

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

- (Mark One)
- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**
- OR**
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2019
- OR**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
- OR**
- SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report

For the transition period from to

Commission file number 001-37485

Jupai Holdings Limited

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|----------------|---|
| American Depositary Shares, each representing six ordinary shares Ordinary shares, par value US\$0.0005 per share* | JP | New York Stock Exchange |

***Not for trading, but only in connection with the listing on the New York Stock Exchange of American depository shares.**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

As of December 31, 2019, there were 201,737,272 ordinary shares outstanding (excluding 9,175,092 ordinary shares issued to our depository bank for bulk issuance of ADSs reserved under our share incentive plan), with a par value US\$0.0005 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer Accelerated filer Non-accelerated filer Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards* provided pursuant to Section 13(a) of the Exchange Act. x

*The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No



TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| INTRODUCTION | 1 |
| FORWARD-LOOKING STATEMENTS | 3 |
| PART I. | 5 |
| ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS | 5 |
| ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE | 5 |
| ITEM 3. KEY INFORMATION | 5 |
| ITEM 4. INFORMATION ON THE COMPANY | 58 |
| ITEM 4A. UNRESOLVED STAFF COMMENTS | 99 |
| ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS | 99 |
| ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES | 124 |
| ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS | 135 |
| ITEM 8. FINANCIAL INFORMATION | 136 |
| ITEM 9. THE OFFER AND LISTING | 137 |
| ITEM 10. ADDITIONAL INFORMATION | 138 |
| ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK | 151 |
| ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES | 152 |
| PART II. | 155 |
| ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES | 155 |
| ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS | 155 |
| ITEM 15. CONTROLS AND PROCEDURES | 155 |
| ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT | 156 |
| ITEM 16B. CODE OF ETHICS | 156 |
| ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES | 157 |
| ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES | 157 |
| ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS | 157 |
| ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT | 158 |
| ITEM 16G. CORPORATE GOVERNANCE | 158 |
| ITEM 16H. MINE SAFETY DISCLOSURE | 159 |
| PART III. | 160 |
| ITEM 17. FINANCIAL STATEMENTS | 160 |
| ITEM 18. FINANCIAL STATEMENTS | 160 |
| ITEM 19. EXHIBITS | 160 |

INTRODUCTION

Unless otherwise indicated and except where the context otherwise requires, references in this annual report on Form 20-F to:

- “China,” “mainland China,” or the “PRC” refers to the People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau and Taiwan;
- “Jupai,” “we,” “us,” “our company” and “our” refer to Jupai Holdings Limited and its subsidiaries, its variable interest entities, or VIEs, and their respective subsidiaries;
- “Asset under management” or “AUM” refers to the amount of capital contributions made by investors to the funds we manage, for which we are entitled to receive management fees. The amount of our AUM is recorded and carried based on the historical cost of the contributed assets instead of fair market value of assets for almost all our AUM. For assets denominated in currencies other than Renminbi, the AUM are translated into Renminbi upon their contribution, without interim value adjustments solely due to changes in foreign exchange rates;
- “ordinary shares” or “shares” refers to our ordinary shares of par value US\$0.0005 per share;
- “RMB” and “Renminbi” refer to the legal currency of China;
- “US\$,” “U.S. dollars,” “\$,” and “dollars” refer to the legal currency of the United States; and
- “U.S. GAAP” refers to generally accepted accounting principles in the United States.

This annual report on Form 20-F includes our audited consolidated financial statements including the statement of operations for the years ended December 31, 2017, 2018 and 2019 and the consolidated balance sheets as of December 31, 2018 and 2019.

Effective July 1, 2016, we changed our reporting currency from the U.S. dollars to Renminbi. The aligning of the reporting currency with the underlying operations better reflects our results of operations for each period, and reduces the impact that the increased volatility of the Renminbi to U.S. dollars exchange rate will have on our reported operating results. This annual report contains translations of certain Renminbi amounts into U.S. dollars for convenience. Prior period financial results for the year ended December 31, 2015 have been recast into the new reporting currency.

