

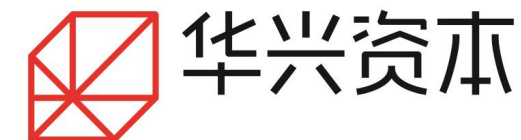
华兴资本

# China Renaissance: 1H21 Results

August 2021



# Disclaimer



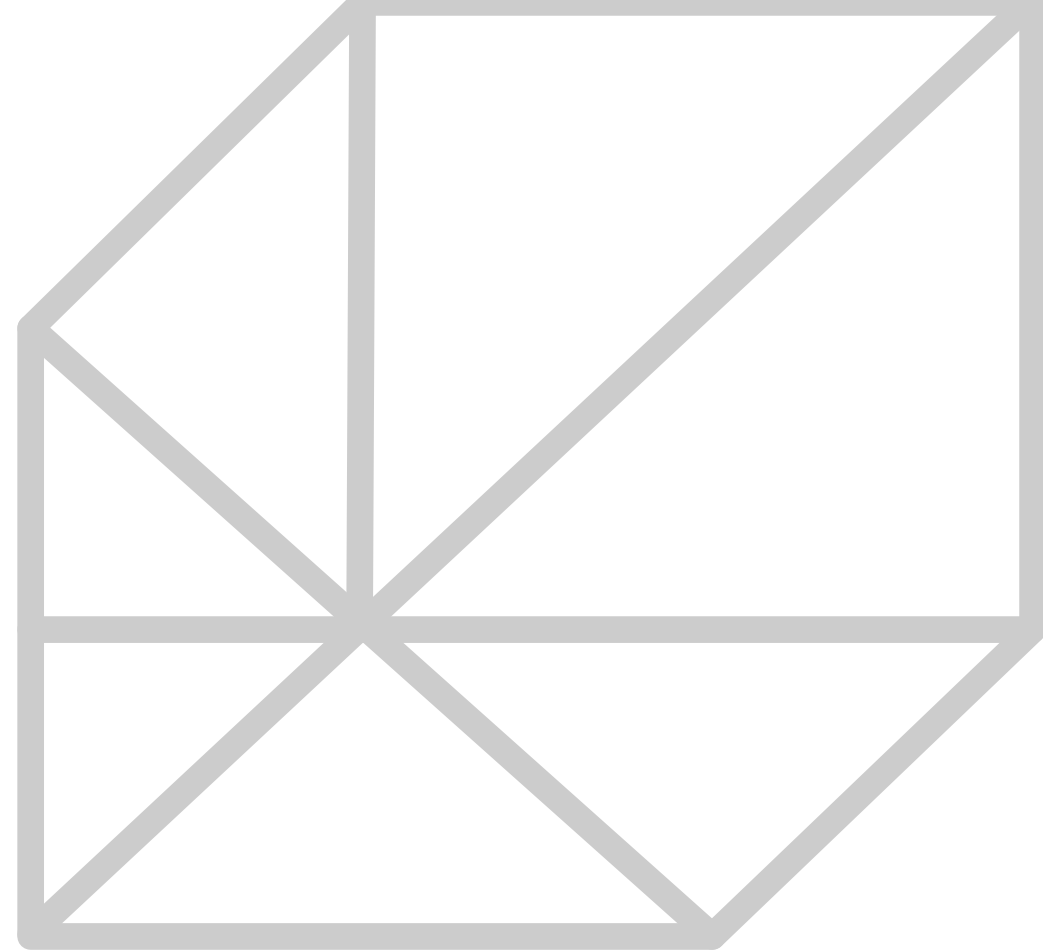
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**BUSINESS UPDATE**

Investment gains from the Investment Management business continued to contribute to stable profitability

Strong investment income and synergies between business operations drove revenue growth

Wealth Management business remained on track

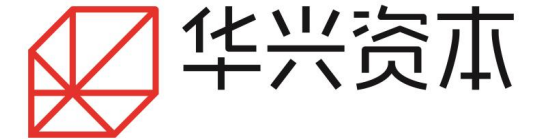
CR Securities achieved profitability

Investment Banking business reached a new record high;  
Robust synergies between primary and secondary markets

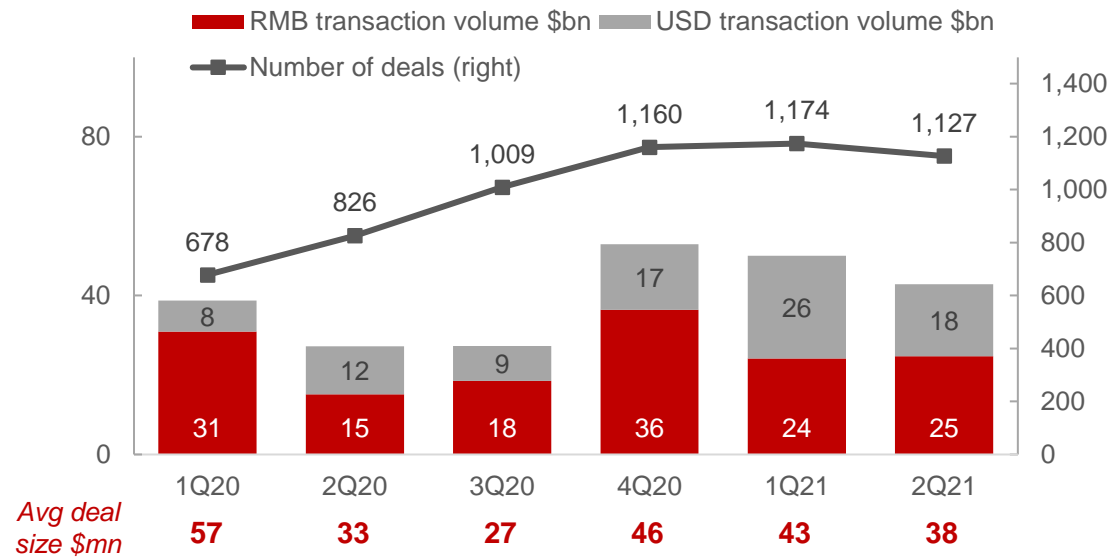
Significant breakthrough in debt financing capabilities;  
Higher ROE



# China Renaissance Outperformed the Market, as Market Continued to Gain Momentum

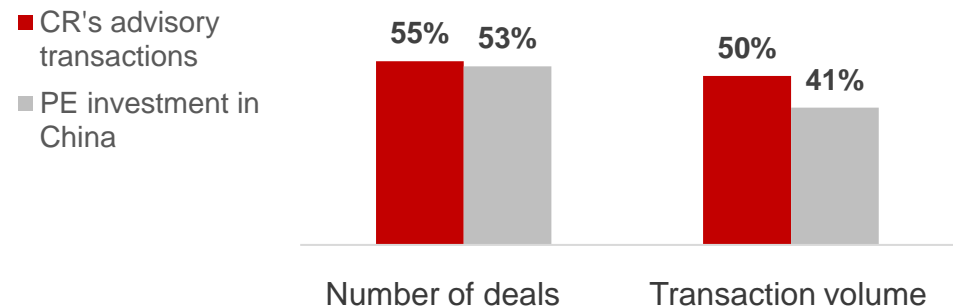


## PE investment continued to grow

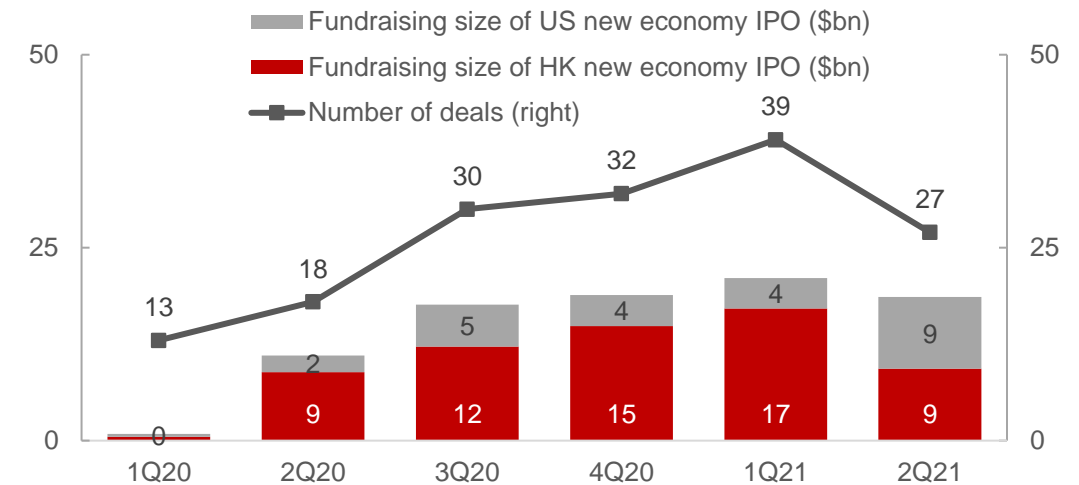


## Transaction volume and numbers of CR's advisory deals increased faster than the market

(1H YoY)

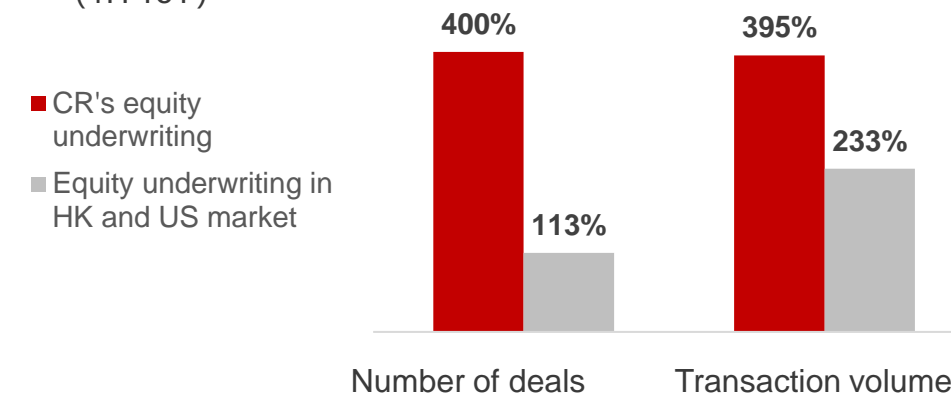


## New economy IPO number and scale increased significantly

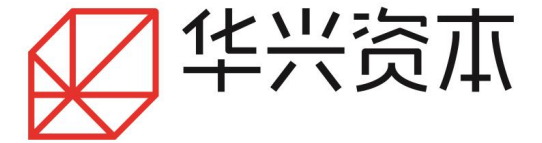


## Transaction volume and numbers of CR's equity underwriting deals increased faster than the market

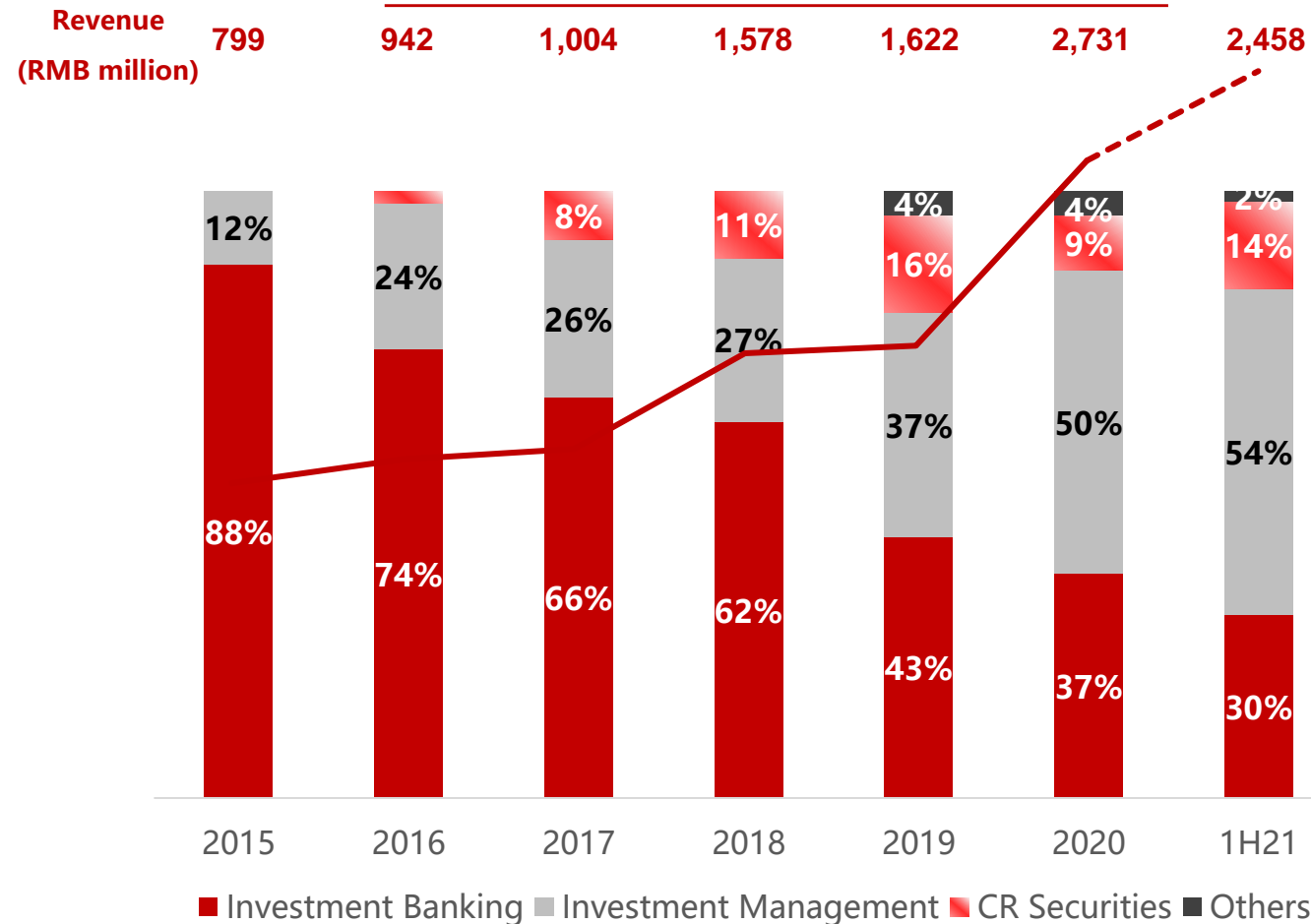
(1H YoY)



