other receivables	(33,841)	(87)
Loans to third parties	(8)	5,056
Amounts due from related parties	288	2,181
Financial assets at FVTOCI	(22)	(20)
	(33,583)	7,130

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, 2023 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022.

20. ACCOUNTS AND OTHER PAYABLES

	As at	As at
	June 30,	December 31,
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(audited)
Salaries, bonus and other benefit payables	268,080	385,574
Open trade payable (note a)	257,543	979,576
Other payables	52,576	50,841
Consultancy fee payables	29,011	20,626
Carried interests to management team and other parties (note b)	91,235	238,122
Other tax payables	22,554	11,826
Accrued expenses	9,462	21,949
Dividend payable	—	10,414
	730,461	1,718,928

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

20. ACCOUNTS AND OTHER PAYABLES (CONTINUED)

Notes:

- (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.
- (b) During the year ended December 31, 2022, the Group received shares of listed equity securities as carried interests income, and the portion of carried interests to management team and other parties will be settled in cash after corresponding listed equity securities are disposed of by the Group. Accordingly, this carried interests payable to management team and other parties is measured at fair value according to the share price of listed equity securities. As of June 30, 2023, carried interests to management team and other parties measured at fair value is RMB nil (December 31, 2022: RMB31,158,000).

21. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Analysed by collateral type:		
– Debt securities	398,000	150,000
Add: Interest payable	155	65
Total	398,155	150,065
Analysed by market:		
– Stock exchanges	398,155	150,065
Total	398,155	150,065

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 derecognised 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 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 from 3.11% to 3.57% (December 31, 2022: 3.50% to 3.95%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

21. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (CONTINUED)

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

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Carrying amount of transferred assets		
— financial assets at FVTPL	724,266	480,785
— financial assets at FVTOCI	140,390	357,672
Carrying amount of associated liabilities	(398,155)	(150,065)
Net position	466,501	688,392

22. SHORT-TERM DEBT INSTRUMENT ISSUED

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Structured notes	223,479	236,648

As at June 30, 2023, the interest rates of structured notes range from 3.10% to 3.30% (December 31, 2022: 3.30% to 6.08%) per annum.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

23. PAYABLE TO BROKERAGE CLIENTS

The majority of the payable balance is repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

Payable to brokerage clients mainly include cash held on behalf of clients at the banks and at the clearing houses by the Group, and are interest-bearing at the prevailing market interest rate.

As at June 30, 2023, the cash received from clients for securities lending and margin financing arrangement as collaterals, included in the Group's accounts payable to brokerage clients amounted to approximately RMB608,059,000 (December 31, 2022: RMB738,166,000).

24. PAYABLES TO INTEREST HOLDERS OF CONSOLIDATED STRUCTURED ENTITIES

Payables to interest holders of consolidated structured entities consist of third-party holders' interests in these consolidated structured entities which are recognised as a liability since the Group has the obligation to pay other investors or limited partners upon the maturity dates of the structured entities based on the net asset value and related terms of those consolidated structured entities.

25. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to RMB67,880,000 (six months ended June 30, 2022: RMB169,740,000) and repaid bank loans amounting to RMB2,170,579,000 (six months ended June 30, 2022: RMB166,375,000). The loans carry interest at fixed market rates per annum ranging from 4.35 % to 4.50% (December 31, 2022: 4.15% to 5.00%). The loans are repayable in instalments within one year. The proceeds were used for daily operation for the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

26. SHARE CAPITAL

	Number of shares	Nominal value Per share US\$	Share capital US\$	
Authorised				
At January 1, 2022, January 1, 2023 and June 30, 2023	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, 2022	550,364,776		13,759	90,156
Shares issued to the Trusts	12,000,000	0.000025	300	2,022
Exercise of share options	6,033,000	0.000025	151	1,016
At January 1, 2023 and June 30, 2023	568,397,776		14,210	93,194
			As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Presented as			93	93

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

27. 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, 2023	17,690,780
Forfeited during the period	(60,000)
Outstanding as at June 30, 2023	17,630,780

Share-based compensation expenses of RMB303,000 for share options has been recognised in profit or loss for the six months ended June 30, 2023 (six months ended June 30, 2022: RMB44,039,000).