Unless otherwise noted, all translations from Renminbi to U.S. dollars in this annual report were made at RMB6.9618 to US\$1.00, the noon buying rate for December 31, 2019 as set forth in the H. 10 statistical release of the Board of Directors of the Federal Reserve System. We make no representation that the Renminbi or U.S. dollar amounts referred to in this annual report could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. The PRC government restricts the conversion of Renminbi into foreign currency and foreign currency into Renminbi for certain types of transactions. On April 17, 2020, the noon buying rate set forth in the H. 10 statistical release of the Board of Directors of the Federal Reserve System was RMB7.0711 to US\$1.00.

FORWARD-LOOKING STATEMENTS

This annual report on Form 20-F contains forward-looking statements that relate to our current expectations and views of future events. The forward-looking statements are contained principally in the items entitled “Information on the Company,” “Risk Factors,” “Operating and Financial Review and Prospects,” “Financial Information” and “Quantitative and Qualitative Disclosures About Market Risk.” Our forward-looking statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “Risk Factors,” which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigations Reform Act of 1995. You can identify some of these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” “potential,” “continue” or other similar expressions, although not all forward-looking statement contain these words. Forward-looking statements include, but are not limited to, statements relating to:

- our goals and strategies;
- our future business development, financial condition and results of operations;
- the expected growth of the wealth management services market as well as the asset management services market;
- our expectations regarding demand for, and market acceptance of, our services;
- PRC governmental regulations and policies governing the financial services and wealth management industries;
- competition in the wealth management services industry as well as the asset management services industry; and
- general economic and business conditions, particularly in China.

You should read thoroughly this annual report and the documents that we refer to herein with the understanding that our actual future results may be materially different from and/or worse than what we expect. Other sections of this annual report, including the Risk Factors and Operating and Financial Review and Prospects, discuss factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors emerge from time to time and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements made in this annual report relate only to events or information as of the date on which the statements are made in this annual report. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

PART I.

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION**A. Selected Financial Data****Our Selected Consolidated Financial Data**

The following table presents our selected consolidated financial information. The selected consolidated statements of operations and comprehensive income data for the years ended December 31, 2017, 2018 and 2019, the selected consolidated balance sheet data as of December 31, 2018 and 2019 and the selected consolidated cash flow data for the years ended December 31, 2017, 2018 and 2019 have been derived from our audited consolidated financial statements included elsewhere in this annual report. The selected consolidated statements of operations and comprehensive income data for the years ended December 31, 2015 and 2016, the selected consolidated balance sheet data as of December 31, 2015, 2016 and 2017 and the selected consolidated cash flow data for the years ended December 31, 2015 and 2016 have been derived from our audited consolidated financial statements not included in this annual report. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

Our historical results do not necessarily indicate our results expected for any future periods. You should read the following information in conjunction with our consolidated financial statements and related notes included elsewhere in this annual report.