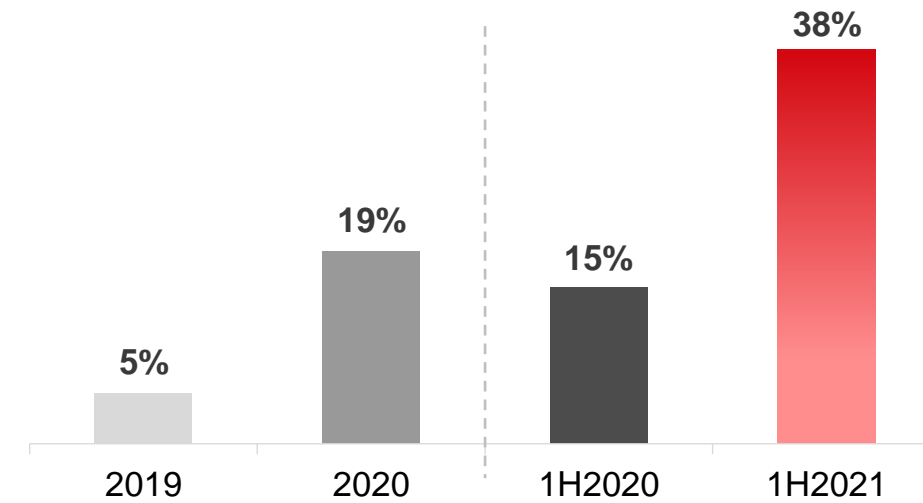
# Strong Investment Income and Synergies Between Business Operations Drove Revenue Growth



## 1H21 Revenue increased 111% YoY, Investment Management accounted for 54% of total revenue

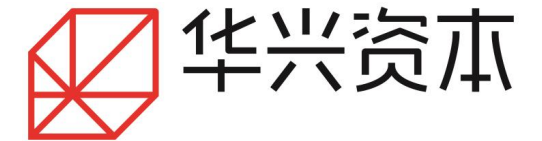


## Group ROE exceeded 38%



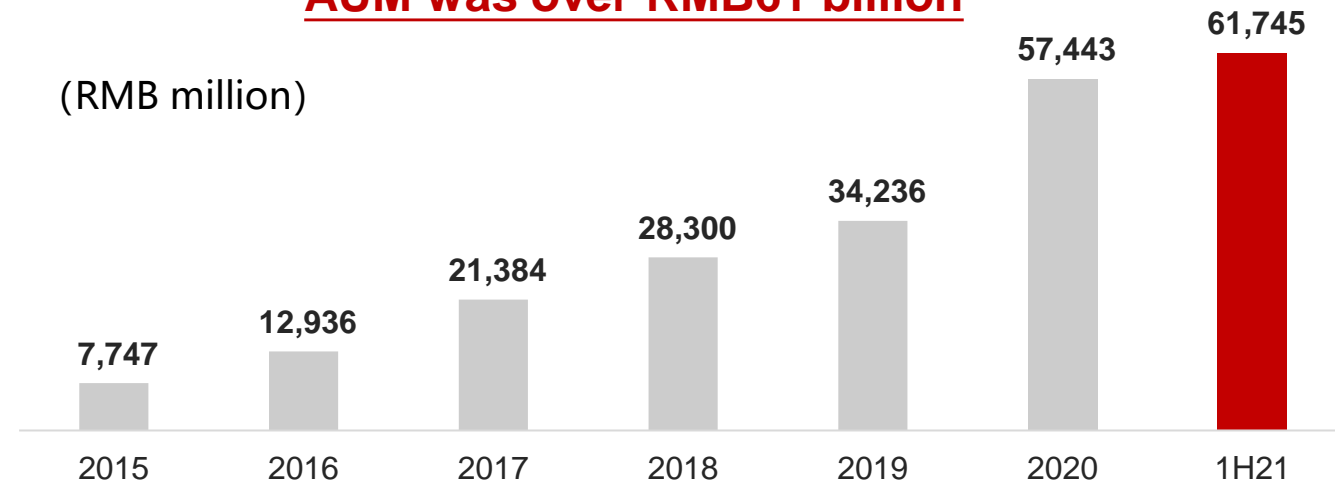
- 1H21 Revenue of Top 10 Chinese financial institutions increased **40%** YoY.
- Average ROE of Top 10 Chinese financial institutions in 2020 was **9.3%**.

# Investment Management — Reap Benefits from Portfolio Investments



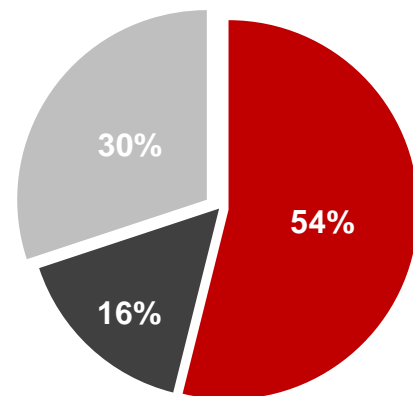
△ AUM continued to grow, while Group's investment gains were accumulated steadily and realized gradually

## AUM was over RMB61 billion



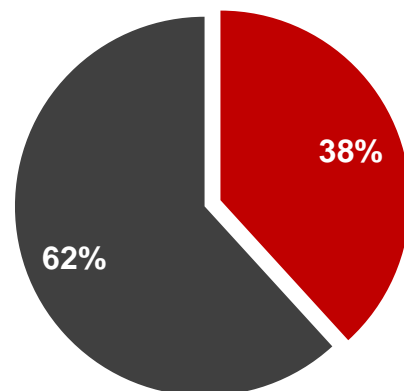
- As of June 30, 2021, average MOIC for funds with completed investment was **4.3x**, average IRR **54%**.

## AUM by product



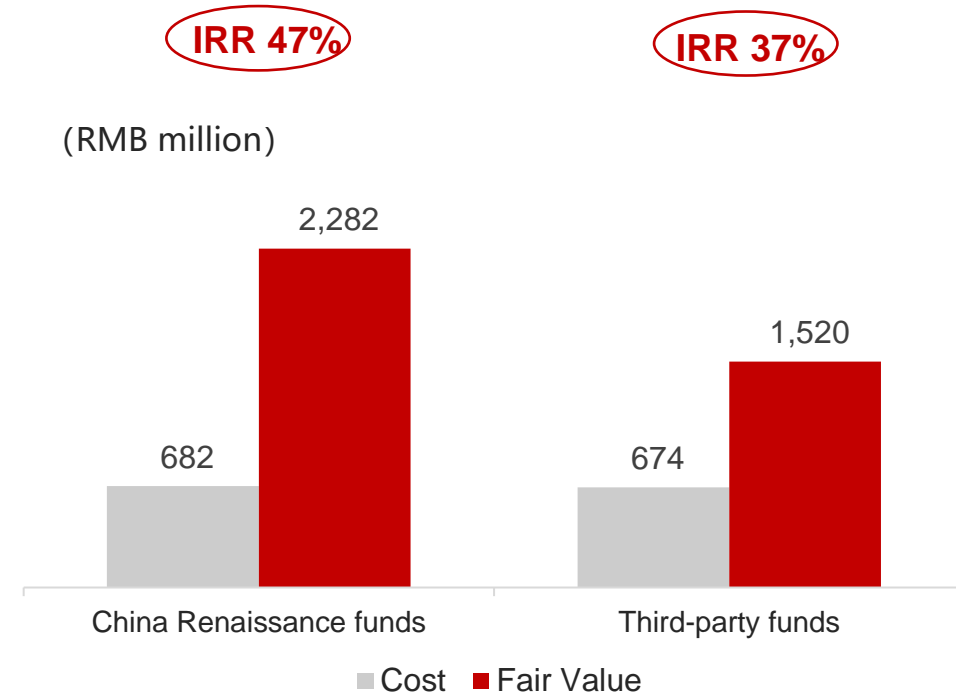
■ Growth Capital ■ Healthcare ■ Project Funds

## 1H21 proportion of realized investment gains were 38%



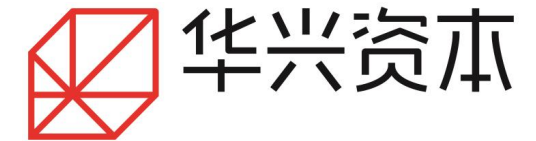
■ Realized ■ Unrealized

## Group's capital invested in Investment Management business



- In the first half of 2021, **20%** or RMB220 million of investment gains were realized gains. Among the investments in CR's own funds, **38%** were realized gains. With Fund I and II gradually entering the exit period, the Group will continue to receive investment income in the future.

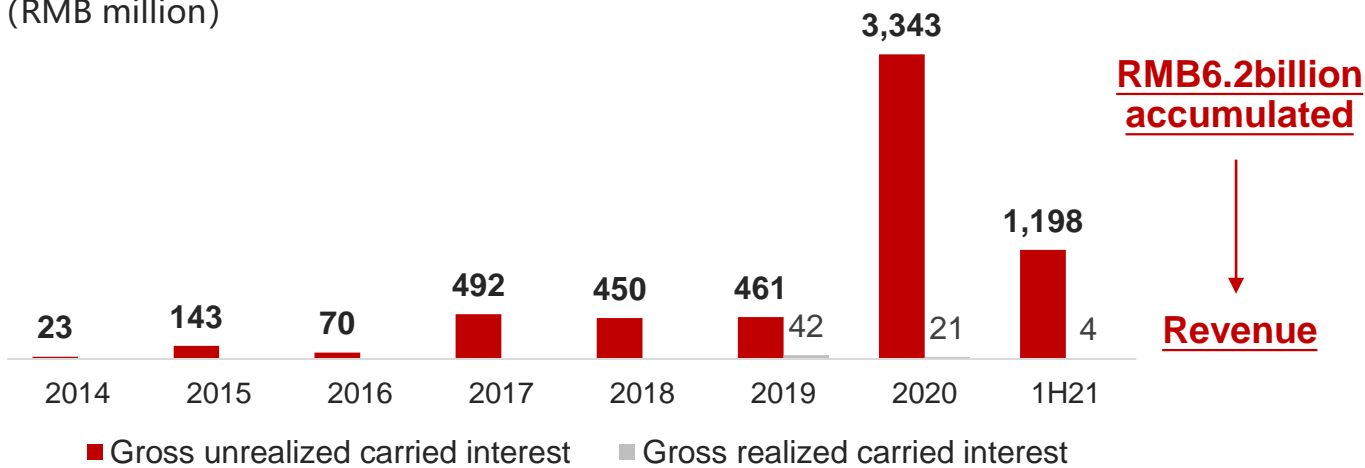
# Investment Management — Growth in AUM and Product Diversification to Better Balance Risk



Carried interest will support the continuous growth of net profit; Fund raising of Growth Capital Fund IV and diversification of products will contribute to AUM

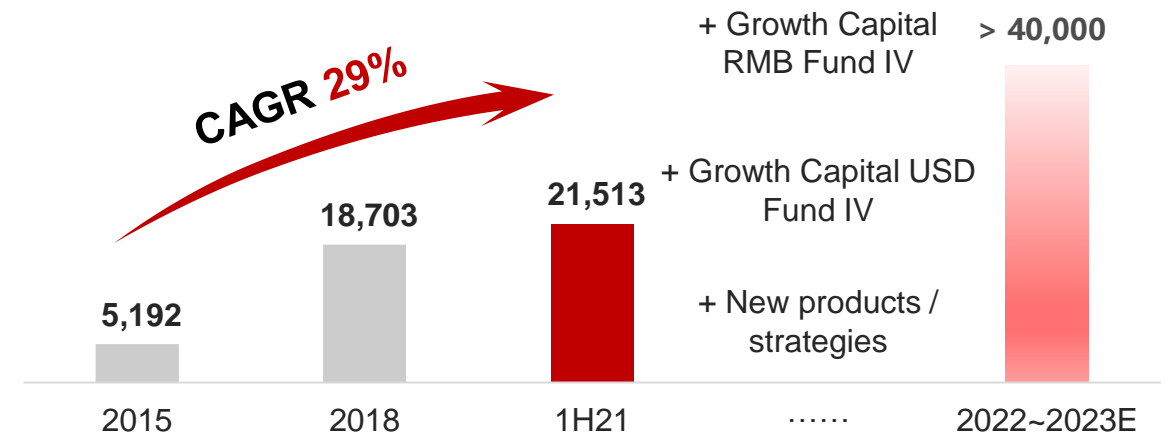
## Gross unrealized carried interest

(RMB million)