(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. During the six months ended June 30, 2022, the Trusts purchased 2,865,000 shares of the Company in the open market at a total consideration of RMB24,849,000 for the RSU Plan.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

27. SHARE-BASED PAYMENTS (CONTINUED)

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

(1) Time-based RSU

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

	Number of RSUs
Outstanding as at January 1, 2023	12,309,845
Vested during the period	(405,507)
Forfeited during the period	(103,991)
Outstanding as at June 30, 2023	11,800,347

(2) Performance-based RSU

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

	Number of RSUs
Outstanding as at January 1, 2023	4,975,700
Forfeited during the period	(13,511)
Outstanding as at June 30, 2023	4,962,189

Share-based compensation expenses of RMB40,977,000 for restricted shares has been recognised in profit or loss for the six months ended June 30, 2023 (six months ended June 30, 2022: RMB26,884,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

28. 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, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Wuxi Jiangyin Huaxing Lingjie Equity Investment Partnership (Limited Partnership) (“HGC RMB Fund IV”)	880,843	1,076,392
Shenzhen Huasheng Lingxiang Equity Investment Partnership (Limited Partnership)	44,331	44,331
Huaxing Capital Partners II, L.P.	23,976	36,260
CR Life Star Fund LLC	9,375	6,235
Huaxing Growth Capital IV, L.P.	8,715	20,425
Shenzhen Huasheng Lingfeng Equity Investment Partnership (Limited Partnership)	8,250	—
Huaxing Yihui LLC	4,840	3,742
Huaxing Capital Partners, L.P.	4,755	3,861
CR HB XI Venture Feeder, LP	910	585
HX Pioneer Selection Limited	795	1,231
Huaxing Yichong LLC	777	599
HX Quality Selection Limited	578	488
HX Premium Selection Limited	506	469
HX Advanced Selection Limited	179	625
Shanghai Huasheng Lingjin Equity Investment Partnership (Limited Partnership)	94	245
Huaxing IV Colt, Ltd.	1	1,290
Huajie (Tianjin) Medical Investment Partnership (Limited Partnership)	—	217,243
Tianjin Huajie Haihe Health Investment Partnership (Limited Partnership)	—	2,954
Shanghai Huasheng Lingshi Venture Investment Partnership (Limited Partnership)	—	12
Less: Impairment loss allowance	(92,430)	(92,206)
	896,495	1,324,781

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Amounts due from related parties (continued)

Amounts due from related parties — trade nature (continued)

These are funds managed by the Group in which the Group has significant influence. The trade balance represents (1) the fee and carried interest receivable in relation to the fund management service provided by the Group, which is non-interest bearing; and (2) the receivable in relation to investment portfolio transferred by the Group to HGC RMB Fund IV (note 4).

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, 2023 RMB'000 (unaudited)	As at December 31 2022 RMB'000 (audited)
0-30 days	15,178	274,438
31-60 days	—	3,991
61-90 days	1,643	4,380
91-180 days	32,487	16,387
181-360 days	838,811	1,001,429
>1 year	8,376	24,156
	896,495	1,324,781

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Amounts due from related parties (continued)

Amounts due from related parties — non-trade nature

	Notes	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Beijing Ruizhi Medical Equity Investment Partnership (Limited Partnership)	i	723	695
Xiamen Huazhan Qige Venture Capital Partnership (Limited Partnership)	i	549	549
Huaxing Yihui LLC	i	418	277
Huaxing Growth Capital Medley Platform	i	384	418
Xiamen Huaxing Fengji Venture Capital Partnership (Limited Partnership)	i	358	358
Huaxing Growth Capital Visions Feeder L.P.	i	283	273
Huaxing Capital Partners II, L.P.	i	240	—
Huaxing Growth Capital III, L.P.	i	89	—
Xiamen Huaxing Zhixian Venture Investment Partnership (Limited Partnership)	i	70	—
Xiamen Huaxing Fengtai Venture Investment Partnership (Limited Partnership)	i	65	62
Rosy Legend Asia L.P.	i	50	19
Rosy Grand Asia L.P.	i	46	14
Rosy Quality Asia L.P.	i	46	14
Xiamen Huaxing Lingpei Venture Investment Partnership (Limited Partnership)	i	45	45
Dazi Chonghua Enterprise Management Co., Ltd.	ii(a)	2,796	2,796
Other funds managed by the Group	i	281	357
Less: Impairment loss allowance		(299)	(281)
		6,144	5,596