| | For the Years Ended December 31, | | | | | |
|---|----------------------------------|---------------|-----------------|-----------------|---------------|---------------|
| | 2015 RMB | 2016 RMB | 2017 RMB | 2018 RMB | 2019 RMB | 2019 US\$ |
| Selected Data of Consolidated Income and Comprehensive Income: | | | | | | |
| Revenues: | | | | | | |
| Third-party revenues | 266,182,435 | 415,295,453 | 479,917,547 | 335,246,612 | 387,870,253 | 55,714,076 |
| Related-party revenues | 336,254,013 | 716,130,680 | 1,232,785,709 | 990,820,793 | 402,889,899 | 57,871,513 |
| Total revenues | 602,436,448 | 1,131,426,133 | 1,712,703,256 | 1,326,067,405 | 790,760,152 | 113,585,589 |
| Business taxes and related surcharges | (7,427,171) | (3,715,689) | (6,541,634) | (4,323,742) | (4,812,940) | (691,336) |
| Net revenues | 595,009,277 | 1,127,710,444 | 1,706,161,622 | 1,321,743,663 | 785,947,212 | 112,894,253 |
| Operating cost and expenses: | | | | | | |
| Cost of revenues | (235,943,955) | (477,034,912) | (737,507,904) | (684,558,659) | (481,746,067) | (69,198,493) |
| Selling expenses | (87,091,525) | (237,297,482) | (282,171,751) | (303,170,575) | (206,777,405) | (29,701,716) |
| General and administrative expenses | (91,777,836) | (155,958,876) | (204,052,576) | (274,782,664) | (265,527,496) | (38,140,638) |
| Impairment loss of goodwill | — | — | — | (267,917,575) | — | — |
| Other operating income — government subsidies | 23,684,945 | 37,385,834 | 41,138,443 | 48,742,897 | 31,429,802 | 4,514,609 |
| Total operating cost and expenses | (391,128,371) | (832,905,436) | (1,182,593,788) | (1,481,686,576) | (922,621,166) | (132,526,238) |
| Income (loss) from operations | 203,880,906 | 294,805,008 | 523,567,834 | (159,942,913) | (136,673,954) | (19,631,985) |
| Exchange gain (loss) | 2,095,199 | (19,568) | (2,040,641) | 4,227,896 | 3,409,000 | 489,673 |
| Gain from deconsolidation of subsidiaries | — | — | — | 561,528 | — | — |
| Interest income | 2,794,977 | 3,712,918 | 11,385,895 | 3,990,096 | 6,136,600 | 881,467 |
| Investment income (loss) | 21,406,016 | 12,619,887 | 10,012,216 | (292,384) | 12,627,142 | 1,813,775 |
| Income (loss) before taxes and gain (loss) from equity in affiliates | 230,177,098 | 311,118,245 | 542,925,304 | (151,455,777) | (114,501,212) | (16,447,070) |
| Income tax expense | (67,246,490) | (82,612,132) | (122,998,509) | (129,855,367) | (52,944,639) | (7,605,021) |
| Gain (loss) from equity in affiliates | 4,333,847 | 1,539,316 | 2,579,447 | (113,486,155) | (5,015,063) | (720,369) |
| Net income (loss) | 167,264,455 | 230,045,429 | 422,506,242 | (394,797,299) | (172,460,914) | (24,772,460) |
| Net (loss) income attributable to non-controlling interests | (13,787,949) | (22,461,561) | (13,014,063) | 7,053,281 | 7,774,839 | 1,116,786 |
| Net income (loss) attributable to ordinary shareholders | 153,476,506 | 207,583,868 | 409,492,179 | (387,744,018) | (164,686,075) | (23,655,674) |

| | For the Years Ended December 31, | | | | | |
|--|----------------------------------|-------------|-------------|-------------|-------------|-------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2019 |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| Net income (loss) per share: | | | | | | |
| Basic | 1.06 | 1.08 | 2.09 | (1.93) | (0.82) | (0.12) |
| Diluted | 1.01 | 1.03 | 1.99 | (1.93) | (0.82) | (0.12) |
| Weighted average number of shares used in computation: | | | | | | |
| Basic | 114,124,300 | 192,674,014 | 195,467,414 | 200,480,910 | 201,695,899 | 201,695,899 |
| Diluted | 119,598,947 | 200,765,917 | 205,671,904 | 200,480,910 | 201,695,899 | 201,695,899 |

| | As of December 31, | | | | | |
|--|--------------------|---------------|---------------|---------------|---------------|-------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2019 |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| Selected Consolidated Balance Sheet Data: | | | | | | |
| Cash and cash equivalents | 795,497,163 | 1,123,166,156 | 1,527,777,270 | 1,298,565,042 | 711,205,698 | 102,158,306 |
| Restricted cash | — | — | — | 4,000,000 | 1,100,000 | 158,005 |
| Short-term investments | 72,446,602 | 25,210,000 | 23,203,612 | 4,723,612 | — | — |
| Total current assets | 993,964,105 | 1,473,455,429 | 1,908,518,999 | 1,582,067,319 | 826,608,777 | 118,734,921 |
| Goodwill | 259,714,506 | 277,752,765 | 261,621,691 | 297,031 | — | — |
| Advanced payment for acquisition | 94,888,600 | 77,560,000 | — | — | — | — |
| Investment in affiliates | 34,732,868 | 85,830,444 | 181,922,556 | 67,262,431 | 107,541,000 | 15,447,298 |
| Total assets | 1,569,402,314 | 2,128,054,419 | 2,626,087,778 | 1,980,494,033 | 1,549,746,943 | 222,607,220 |
| Total current liabilities | 377,516,287 | 482,937,736 | 697,973,210 | 588,906,112 | 317,182,550 | 45,560,423 |
| Total liabilities | 465,133,224 | 579,783,669 | 772,219,777 | 613,345,198 | 350,930,835 | 50,408,061 |
| Total liabilities, mezzanine equity and equity | 1,569,402,314 | 2,128,054,419 | 2,626,087,778 | 1,980,494,033 | 1,549,746,943 | 222,607,220 |