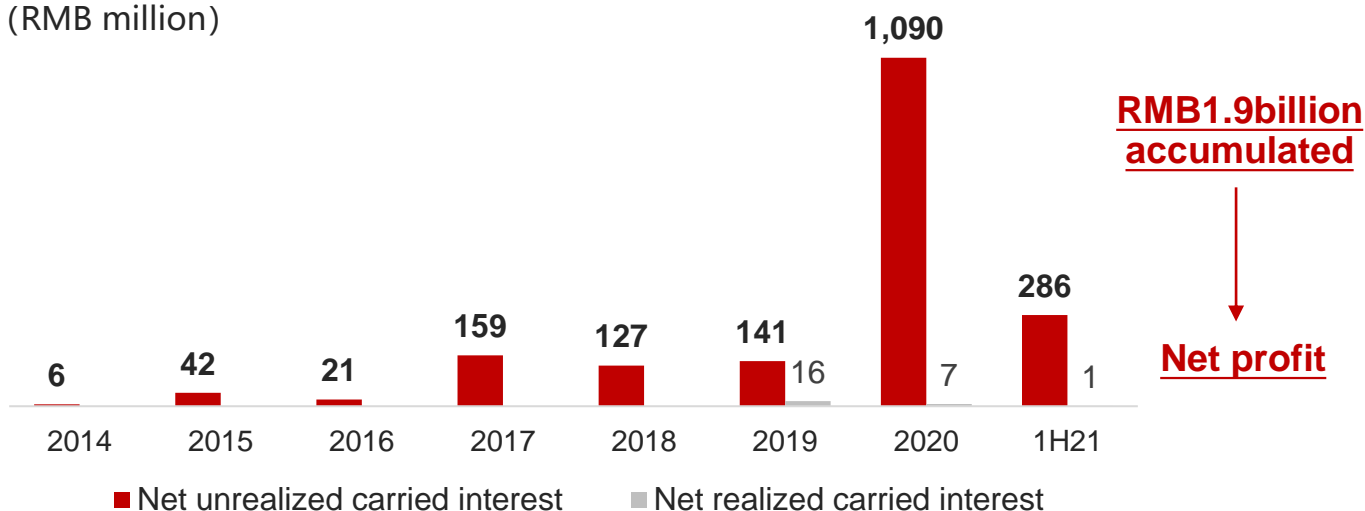
## Fee-earning AUM

(RMB million)



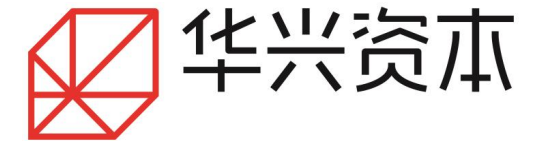
## Net unrealized carried interest

(RMB million)



- Huaxing Growth Capital RMB Fund IV and USD Fund IV are expected to achieve first close by the end of 2021Q3, with the final close expected to take place by end of 2022.
- Prepare to diversify the fund products - Credit fund and Fund of hedge funds have set up the team to start the preparation process for fundraising and investment.

# Investment Management — Upgrade the Investment Strategy, Focus on Smart Technologies

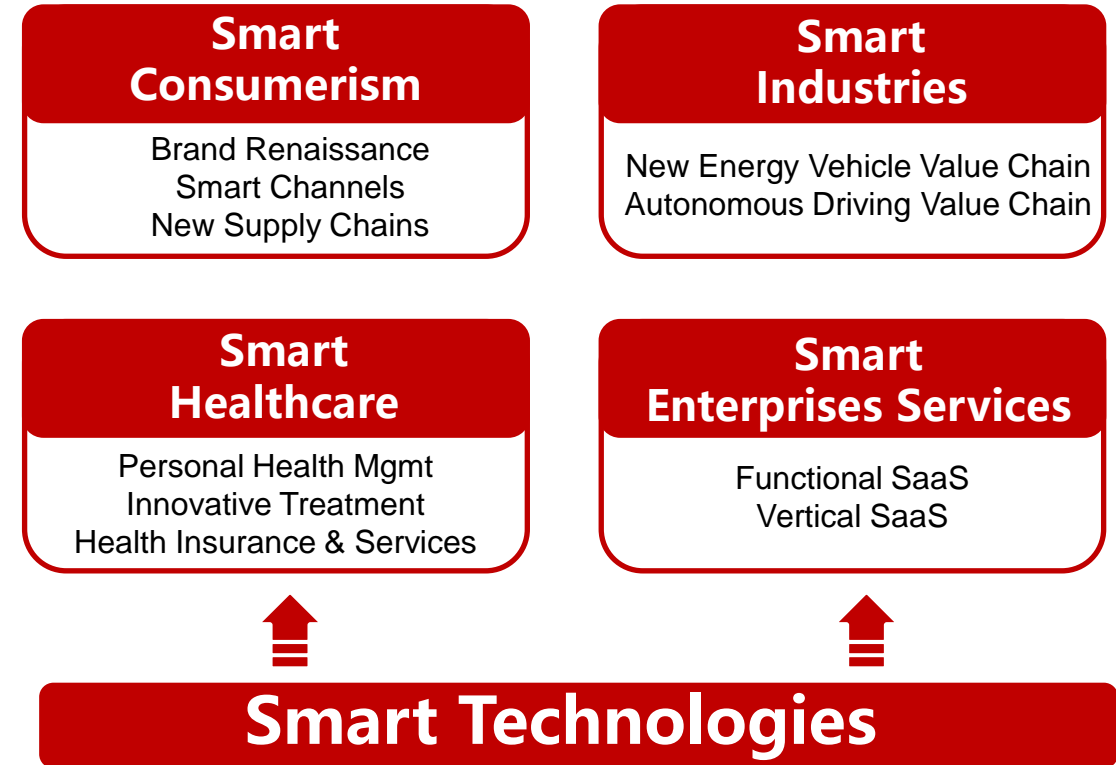


Operational synergies across business segments and comprehensive research capabilities supported investment strategy upgrade; Multiple IPOs further created exit opportunities and contributed to overall fund performance

## Industrial distribution of existing portfolio investments\* and Selective portfolio



## Fund IV – Focus of Sectors

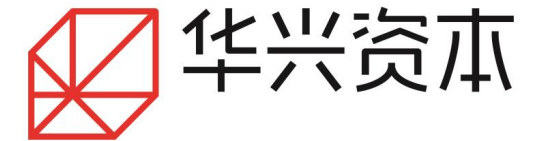


## New Tech Infrastructure Enables Smart Economy Transformation

- Driven by insightful research capacity, we maintain comprehensive coverage on core and high growth sectors; constantly discovering top projects within key sectors; assessing and managing ongoing market and policy risks (completed 54 in-depth research reports in FY2020 and 1H21)
- Significant synergies achieved with the Investment Banking business, which contributed approximately 30% of deals for Huaxing Growth Capital USD Fund III and RMB Fund III.

\*fair value of exiting portfolio investments, as of June 30, 2021

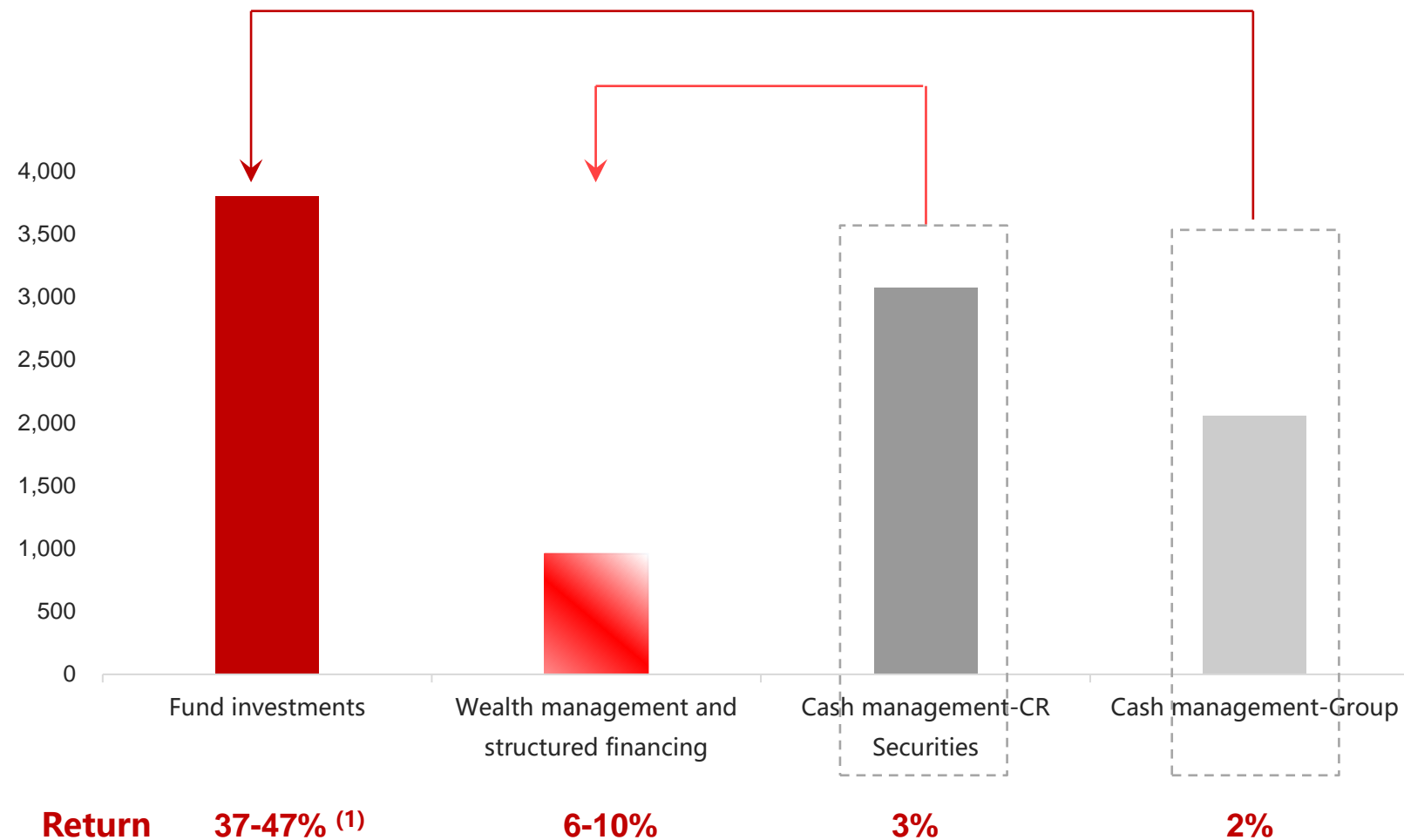
# Significant Breakthrough in Debt Financing Capabilities, with Strong Cash position and Capital Reserves



Successful completion of overseas syndicated loan projects; strong reserves of cash position and capital to protect against future uncertainties and risks

## Overview of Group Capital Allocation and Returns

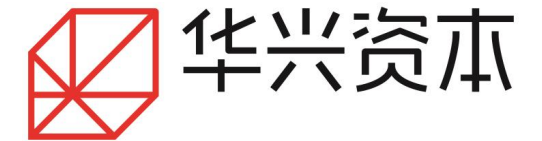
(RMB million, in fair value)



- 1H21 annualized ROE: **38%**
- Cash position on balance sheet: RMB**5.1 billion**
- Group successfully entered into a 3-year syndicated term loan facility agreement with a total principal amount of US\$300 million. Interest rate: Libor+2%
- Credit facilities from other authorized institutions: RMB**1.37 billion**
- Plan to bolster fee-income generation through more efficient utilization of Group capital
  - Plan to allocate close to 10% of Group capital to invest in China Renaissance's managed funds to leverage higher AUM
  - Facilitate Investment Banking business with structured financing for key account clients
  - Higher capital returns on CR Securities-after obtaining principal investment license in 2H20

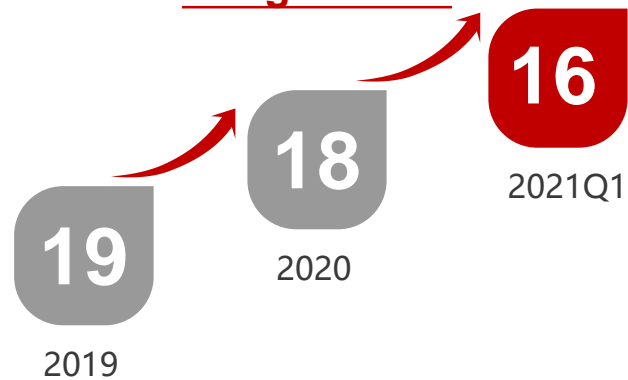
(1) IRR as of June 30, 2021

# Investment Banking — Improved Distribution Capacity and Public Market Position



▲ A number of IPOs closed in 1H21; Kuaishou's IPO boosted China Renaissance's market position in underwriting business

## List of Brokers in Hong Kong Market



2019

- Ranking by McLagan
- Exceeded US\$7.7 million of trading commission
- Ranked top 3 among Chinese financial institution