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Amounts due to related parties

Amounts due to related parties — trade nature

	Notes	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Huaxing Growth Capital IV, L.P.	iii(a)	30	30
Hainan Beiye Smart LLC	iv	—	889
Dazi Huasheng Venture Investment Partnership (Limited Partnership)	v	964	809
		994	1,728

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, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
0-30 days	82	839
31-60 days	—	—
61-90 days	26	—
91-180 days	77	—
181-360 days	284	—
>1 year	525	889
	994	1,728

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Amounts due to related parties (continued)

Amounts due to related parties — non-trade nature

	Note	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Glory Galaxy LLC	iii(b)	49	—
Green Galaxy LLC	iii(b)	49	—
Tianjin Huangxing Fengze Venture Investment Center (Limited Partnership)	iii(b)	1,000	—
		1,098	—

Payable to brokerage clients

	Notes	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
East Image Limited	iii(c)	4,032	3,909
Bao Fan	vi(a)	—	370
FBH Partners Limited (“FBH”)	vi(a)	—	281
Huaxing Growth Capital III L.P.	iii(c)	27	209
East Lake Asia Investments Limited	iii(c)	115,615	—
Rosy Fable Asia L.P.	iii(c)	634	—
Sky Galaxy Investment Limited	iii(c)	1	—
Star Winner Limited	iii(c)	93	—
Huaxing Growth Capital Associates Feeder, L.P.	iii(c)	2,691	—
		123,093	4,769

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Amounts due to related parties (continued)

Contract liabilities

	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)	48,768	—
Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership)	31,346	1,691
Ruizhi (Tianjin) Health Investment Partnership (Limited Partnership)	13,244	—
Ningbo Meishan Bonded Port Area Huaxing Linghong Equity Investment Partnership (Limited Partnership)	9,099	—
Shanghai Huasheng Lingshi Venture Capital Partnership (Limited Partnership)	3,259	—
Tianjin Huaxing Heli No.1 medical equity investment Partnership (limited partnership)	3,693	4,686
Huajie Tianjin Medical investment Partnership (Limited Partnership)	5,101	—
Tianjin Huajie Haihe Health Investment Partnership (Limited Partnership)	1,489	—
Tianjin Huangxing Zhikai Venture Investment Center (Limited Partnership)	111	—
HGC RMB Fund IV	74	—
Ningbo Meishan Bonded Port Area Huahao Investment Management Partnership(Limited Partnership)	—	710
Shanghai Peixi Investment Management Partnership (Limited Partnership)	—	12
Tianjin Huahong Consulting Partnership (Limited Partnership)	—	4
	116,184	7,103

These are funds managed by the Group in which the Group has significant influence and the balances represent advance payment of management fee from related parties in relation to the fund management services provided by the Group.

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Amounts due to related parties (continued)

Carried interests to management team and other parties

	Notes	As at June 30, 2023 RMB'000 (unaudited)	As at December 31, 2022 RMB'000 (audited)
FBH	vi(b)	1,237	358
High Fortune Investments Limited	ii(b)	303	88
		1,540	446

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

	Note	Six months ended June 30, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Consulting service from: Huaxing Growth Capital IV, L.P.	iii(d)	42	—

	Note	Six months ended June 30, 2023 RMB'000 (unaudited)	2022 RMB'000 (unaudited)
Fund raising commission from: Dazi Huasheng Venture Investment Partnership (Limited Partnership)	v	155	154

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Realised carried interest income:		
Huaxing Capital Partners, L.P.	—	9,335
Huaxing Capital Partners II, L.P.	8,931	2,307
Shenzhen Huasheng Lingxiang Equity Investment Partnership (Limited Partnership)	—	11,913
Suzhou Huaxing Zhitu Venture Investment Center (Limited Partnership)	—	9,197
Huajie Tianjin Medical investment Partnership	82,912	—
Green Galaxy LLC	1,278	—
Tianjin Huaxing Fengze Venture Capital Partnership (Limited Partnership)	919	—
Glory Galaxy LLC	178	—