| | For the Years Ended December 31, | | | | | |
|---|----------------------------------|---------------|---------------|---------------|---------------|--------------|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2019 |
| | RMB | RMB | RMB | RMB | RMB | US\$ |
| Selected Consolidated Cash Flow Data: | | | | | | |
| Net cash provided by (used in) operating activities | 369,053,507 | 188,263,729 | 617,527,056 | (67,721,633) | (213,255,822) | (30,632,282) |
| Net cash (used in) provided by investing activities | (75,307,251) | 1,878,091 | (74,041,982) | (40,881,690) | (365,663,454) | (52,524,267) |
| Net cash provided by (used in) financing activities | 293,994,196 | 114,406,429 | (121,147,657) | (121,429,521) | 29,636 | 4,257 |
| Effect of exchange rate changes | 14,657,999 | 23,120,744 | (17,726,303) | 4,820,616 | (11,369,704) | (1,633,158) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 602,398,451 | 327,668,993 | 404,611,114 | (225,212,228) | (590,259,344) | (84,785,450) |
| Cash, cash equivalents and restricted cash at beginning of period | 193,098,712 | 795,497,163 | 1,123,166,156 | 1,527,777,270 | 1,302,565,042 | 187,101,761 |
| Cash, cash equivalents and restricted cash at end of period | 795,497,163 | 1,123,166,156 | 1,527,777,270 | 1,302,565,042 | 712,305,698 | 102,316,311 |

Exchange Rate Information

Unless otherwise noted, translations of all Renminbi to U.S. dollar amounts in this annual report were made at a rate of RMB6.9618 to US\$1.00, which was the certified exchange rate in effect as of December 31, 2019 published by the Board of Directors of the Federal Reserve System. The certified exchange rate on April 17, 2020 was RMB7.0711 to US\$1.00.

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors**Risks Related to Our Business and Industry**

Our operating history and track record may not be indicative of our future performance and prospects.

Our business model has evolved over our operating history. We commenced our wealth management services to distribute wealth management products in July 2010. We refer to “wealth management product” as an investment venture in which investors participate for wealth preservation or appreciation. We started from January 2013 to provide asset management services, including management of real estate or related funds and other fund products, to complement our wealth management product advisory services. After several years of growth prior to 2017, our net revenues decreased from RMB1.7 billion in 2017 to RMB1.3 billion in 2018 and further to RMB0.8 billion (US\$0.1 billion) in 2019. Therefore, our historical performance may not be indicative of our future performance, especially if we are unable to maintain and further improve our wealth management product advisory and asset management capabilities to achieve our clients’ expectation of the investment returns.

Prior to 2015, substantially all of our revenue was attributable to one-time commissions and recurring service fees generated through our wealth management product related services. However, these revenues may not grow at the same rate as it had in the past. For example, in 2019, our revenues from one-time commissions was RMB318.9 million (US\$45.8 million), representing a decrease of 56.8% from 2018. In addition, we cannot assure you that businesses from asset management and other services will continue to grow or our attempts to further expand our service offerings will be successful. While the deleveraging-related policy-tightening and uncertainties related to the trade conflict between the United States and China contributed to the slow-down of economic growth, the aggregate value of wealth management products we distributed decreased by 67.5% year over year to RMB9.8 billion (US\$1.4 billion) in 2019.

In addition, the development of our business will primarily depend on the demand for our services and products. Any failure on our part to keep up with the development of the wealth management service and asset management service sectors or our failure to respond to product innovation may materially and adversely affect the growth of our business.