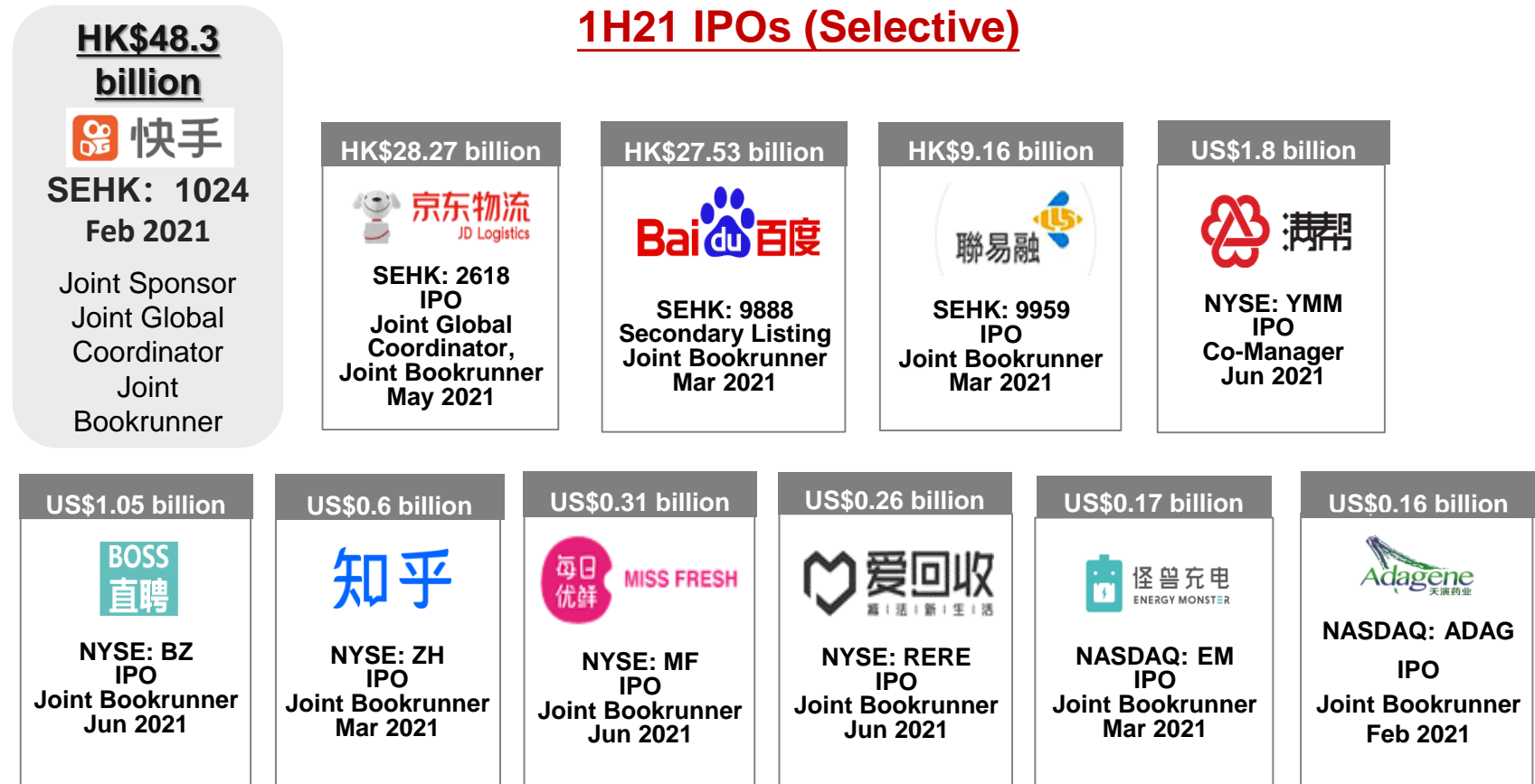
## List of Hong Kong IPO Underwriting



2019

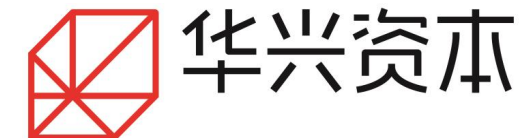
- Ranking by Wind
- Exceeded HK\$15 billion of transaction volume
- Ranked top 3 among Chinese financial institution

## 1H21 IPOs (Selective)



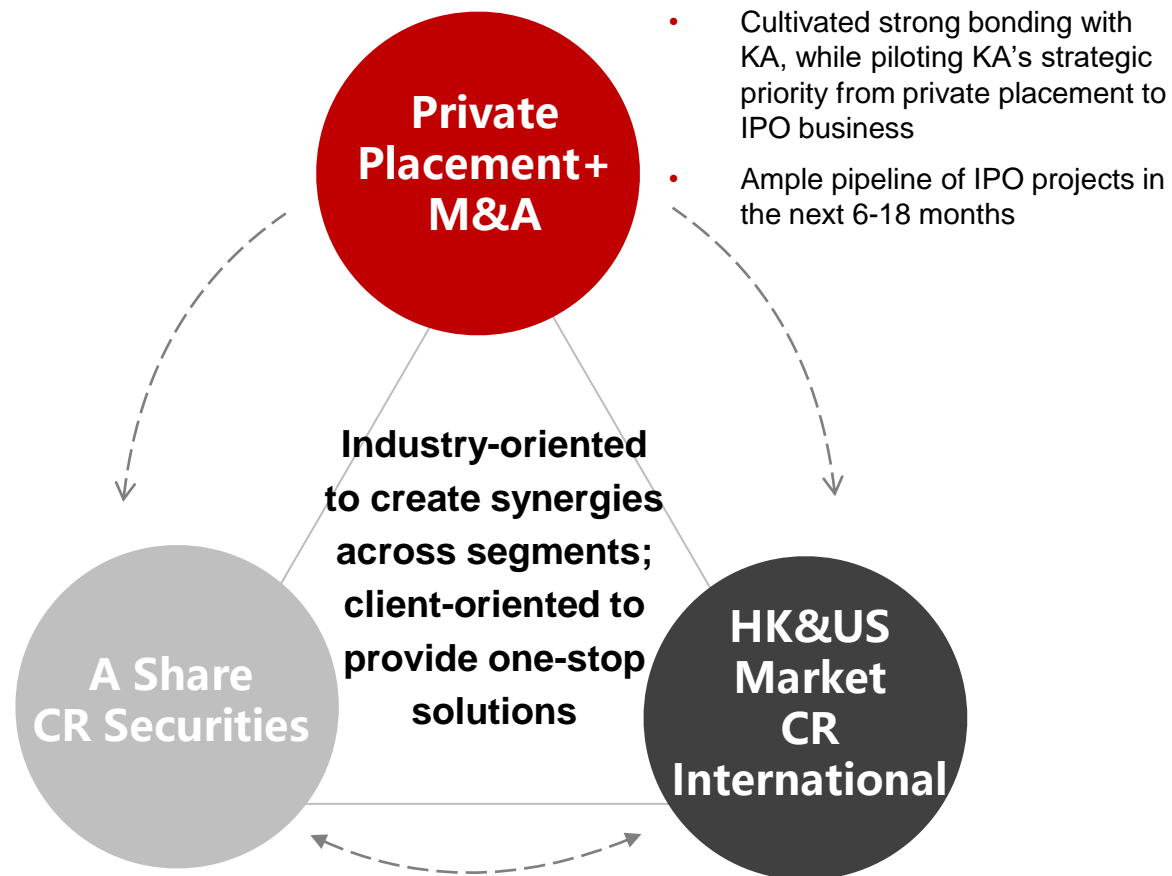
- Completed **5** HK IPO and **9** US IPO projects
- Served as **Joint Sponsor for Kuaishou's HK IPO, underwriting 24% of its total shares**

# Investment Banking — Business Integration Strategy Fosters Synergies across Capital Markets



Private placement and M&A advisory services continued to grow steadily and strengthen CR's market share in the primary market; integrated Investment Banking division provides clients with one-stop solutions

## Investment Banking business integration

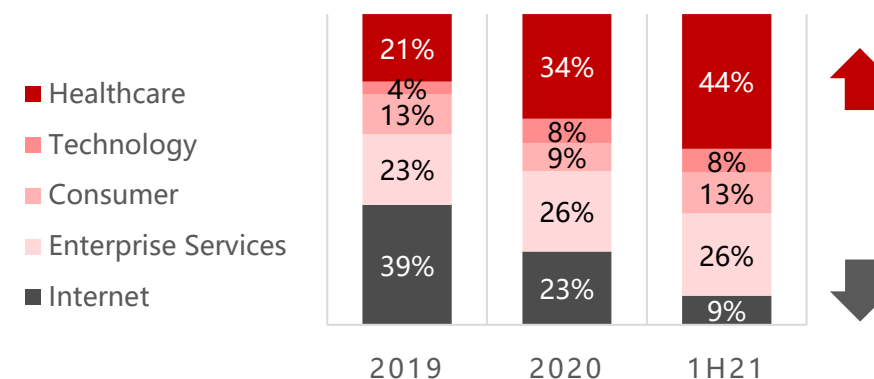


- Accelerated client conversions with strong IPO project pipelines
- Collaborated with CR International to facilitate 2 HK listing applications and 1 offshore SPAC transaction
- Brokerage service continued its rapid growth, with stronger distribution capabilities
- Recruit top talents to enhance team capacity, increase market share and achieve steady progress to improve overall market ranking

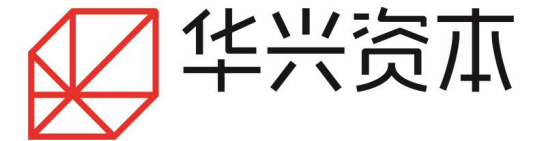
## 1H21 Private Placement (Selective)

<b>US\$0.26 billion (Round F)</b>  Technology May 2021	<b>RMB0.35 billion (Round A)</b>  Stomatology Feb 2021	<b>RMB0.24 billion (Round B)</b>  Innovative Healthcare payments Mar 2021	<b>RMB1 billion (Round C)</b>  Innovative drug Jan 2021
<b>US\$80 million (Round D)</b>  Logistics Jun 2021	<b>RMB1.5 billion (Round A)</b>  Hard technology May 2021	<b>US\$0.11 billion (Round C)</b>  Biopharmacy Apr 2021	<b>US\$0.12 billion (Round D)</b>  Tech and Enterprise Services Jun 2021

## Sectors of Private Placement



# Wealth Management Business Remained On Track



Team structure setup completed with optimized front/middle/back offices

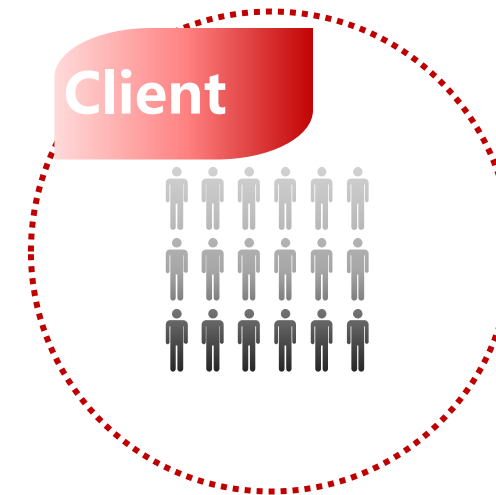
Improved the organizational structure and built a professional wealth management service organization with front-line sales + investment consultants as the output service and product managers as the support of experts



Centered around alternative and new economy assets

Coordinated with Group resources for CR specialty projects and HK/US IPO subscriptions

4 main product types: cash management, fixed income, equity investment, and alternative investment



Clients are mainly new economy related wealth customers

Asset allocation for ultra-high net worth individuals

Cash management for leading new economy firms

Exploring wealth management via innovative technology



AUM: RMB **7 bn**

(as of Jun 2021)

Target AUM by end 2021: RMB **10 bn**

(high net worth clients)

# CR Securities — Strengthen All Lines of Business; Achieved Profitability in 1H2021



## Business Diversity in Rapid Development; Enter the Implementation Cycle

- Complete Unigreen's IPO on the STAR market of the Shanghai Stock Exchange as sole sponsor
- Complete the implementation of major asset restructuring and issuance of Huakai Creative
- Successfully apply for 3 ChiNext projects and 1 STAR market project, expect to land in 2022



## Outstanding Performance of Star Products; Prominent Advantage of Self-research Capability

- Outstanding performance of Star products (multi-strategy FOF, all-weather quantization), increasingly optimized product categories, covering equity, quantization, fixed income, FOF, ABS, etc
- Leading in-house research team to, build a long-term investment and research system