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

	Notes	Six months ended June 30,	
		2023	2022
		RMB'000	RMB'000
		(unaudited)	(unaudited)
Accrued carried interest to:			
FBH	vi(c)	866	2,418
High Fortune Investments Limited	ii(c)	212	472
Tianjin Huaxing Fengkai Venture Investment Partnership (Limited Partnership)	iii(e)	62,183	—

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Management fees from:		
Huaxing Capital Partners L.P.	916	10,321
Huaxing Capital Partners II, L.P.	3,497	6,456
East Classic Development Limited	—	129
West Supreme Limited	—	185
Shanghai Huasheng Lingshi Venture Investment Partnership (Limited Partnership)	3,713	6,210
Shanghai Huasheng Lingfei Equity Investment Partnership (Limited Partnership)	30,300	40,040
Huajie (Tianjin) Medical Investment Partnership (Limited Partnership)	4,733	7,767
Tianjin Huajie Haihe Health Investment Partnership (Limited Partnership)	936	1,382
Ningbo Meishan Bonded Port Area Huaxing Lingyun Equity Investment Partnership (Limited Partnership)	47,267	47,267
Ningbo Meishan Bonded Port Area Huaxing Linghong Equity Investment Partnership (Limited Partnership)	8,711	8,711
Green Galaxy LLC	124	473
Huaxing Yihui LLC	923	864
Shanghai Peixi Investment Management Partnership (Limited Partnership)	11	94
CR HB XI Venture Feeder, L.P.	—	267
East Image Limited	—	212
Ningbo Meishan Bonded Port Area Huahao Investment Management Partnership (Limited Partnership)	670	842
Huaxing Yichong LLC	150	70
Glory Galaxy LLC	23	65
Huaxing Growth Capital III, L.P.	39,165	36,697
Huaxing Growth Capital IV, L.P.	49,309	56,012
Tianjin Huaxiao Investment Partnership (Limited Partnership)	—	80
Wuxi Jiangyin Huaxing Lingjie Equity Investment Partnership (Limited Partnership)	12,669	4,109
Tianjin Huahong Consulting Partnership (Limited Partnership)	—	33
Tianjin Huaxing Fengze Venture Investment Partnership (Limited Partnership)	—	156
Suzhou Huaxing Zhiyuan Venture Investment Center (Limited Partnership)	—	142
Xiamen Huaxing Fengji Venture Investment Partnership (Limited Partnership)	—	338

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Tianjin Huaxing Zhikai Venture Investment Partnership (Limited Partnership)	103	39
Beijing Ruizhi medical equity investment Partnership (Limited Partnership)	11,577	11,937
Tianjin Huaxing Heli No.1 Medical Equity Investment Partnership (Limited Partnership)	1,382	2,171
East Concept Development Limited	—	21
Starwick Investments Limited	—	126
CR Life Star Fund LLC	2,245	2,283
Suzhou Huaheng Venture Investment Center (Limited Partnership)	—	330
Shanghai Huasheng Lingjin Equity Investment Partnership (Limited Partnership)	89	141
Suzhou Huaxing Zhitu Venture Investment Center (Limited Partnership)	—	9,197
Shenzhen Huasheng Lingxiang Equity Investment Partnership (Limited Partnership)	—	11,912
Star Victoria Limited	6	—
	218,519	267,079

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

Notes: (continued)

- 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 balance represents carried interest payable to the entity.
 - c. The Group accrued carried interest to the entity during the six months ended June 30, 2023 and 2022.
- iii. Funds managed by the Group in which the Group has significant influence,
 - a. The balances represent investment payable to the entity for fund capital.
 - b. The payable balances are unsecured, interest free and repayable on demand.
 - c. The balances represent payable to brokerage clients entities in respect of dealing in securities, which are kept in segregated accounts.
 - d. The entity provided consulting services to the Group during the six months ended June 30, 2023.
 - e. The Group accrued carried interest to the entity during the six months ended June 30, 2023.
- iv. Hainan Beiye Smart LLC is a joint venture of the Group, the balance represents amount due to the entity in relation to research and development services received by the Group for software development during the year ended December 31, 2021.
- v. An entity 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, 2023 and 2022.
- vi. 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 balance represents carried interest payable to FBH.
 - c. The Group accrued carried interest to the controlling shareholders during the six months ended June 30, 2023 and 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

28. 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,	
	2023	2022
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Salaries, bonus and other allowance	10,951	13,252
Performance related bonus	—	—
Retirement benefit scheme contributions	115	123
Equity-settled share-based payments expenses	12,419	12,884
	23,485	26,259

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

29. STRUCTURED ENTITIES

29.1 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, 2023, the aggregate net assets of the consolidated structured entities amounted to RMB845,639,000 (December 31, 2022: RMB962,991,000).