You should consider our prospects in light of the risks and uncertainties that companies with limited operating histories may encounter.

We may not be able to effectively manage our growth or implement our future business strategies, in which case our business and results of operations may be materially and adversely affected.

Our business growth and expansion has placed, and may continue to place, significant strain on our management and resources. Factors relating to our business that may impact our growth and cause fluctuations include:

- a decline or slowdown of the growth in the value of products we distribute or manage;
- a reduction of the value of our invested assets and the investment returns credited to investors, which could reduce revenues from the asset management services;
- changes in laws or regulatory policies that could impact our ability to provide wealth management product advisory services and/or asset management services to our clients;
- negative publicity regarding the financial services industry in China;
- unanticipated delays of product or service rollouts;
- unanticipated changes to economic terms in contracts with our wealth management product providers, including renegotiations that may not be favorable to us or our clients;

- failure to enter into contracts with new wealth management product providers and cancellations of existing contracts with wealth management product providers;
- increases in the number of clients who decide to terminate their relationship with us or who ask us to redeem their investment in the products that we distribute; and
- continued volatility or declines in the equity, debt or real estate markets that reduce the assets under our management and may result in the clients' withdrawing their investments.

We believe that it will depend on our ability to effectively implement our business strategies and address the above listed factors that may affect us to achieve future growth.

In order to strengthen our leading market position in the third-party wealth management service industry in China, we need to allocate substantial resources to design and develop high-quality products, enhance our ability to source and distribute third-party wealth management products and continue to grow our asset management business, all of which require us to further expand, train, manage and motivate our workforce and maintain our relationships with our clients, third-party product developers, corporate borrowers, and other industry players such as financial institutions and asset management companies. Our capital expenditure may increase due to establishment of additional offices and client centers so as to increase our market penetration. We anticipate that we will also need to implement a variety of enhanced and upgraded operational and financial systems, procedures and controls, including the improvement of our accounting and other internal management systems. All of these endeavors involve risks and will require substantial management efforts, attention and skills, and significant additional expenditure. We cannot assure you that our current and planned personnel, systems, procedures and controls will be adequate to support our future operations. In addition, we cannot assure you that we will be able to manage our growth or implement our future business strategies effectively, and failure to do so may materially and adversely affect our business and results of operations.

We may fail to obtain and maintain licenses and permits necessary to conduct our operations in China, and our business may be materially and adversely affected as a result of any changes in the laws and regulations governing the financial services industry in China.

The laws and regulations governing the financial services industry in China are still evolving. Substantial uncertainties exist regarding the regulatory system and the interpretation and implementation of current and any future PRC laws and regulations applicable to the financial services industry and companies that operate wealth management or asset management businesses. In the past, depending on the type of products and services being offered, our business operations may be subject to the supervision and scrutiny by different authorities. On April 27, 2018, the PBOC, the China Banking and Insurance Regulatory Commission, or the CBIRC, the China Securities Regulatory Commission, or the CSRC, and the State Administration of Foreign Exchange, or SAFE, jointly issued Guidance on Asset Management Business of Financial Institutions, or the Asset Management Guidance. On October 22, 2018, the CSRC promulgated (i) the Administration Measures on Privately Offered Asset Management Business of Securities and Futures Operation Institutions, or the Asset Management Administration Measures, and (ii) the Administration Measures on Operation of Privately Offered Asset Management Plan of Securities and Futures Operation Institutions, or the Asset Management Plan Operation Measures. The Asset Management Guidance, the Asset Management Administration Measures and the Asset Management Plan Operation Measures, or collectively the New Asset Management Measures, constitute a unified regulatory framework governing the distribution and management of privately offered asset management products. The New Asset Management Measures prescribed the minimum investment ratio for different kinds of asset management products, set standards for qualified investors and minimum subscription amount, prohibiting "cash pooling" business, unified ratio for provision of risk reserves, the liability proportion of each asset management product, regulating graded products type and leverage, prohibiting the implicit guarantee of the minimum amount of return, the break-even return of principal or the minimum amount or rate of loss to investors, eliminating multilayer asset management products and "channel" service, and controlling the concentration of investment of the assets management products managed by financial institutions.