**Operating Levels  
Achieved a New  
Record High in  
1H2021**



## Gradually Build Investment Capacity, Steadily Increase Revenue

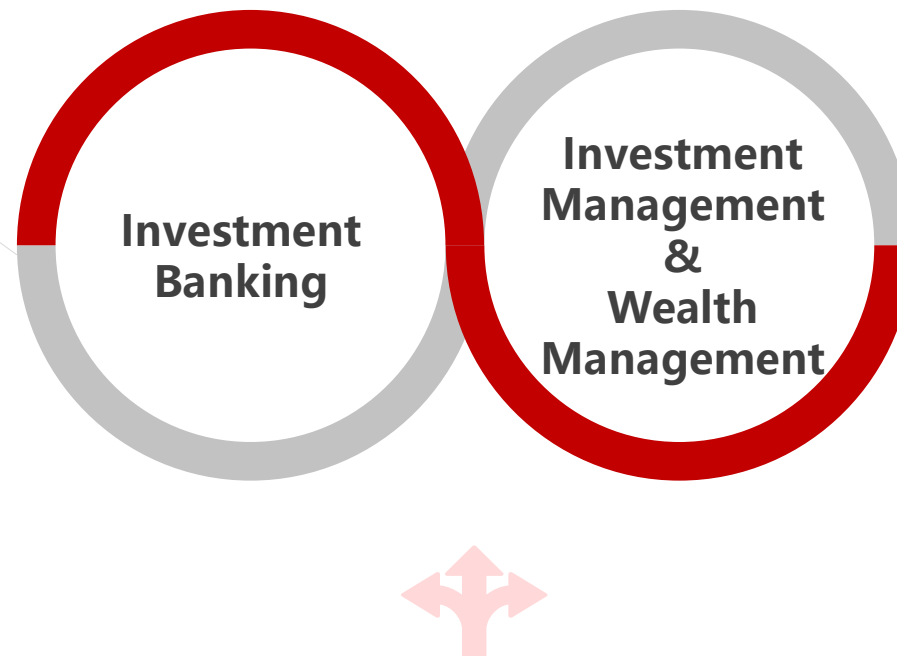
- Continuously strengthen core investment capabilities after obtaining principal investment and financial product distribution licenses, contributing to a 56% year-on-year growth in investment gains from principal investment in 1H2021
- Lucrative investment income on the STAR market (Endovastec, UIGreen)

## Focus on Supporting Investment Banking Business, Build a Comprehensive Institutional Service Platform

- Enhance the supporting role of A-share Investment Banking business, institutional brokerage covers more than 180 investment institutions, and completed 7 block trades
- Publish more than 200 research reports in 1H2021, covering more than 150 listed companies

# CR Securities — Business Objectives in Clear Vision, Synergistic with Business Operations

- Synergies with the Group's advisory and investment banking departments; Develop pipeline of multiple A-share IPOs and M&A projects
- Share customer coverage system with Group's Investment Banking business; Jointly implement multiple projects
- Provide research support to various sectors; Collaborate other business segment to complete the Innovation Economy Report



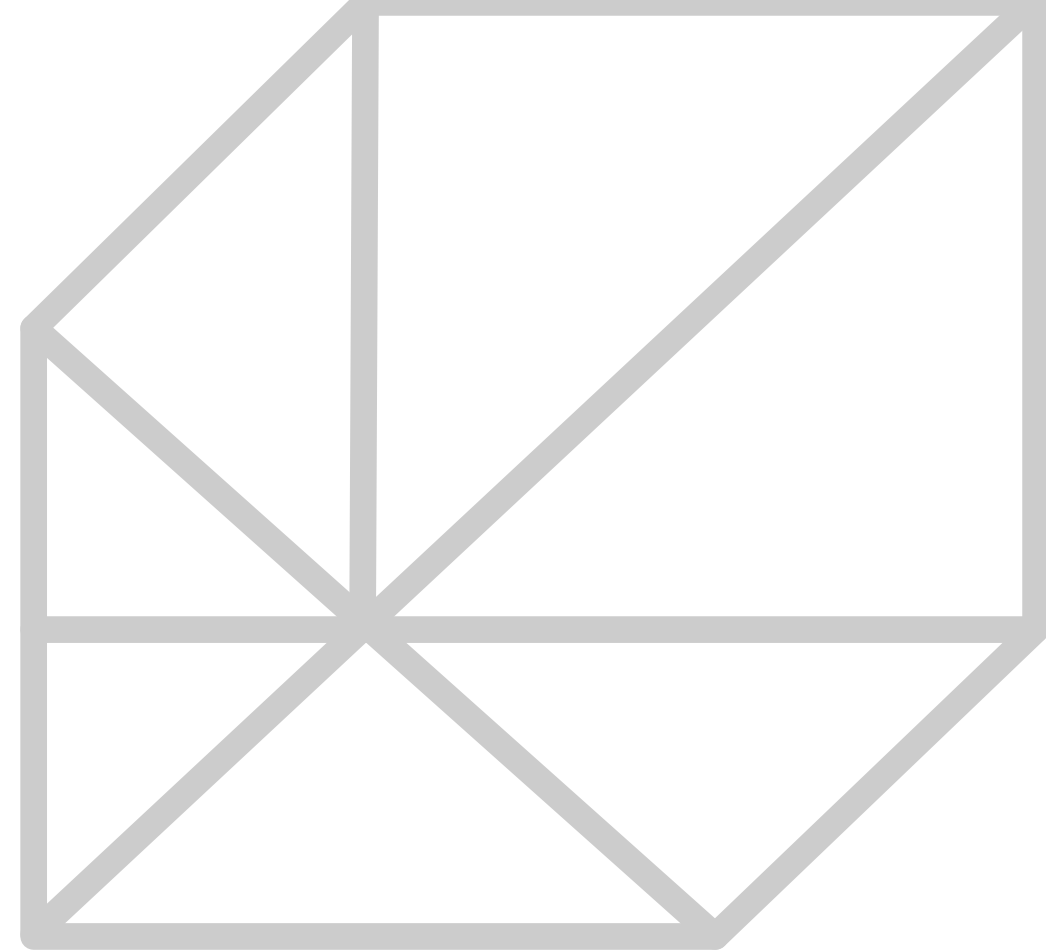
- Leverage the scale of the organization; Strengthen collaboration between brokerage, asset management, wealth management and research businesses in CR Securities
- Actively explore technology to empower business ecology; Actively deploy innovative business solutions



**Effective Balance Sheet Management to Increase Return on Capital**

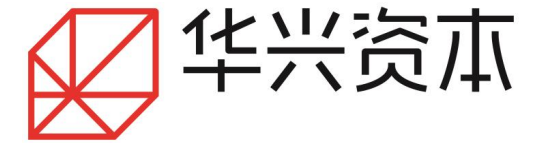


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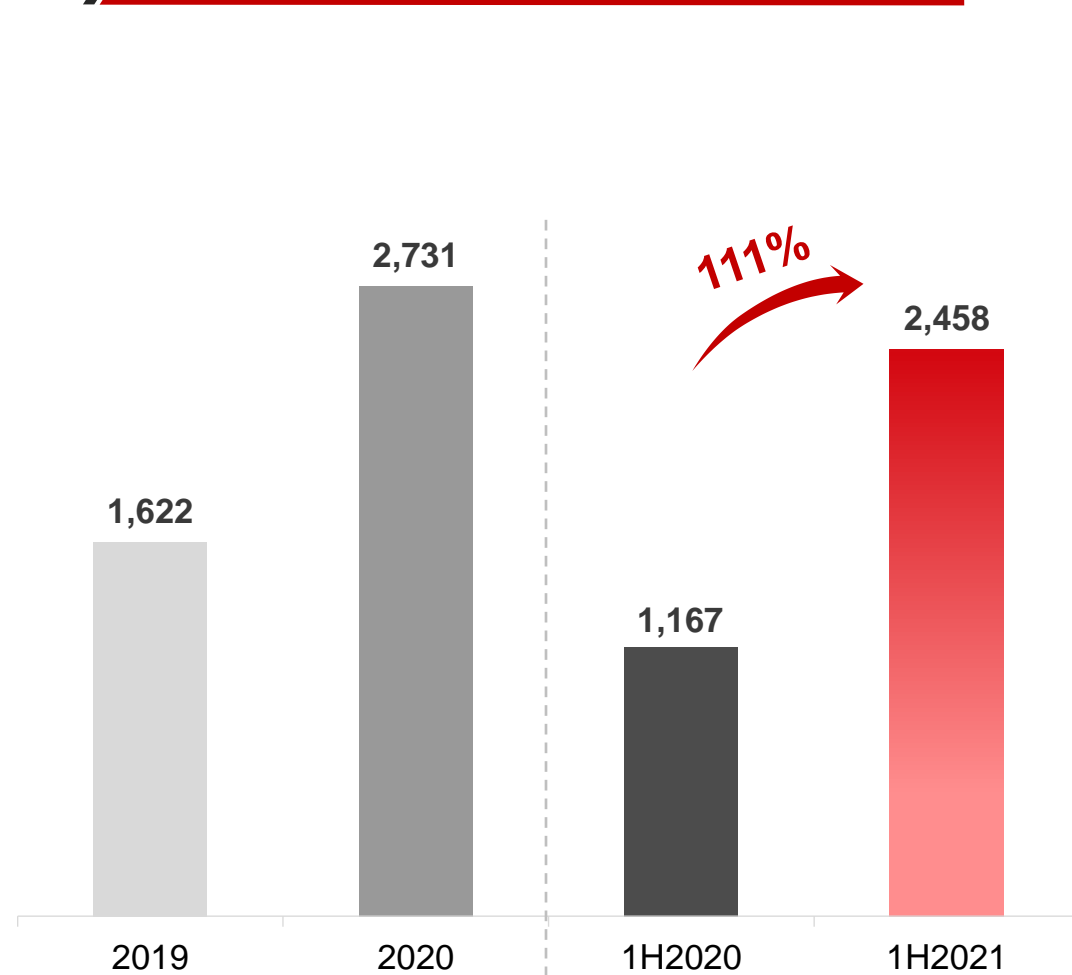


**FINANCIAL UPDATE**

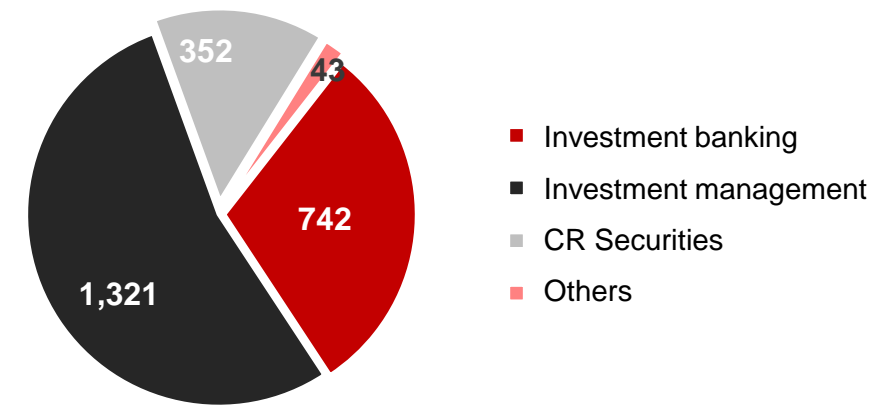
# Notable Revenue Contribution from Investment Management



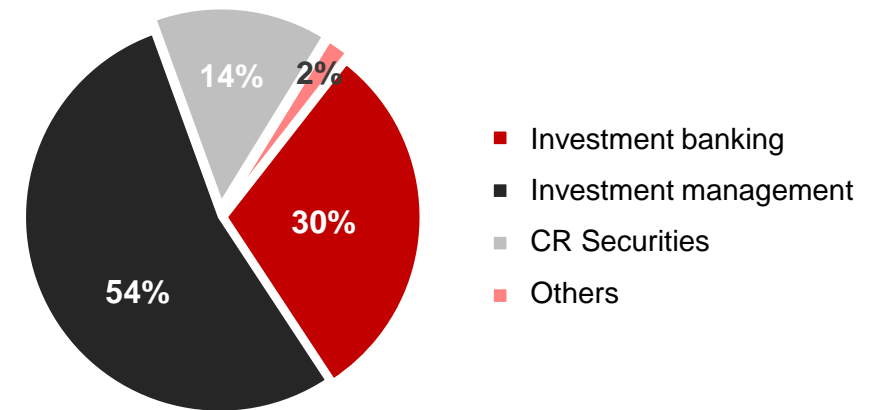
Total Revenue<sup>1</sup> (RMB million)



Revenue by Segment<sup>1</sup> (RMB million)