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.

29.2 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, 2023

29. STRUCTURED ENTITIES (CONTINUED)

29.2 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, 2023 and December 31, 2022 in the structured entities managed by third party institutions.

	As at June 30, 2023 (unaudited)		Type of income
	Financial assets at FVTPL RMB'000	Maximum risk exposure (Note) RMB'000	
Cash management products	185,362	185,362	Net investment gains
Investments in funds	1,154,353	1,154,353	Net investment gains
Trust products	3,541	3,541	Net investment gains
Money market funds	494,323	494,323	Net investment gains
Total	1,837,579	1,837,579	

	As at December 31, 2022 (audited)		Type of income
	Financial assets at FVTPL RMB'000	Maximum risk exposure (Note) RMB'000	
Cash management products	423,402	423,402	Net investment gains
Investments in funds	1,092,716	1,092,716	Net investment losses
Trust products	21,652	21,652	Net investment gains
Money market funds	579,909	579,909	Net investment losses
Total	2,117,679	2,117,679	

Note: As at June 30, 2023 and December 31, 2022, all of these unconsolidated structured entities are recorded in financial assets at fair value through profit or loss. The maximum exposures to loss in the above investments are the carrying amounts of the assets held by the Group at the end of each reporting period.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

29. STRUCTURED ENTITIES (CONTINUED)

29.2 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, 2023, the management fee recognised amounted to RMB227,544,000 (six months ended June 30, 2022: RMB251,002,000).

For the six months ended June 30, 2023, the carried interest recognised amounted to RMB94,218,000 (six months ended June 30, 2022: RMB32,752,000).

For the six months ended June 30, 2023, the net investment losses recognised amounted to RMB65,876,000 (six months ended June 30, 2022: RMB137,442,000).

As at June 30, 2023, the Group's interests in these structured entities related to funds amounted to RMB1,333,866,000 (December 31, 2022: RMB1,404,604,000).

As at June 30, 2023, the Group's interests in these structured entities related to assets management schemes amounted to RMB19,931,000 (December 31, 2022: RMB33,113,000).

As at June 30, 2023, the amount of assets held by the funds managed by the Group amounted to RMB40,077 million (December 31, 2022: RMB42,896 million).

30. COMMITMENTS

As at June 30, 2023, the Group had commitments for future investments in funds invested by the Group amounted to RMB253,359,000 (December 31, 2022: RMB260,335,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

31. 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, 2023 RMB'000 (unaudited)	Fair value as at December 31, 2022 RMB'000 (audited)	Fair value Hierarchy	Valuation technique and key input	Significant unobservable input(s)
<i>Financial assets</i>					
Unlisted investment funds at fair value	1,154,353	1,092,716	Level 3	Note (1)	Note (1)
Unlisted debt security investments	90,920	88,718	Level 2	Recent transaction price	N/A
Unlisted debt security investments	345,909	340,477	Level 3	Note (2)	Note (2)
Call option for obtaining non-controlling interests	283,090	436,080	Level 3	Note (3)	Note (3)
Financial bonds	2,401,239	2,211,927	Level 1	Open market transaction price	N/A
Money market funds	494,323	579,909	Level 2	Quoted price from a financial institution	N/A
Cash management products	205,293	456,515	Level 2	Quoted price from a financial institution	N/A
Convertible notes	184,502	186,852	Level 2	Recent transaction price	N/A
Unlisted equity security investments	—	10	Level 2	Recent transaction price	N/A
Unlisted equity security investments	91,803	91,358	Level 3	Note (4)	Note (4)
Listed equity security investments	12	161,891	Level 1	Open market transaction price	N/A
Listed equity security investments	—	54,720	Level 3	Note (5)	Note (5)
Trust products	3,541	21,652	Level 2	Quoted price from a financial institution	N/A
Associates measured at fair value	1,333,866	1,404,604	Level 3	Note (6)	Note (6)
<i>Financial liabilities</i>					
Payables to interest holders of consolidated structured entities in which the Group is the general partner of the investment funds	194,706	210,150	Level 3	Note (7)	Note (7)
Payables to interest holders of consolidated structured entities which are asset management schemes managed by the Group	—	12,896	Level 2	Fair value of the underlying investments with observable prices	N/A
Carried interests to management team and other parties measured at fair value	—	31,158	Level 1	Open market transaction price	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

31. 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 RMB1,154,353,000 as at June 30, 2023 (December 31, 2022: RMB1,092,716,000). 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 RMB57,718,000 as at June 30, 2023 (December 31, 2022: RMB54,636,000).
- (2) The Group's investments in unlisted debt security investment which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB345,909,000 as at June 30, 2023 (December 31, 2022: RMB340,477,000). The fair value was determined by market approach with a combination of observable and unobservable inputs. The significant unobservable input is 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 RMB329,000 as at June 30, 2023 (December 31, 2022: RMB315,000). A 5% decrease in the volatility, holding all other variables constant, would increase the carrying amounts of these investments by RMB6,206,000 as at June 30, 2023 (December 31, 2022: RMB6,189,000).
- (3) The Group's call option to obtain non-controlling interests amounting to RMB283,090,000 as at June 30, 2023 (December 31 2022: RMB436,080,000) 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. The fair value of the call option is most significantly affected by the estimate of the exercisability of the option. The higher the estimate of the exercisability of the option, the higher the fair value of the call option will be. A 5% increase/decrease in the estimate of the exercisability of the option, holding all other variables constant, would increase/decrease the carrying amount of the call option of the Group by RMB14,155,000 as at June 30, 2023 (December 31, 2022: RMB21,804,000).
- (4) The Group's investments in unlisted equity security investment which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB91,803,000 as at June 30, 2023 (December 31, 2022: RMB91,358,000). The fair value was determined by market approach with a combination of observable and unobservable inputs. The significant unobservable input is discount for lack of marketability ("DLOM"). 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 RMB5,604,000 as at June 30, 2023 (December 31, 2022: RMB5,460,000).
- (5) The Group's investments in listed equity security investment which were classified as financial assets at FVTPL under level 3 hierarchy amounted to RMB nil as at June 30, 2023 (December 31, 2022: RMB54,720,000). The significant unobservable input is the DLOM. 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 RMB nil as at June 30, 2023 (December 31, 2022: RMB2,736,000).
- (6) The Group's associates measured at fair value amounted to RMB1,333,866,000 as at June 30, 2023 (December 31, 2022: RMB1,404,604,000) 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 RMB66,693,000 as at June 30, 2023 (December 31, 2022: RMB70,230,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

31. 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: (continued)

- (7) The Group's payables to interest holders of consolidated structured entities in which the Group is the general partner of the investment funds amounting to RMB194,706,000 as at June 30, 2023 (December 31, 2022: RMB210,150,000) 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 RMB9,735,000 as at June 30, 2023 (December 31, 2022: RMB10,507,000).

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

	Unlisted investment funds at fair value RMB'000
At January 1, 2022 (audited)	1,104,043
Capital contribution	86,450
Distribution	(90,513)
Changes in fair value	(87,045)
Effect of exchange rate change	79,781
Balance at December 31, 2022 (audited)	1,092,716
Capital contribution	35,426
Distribution	(12,607)
Changes in fair value	5,877
Effect of exchange rate change	32,941
Balance at June 30, 2023(unaudited)	1,154,353

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

31. 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)

	Unlisted debt security investments RMB'000
At January 1, 2022 (audited)	326,666
Changes in fair value	2,711
Effect of exchange rate change	11,100
Balance at December 31, 2022 (audited)	340,477
Effect of exchange rate change	5,432
Balance at June 30, 2023 (unaudited)	345,909
	Call option for obtaining non-controlling interests RMB'000
At January 1, 2022 (audited)	518,080
Change in fair value	(82,000)
Balance at December 31, 2022 (audited)	436,080
Change in fair value	(152,990)
Balance at June 30, 2023 (unaudited)	283,090