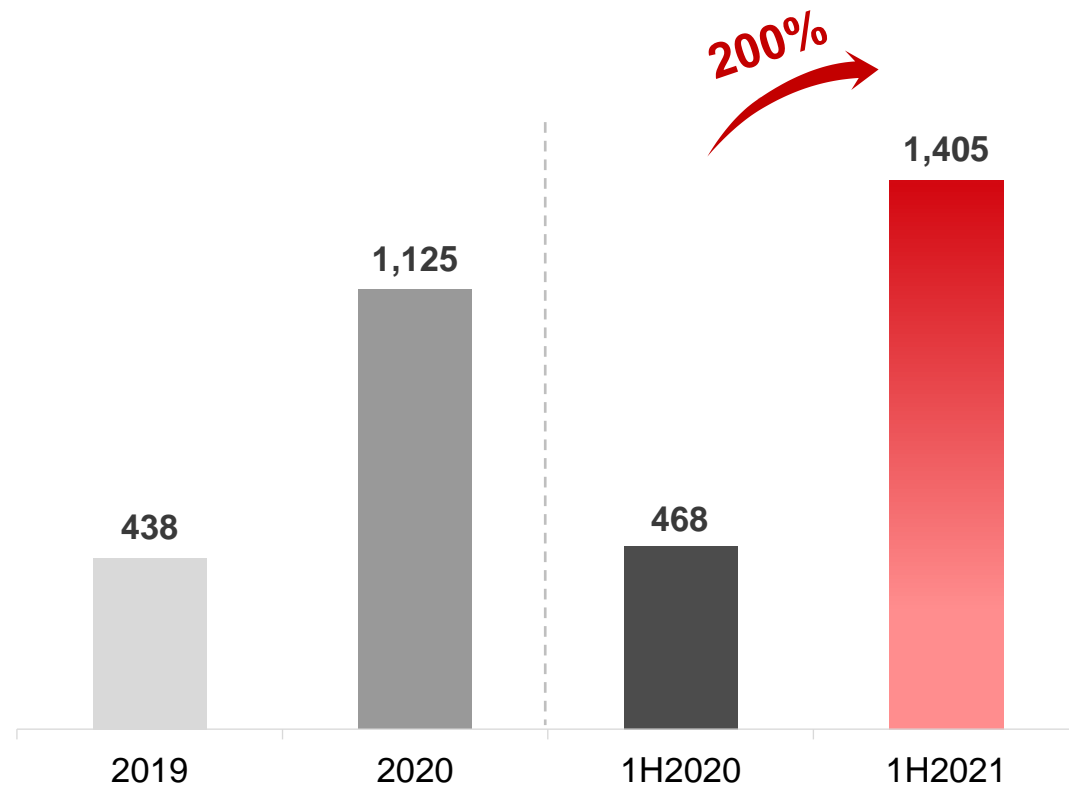
Revenue Percentage by Segment



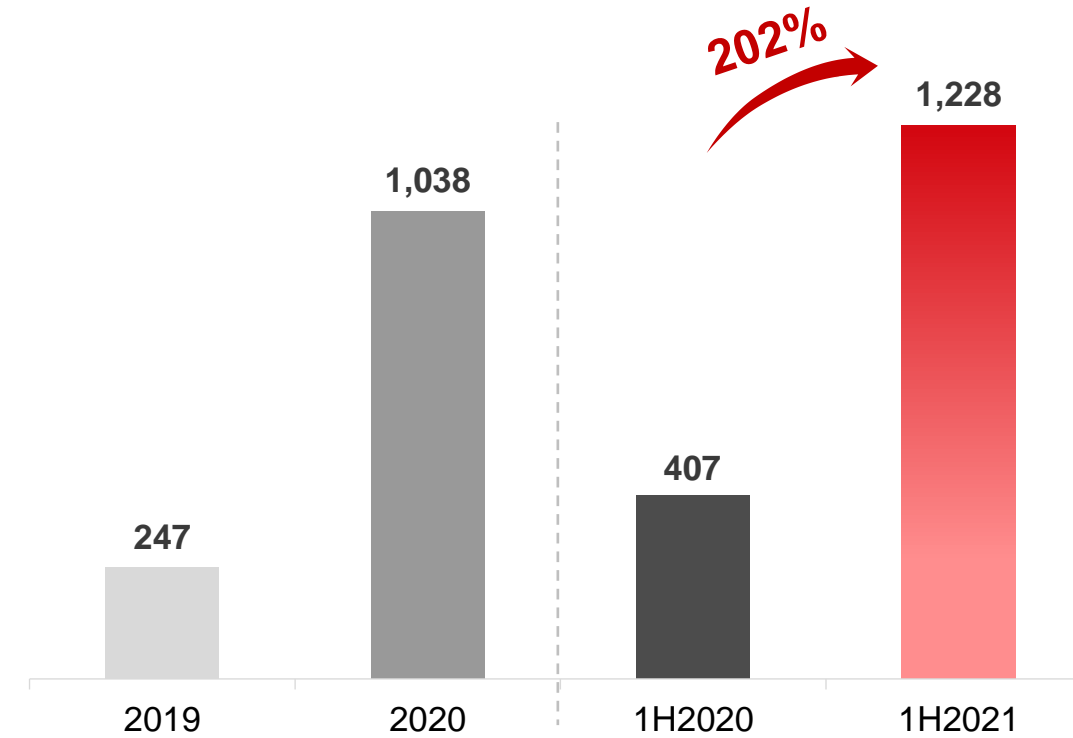
<sup>1</sup> including net investment gains

# Significant Profit Growth

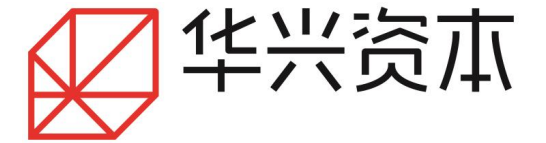
### Operating Profit (RMB million)



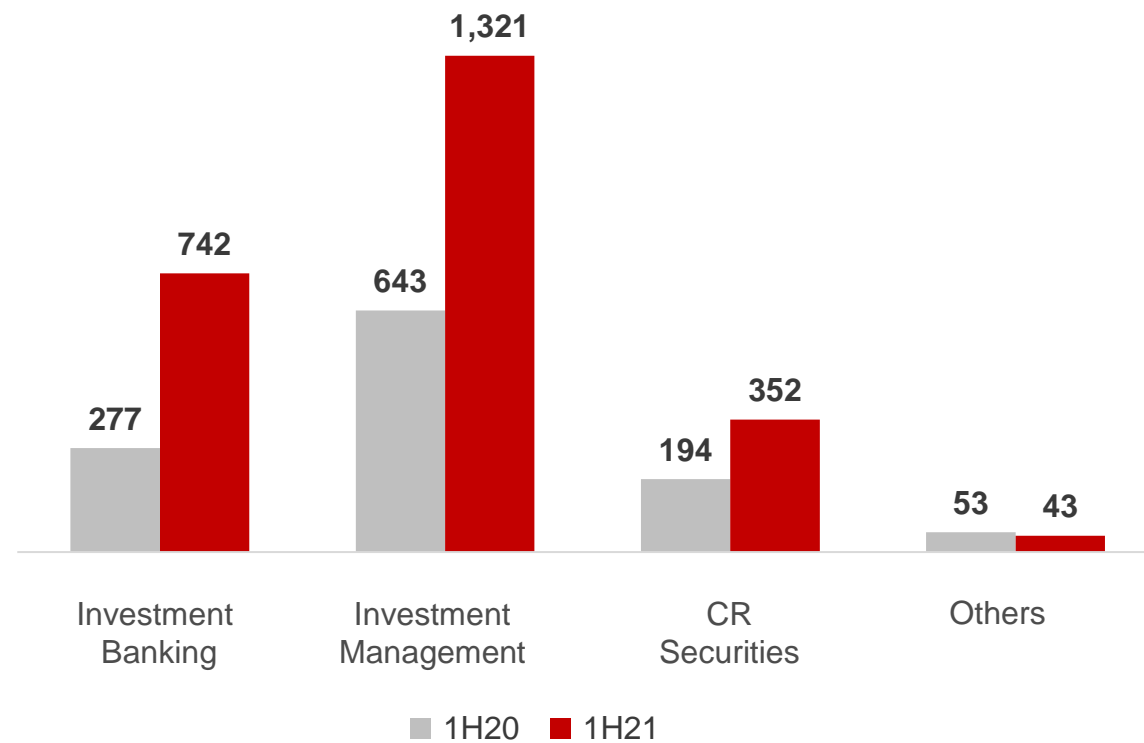
### Net Profit (RMB million)



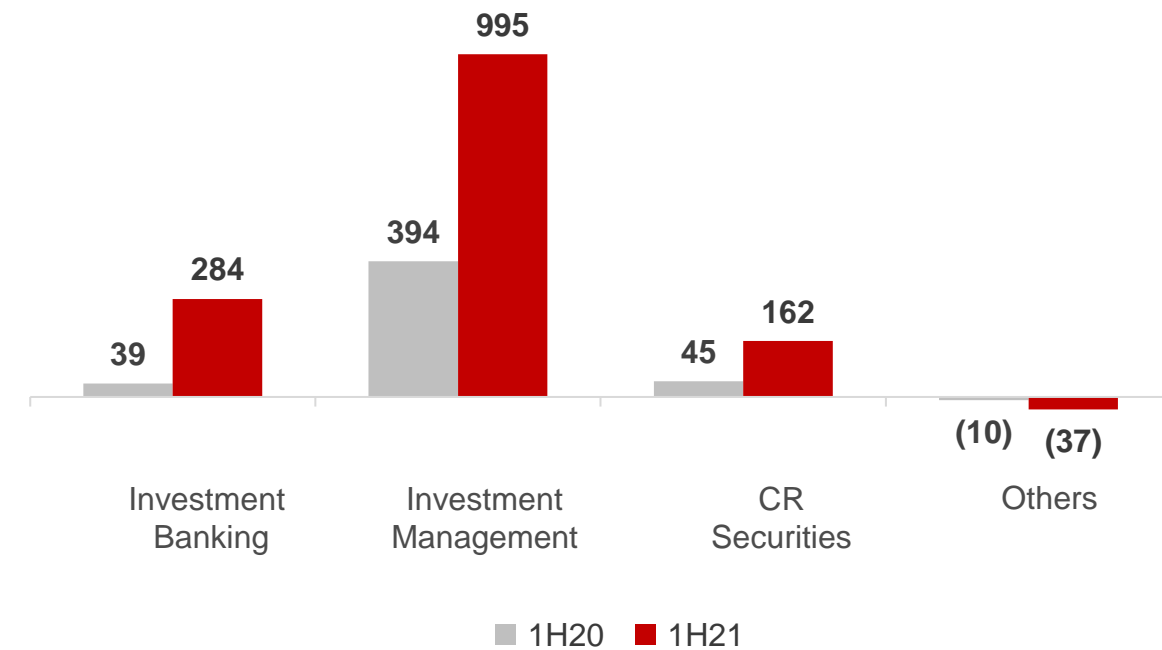
# Revenue and Operating Profit Driven by Diversified Sources



Revenue by Segment<sup>1</sup> (RMB million)



Operating Profit / (Loss) by Segment (RMB million)

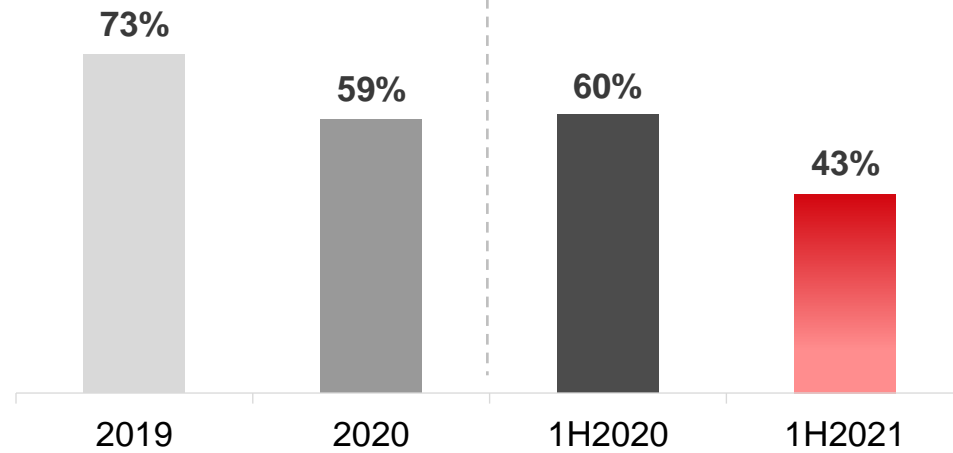


<sup>1</sup> including net investment gains

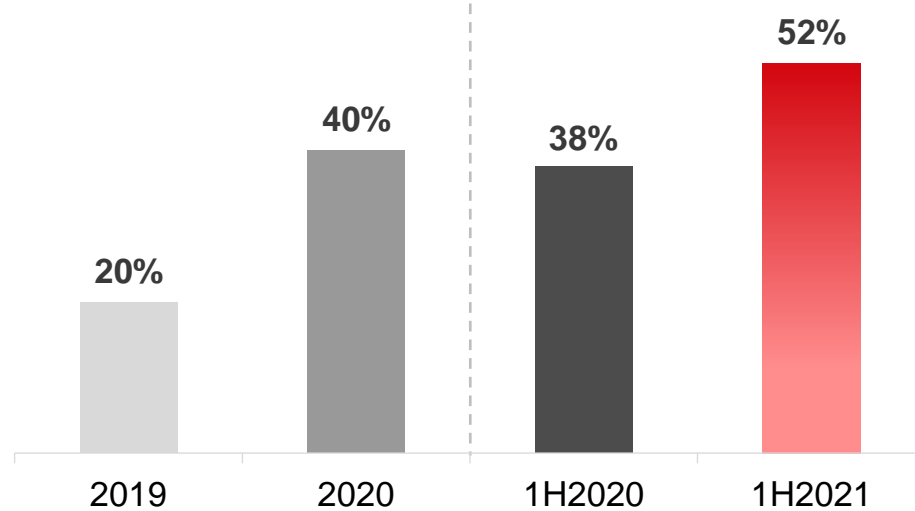
# More Efficient Cost Control Supported Profitability

## Group Cost/Income Improved

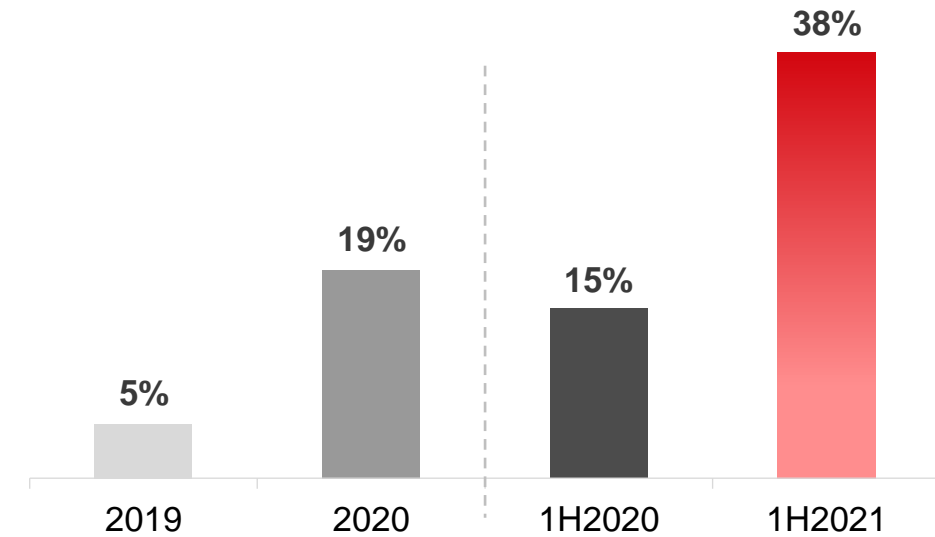
(Total cost/Revenue)



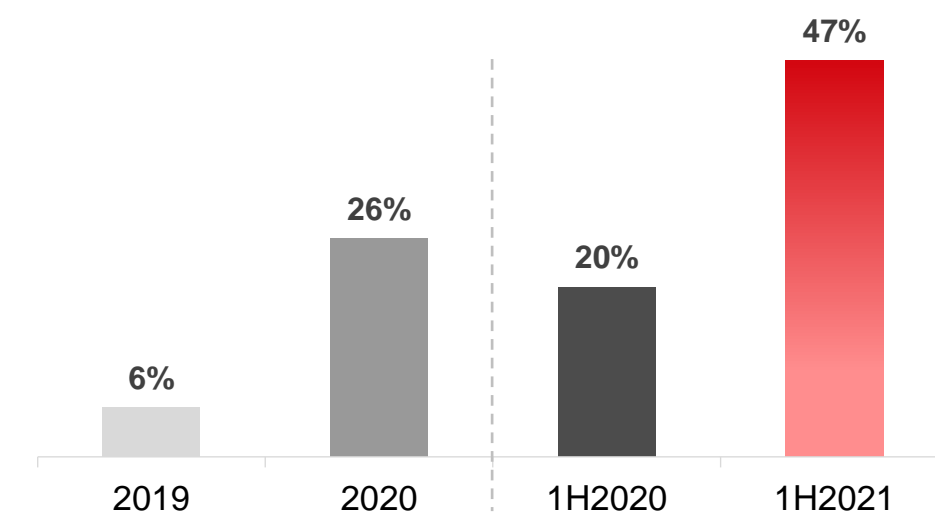
## Group profit margin widened notably



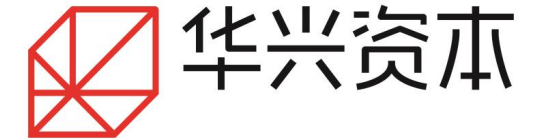
## Group ROE increased to 38%



## Group (excluding CR Securities) ROE 47%



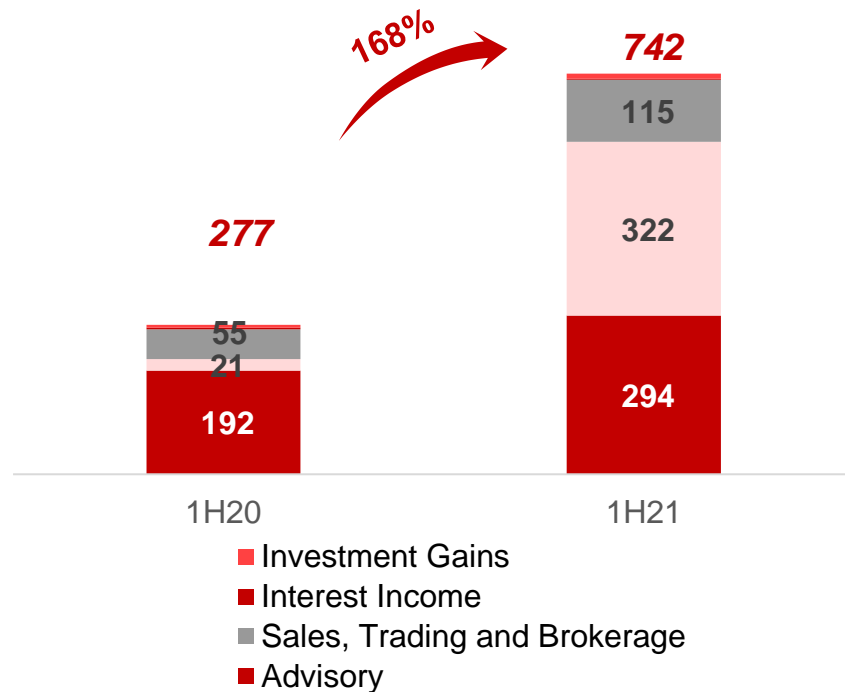
# Investment Banking: Stronger Market Position in Equity Underwriting and Brokerage Services



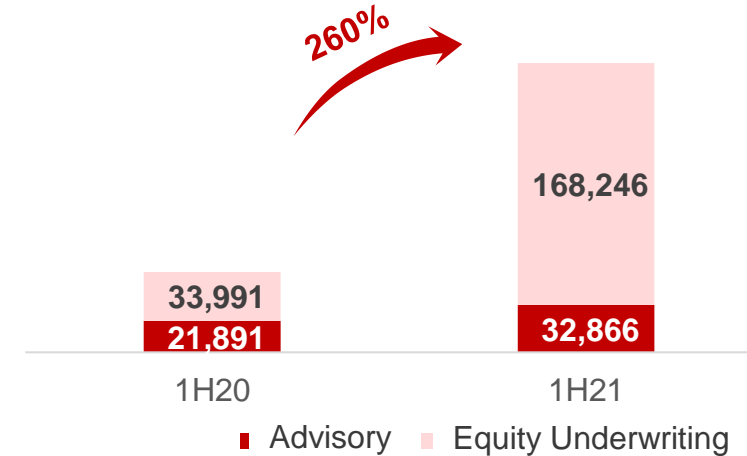
## 1H21 Results

- Segment revenue and net investment gains: **RMB742.0 million, up 168%** YoY
- Operating profit: **RMB284 million, up 628%** YoY
- Segment operating margin: 38%
- Strong equity underwriting revenue **up 1,412%** YoY
- Continued growth in equity sales with revenue **up 108%** YoY
- Positive progress as a result of continued investments in talent development and platform growth in recent years; strong IPO projects pipeline in the next 6 to 18 months

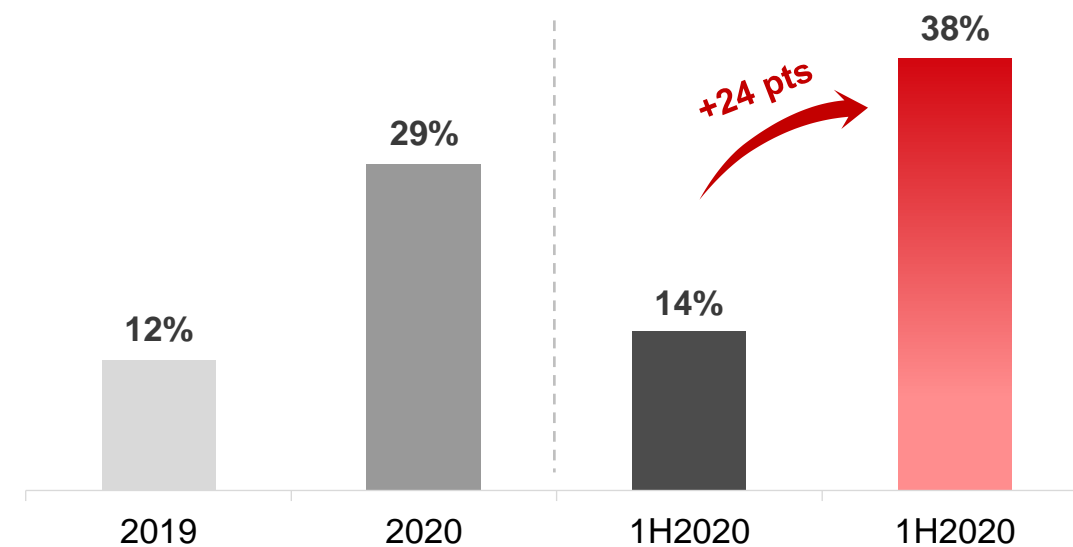
## Segment Revenue (RMB million)



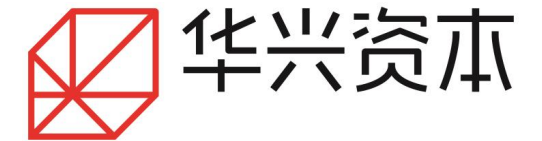
## Transaction Volume (RMB million)



## Operating Profit Margin



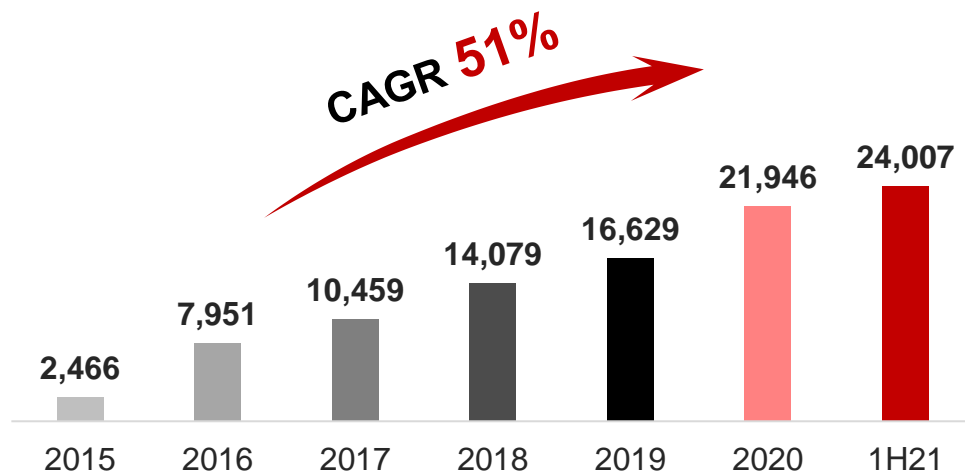
# Investment Management: Driven by Strong Investment Performance



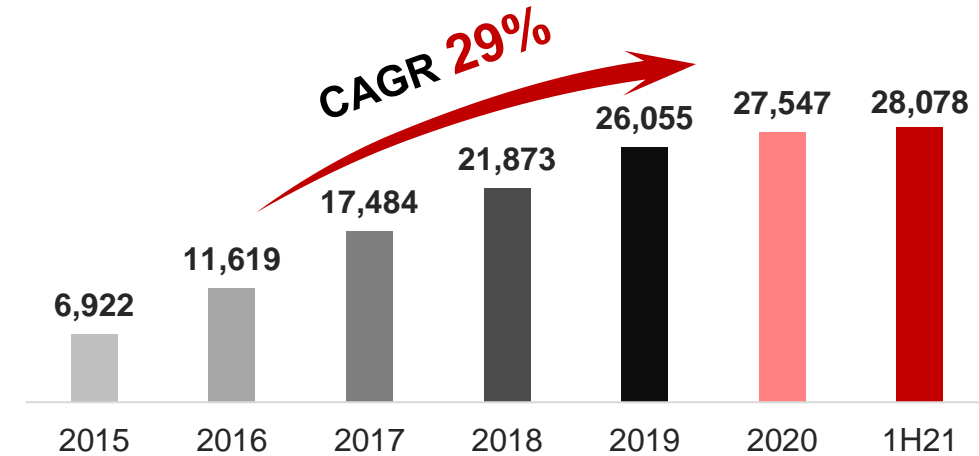
## 1H21 Results

- Segment revenue and net investment gains: **RMB1.3 billion, up 105% YoY**
- Operating profit: **RMB995 million, up 152% YoY**
- **12** portfolio companies went public in 1H21
- Average IRR of our private equity funds: **54%**
- Aggregated net unrealized carried interest amounted to nearly **RMB2 billion**

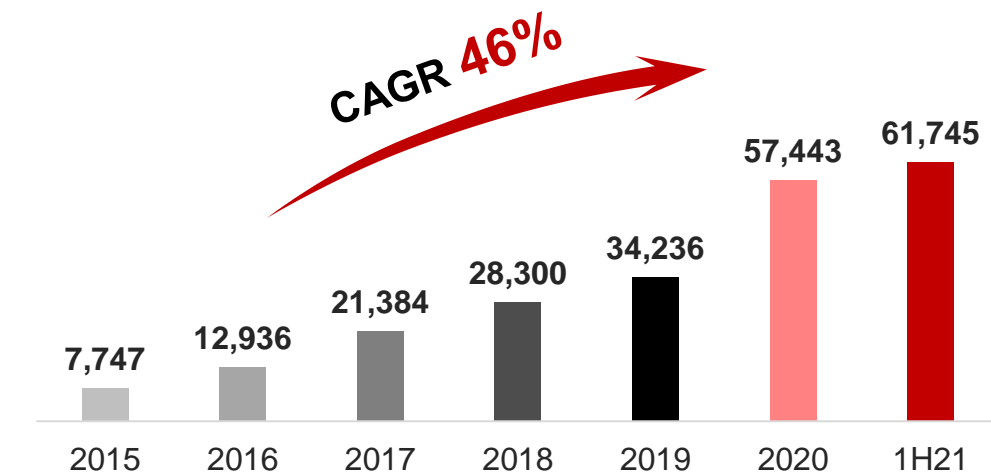
## Invested Capital (RMB million)