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

31. 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)

	Unlisted equity security investments RMB'000
At January 1, 2022 (audited)	24,263
Addition	62,806
Changes in fair value	3,590
Effect of exchange rate change	699
Balance at December 31, 2022 (audited)	91,358
Effect of exchange rate change	445
Balance at June 30, 2023 (unaudited)	91,803
	Listed equity security investments RMB'000
At January 1, 2022 (audited)	80,200
Changes in fair value	(25,480)
Balance at December 31, 2022 (audited)	54,720
Transfer from level 3 to level 1	(54,720)
Balance at June 30, 2023 (unaudited)	—

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

31. 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, 2022 (audited)	1,565,221
Capital contribution	198,010
Addition	60,868
Distribution	(353,328)
Changes in fair value	(154,193)
Effect of exchange rate change	88,026
Balance at December 31, 2022 (audited)	1,404,604
Capital contribution	17,618
Distribution	(43,406)
Changes in fair value	(65,876)
Effect of exchange rate change	20,926
Balance at June 30, 2023 (unaudited)	1,333,866

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the six months ended June 30, 2023

31. 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, 2022 (audited)	372,534
Capital contribution	25,864
Distribution	(29,092)
Disposal	(118,039)
Changes in fair value	(52,524)
Effect of exchange rate change	11,407
Balance at December 31, 2022 (audited)	210,150
Capital contribution	2,500
Distribution	(6,083)
Changes in fair value	(14,434)
Effect of exchange rate change	2,573
Balance at June 30, 2023 (unaudited)	194,706

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

“AI”	artificial intelligence
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Articles of Association”	the articles of association of our Company conditionally adopted on September 7, 2018 with effect from the Listing Date, as amended from time to time
“Audit Committee”	the Audit Committee of the Board
“AUM”	assets under management
“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 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
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “the Company”, “China Renaissance”	China Renaissance Holdings Limited 華興資本控股有限公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on July 13, 2011
“Connected Transactions”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Bao, FBH Partners, and CR Partners
“CR Partners”	CR Partners Limited, a company incorporated in the British Virgin Islands with limited liability on July 5, 2011 and one of our Controlling Shareholders
“CR Securities”	China Renaissance Securities (China) Co., Ltd. (華興證券有限公司), a company incorporated in China, with limited liability on August 19, 2016 and an indirect subsidiary of the Company, formerly named as 華菁證券有限公司
“CSRC”	China Securities Regulatory Commission
“Director(s)”	the director(s) of our Company

DEFINITIONS (CONTINUED)

“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
“FVTPL”	Fair value through profit or loss
“Group”, “our Group”, “the Group”, “we”, “us” or “our”	the Company and its subsidiaries from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Hong Kong” or “HK” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Huaxing Growth Capital” or “HGC”	comprised of eight 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 USD Fund IV, Huaxing Growth Capital RMB Fund I, Huaxing Growth Capital RMB Fund II, Huaxing Growth Capital RMB Fund III and Huaxing Growth Capital RMB Fund IV
“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
“IPO”	Initial public offering
“IRR”	Internal rate of return
“IT”	internet technology
“Latest Practicable Date”	September 5, 2024, being the latest practicable date prior to the printing of this interim report for the purpose of ascertaining certain information contained herein
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	September 27, 2018 the date on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange

DEFINITIONS (CONTINUED)

“Listing Rules”	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules
“Mr. Bao”	Mr. Bao Fan (包凡), our former Chairman and Chief Executive Officer (resigned February 2, 2024) who is our Controlling Shareholder as of the Latest Practicable Date
“PE”	Private equity
“Prospectus”	the prospectus of the Company dated September 14, 2018
“RMB” or “Renminbi”	Renminbi, the lawful currency of PRC
“Reporting Period”	the six months ended June 30, 2023
“RSU Plan”	the China Renaissance Holdings Limited 2018 Restricted Share Unit Plan as approved by Board on June 15, 2018
“RSUs”	restricted share units
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it in the Listing Rules
“United States” or “US” or “U.S.” areas subject to its jurisdiction	the United States of America, its territories, its possessions and all
“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.



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