## Committed Capital (RMB million)



## AUM (RMB million)

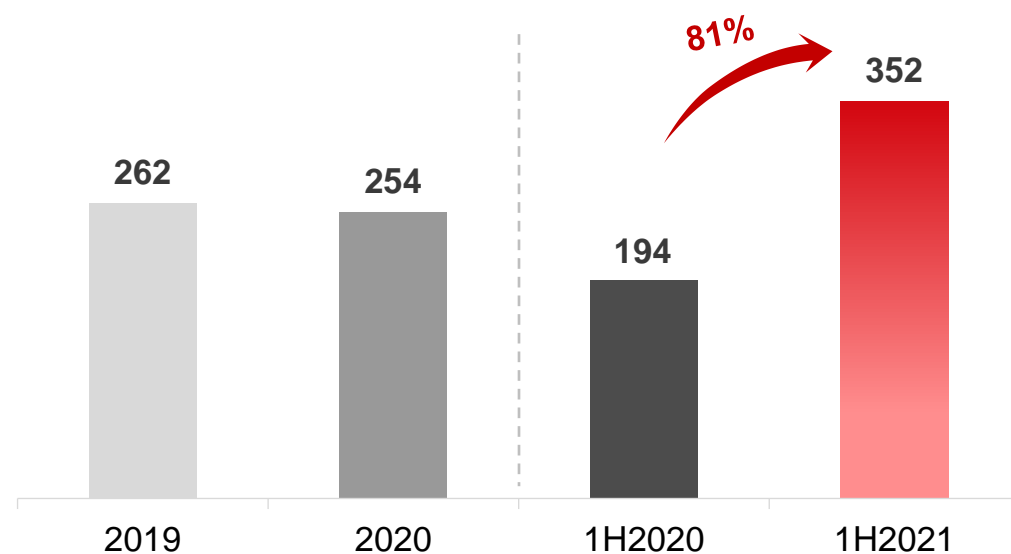


# CR Securities: Achieved Profitability

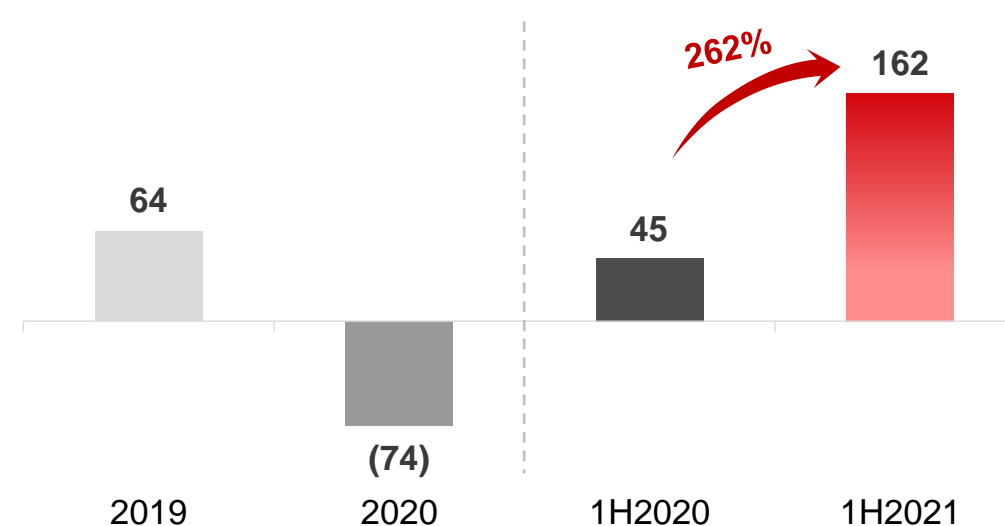
## 1H21 Results

- Segment revenue and net investment gains: **RMB352 million, up 81% YoY**
- Served as the sponsor for Suzhou UIGreen's listing on the SSE STAR Market in 1H21
- Operating Profit: **RMB162 million, up 262% YoY**
- Ongoing commitment to the domestic market, with total number of employees **up 14% YoY**
- **56%** YoY growth in investment gains from principal investment upon obtaining its principal investment and financial product distribution licenses in November 2020
- Increased synergies by accelerating client conversion

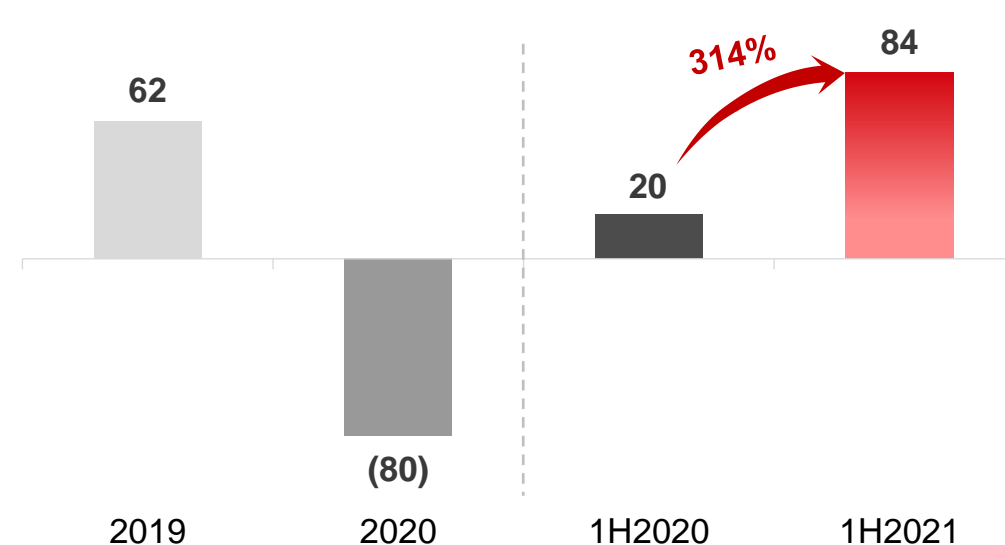
## Segment Revenue (RMB million)



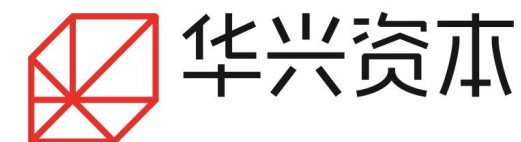
## Operating Profit / (Loss) (RMB million)



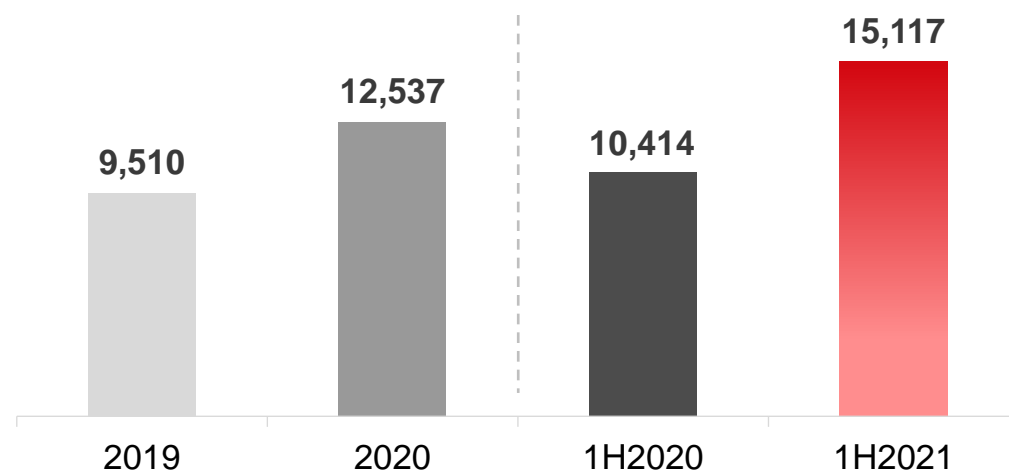
## Net Profit (RMB million)



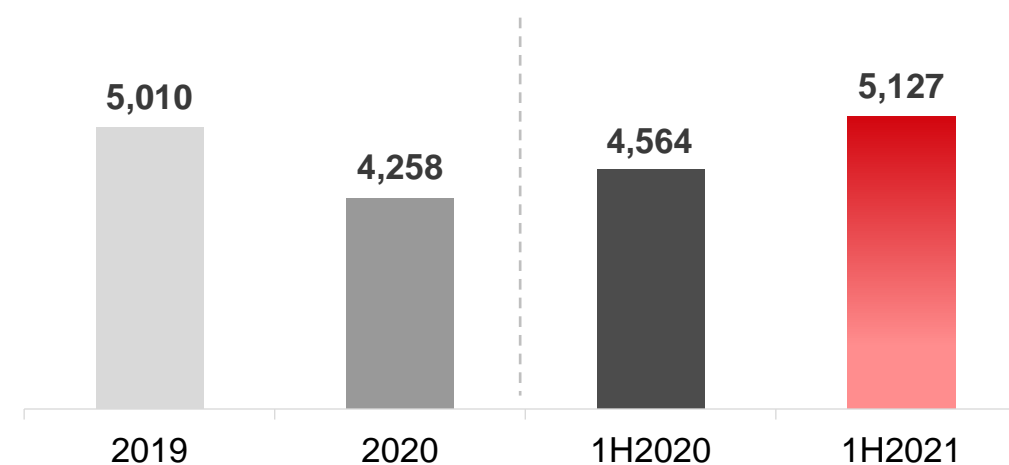
# Balance Sheet – High Liquidity and Low Leverage



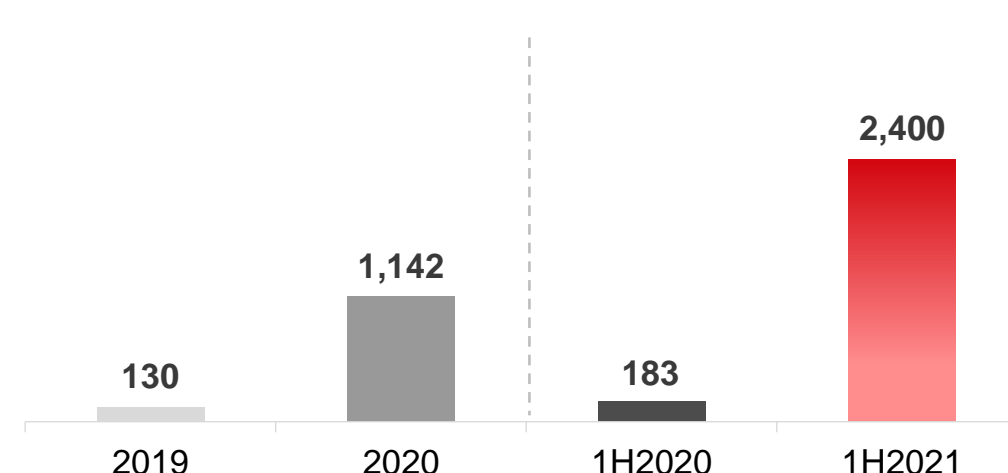
### Total Assets (RMB million)



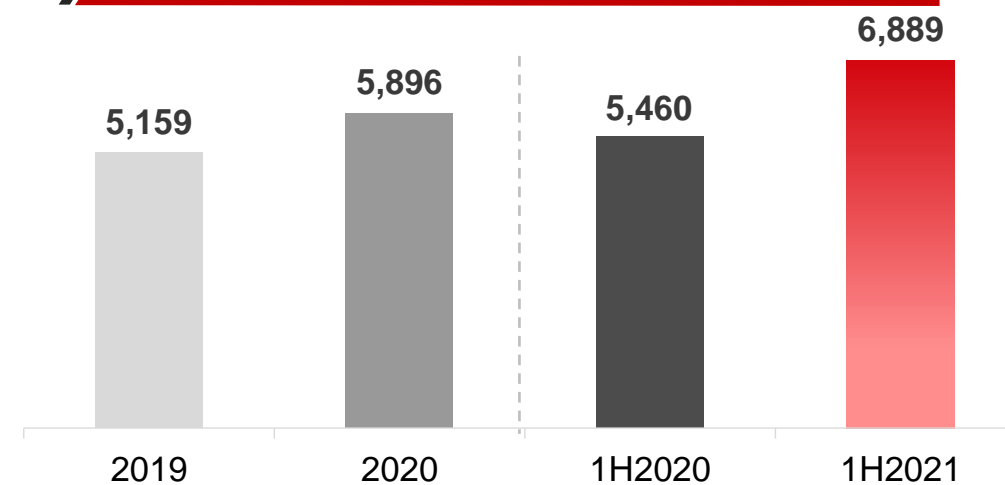
### Cash Position<sup>1</sup> (RMB million)



### Interest Bearing Liabilities (RMB million)



### Shareholders' Equity (excluding minority)



<sup>1</sup> Including cash and cash equivalents, term deposits, and financial assets at fair value through profit or loss (current portion)