On November 8, 2019, the Supreme People’s Court released the Summaries of the National Conference for the Work of Courts in the Trial of Civil and Commercial Cases, or the Summaries, which, among others, imposes additional obligations on institutional sellers, including but not limited to additional suitability obligations and additional information disclosure and explanation obligations to financial customers. According to the Supreme Court’s Summaries, institutional sellers include issuers of financial products, sellers of financial products, and financial services providers. Each institutional seller has suitability obligations, which refer to the obligations to know the customers, know the products and sell or provide appropriate financial products or services to a suitable financial consumer, where the institutional sellers are obliged to perform their duties in the sale of, among others, high-risk financial products such as bank wealth management products, insurance investment products, trust wealth management products, brokerage collective wealth management plans, leveraged fund shares, options and other over-the-counter derivatives to financial consumers. Under certain circumstances, an issuer of financial product and a seller of financial product may be deemed jointly and severally liable for the losses suffered by the financial customers due to their purchase of such financial product, if either of the issuer or the seller of the financial product fails to perform its corresponding suitability obligations to the financial customers. If any financial customers suffer the losses in the purchase of any financial products, resulted from any financial services provider’s failure to perform the suitability obligations, the financial services providers are obliged to compensate the financial customers for their losses. When deciding if an institutional seller has fulfilled its information disclosure and explanation obligations to financial customers, the court may combine the objective standard, meaning that if a rational person could understand, together with a subjective standard, meaning that if a financial customer could understand, based on the risk of the financial products and investment activities and the actual condition of the financial consumer in question. The Supreme Court’s Summaries is the practical guidance for the courts when handling disputes relating to certain newly emerged issues in civil and commercial trials.

On December 28, 2019, the Standing Committee of the National People’s Congress has enacted the amended Securities Law of the PRC, which came into effect on March 1, 2020. The amended Securities Law of the PRC provides that, among others, asset management products should be deemed as securities and the rules of issuance and trading of asset management products should be set out by the State Council. Therefore, the regulations relating to asset management plans and mutual funds are expected to be further changed in accordance with the amended Securities Law of the PRC in the future.

In addition, there are laws and regulations governing certain wealth management products that we distribute or manage, such as private equity products, private securities investment funds, trust products and insurance products. New laws and regulations may be adopted to require additional licenses and permits. Our business may be adversely affected if the relevant authorities enhance their scrutiny over the wealth management products we distribute or manage.

We cannot assure you that we will be able to maintain our existing licenses or permits, renew any of them when their current term expires or obtain additional licenses necessary for our future business expansion. For example, currently, a license is required for sales of asset management plans, mutual funds, and other financial products. We sell mutual fund products and asset management plans relying on a license that was issued by the CSRC to Shanghai Jupai Yumao Fund Sales Co., Ltd., or Yumao, a subsidiary of Shanghai Jupai Investment Group Co., Ltd., or Shanghai Jupai, in December 2014 to sell mutual fund products or other regulated fund products. We refer to “mutual fund” as a securities investment fund as defined under the PRC Law on Securities Investment Fund, which raises capital through public offerings of fund shares within China, and the related capital are managed by fund managers and placed in the custody of fund custodians, and invested in securities portfolios for the holders of fund shares. We cannot assure you that we will be able to maintain our license to sell mutual fund products or other regulated fund products.

We believe license is not required under the currently effective laws for our sourcing and distribution of wealth management products which feature asset management plans. However, there are substantial uncertainties regarding the interpretation and application of the relevant laws and regulations. On February 22, 2019, the CSRC released an exposure draft of the Supervision Measures on Public Offering Securities Investment Funds Sales Agencies, or the Draft Sales Agency Measure, and its implementation rules, pursuant to which, among others, marketing and promoting mutual funds are deemed to be fund selling activities, thus requiring a securities and futures operation license. If the Draft Sales Agency Measure comes into effect, our facilitation and ancillary consulting services may be deemed as marketing and promotion of funds and thus we may be required to apply for a securities and futures operation license for entities providing facilitation and ancillary consulting services or otherwise adjust our business operation, and the license currently held by Yumao in respect of selling mutual fund products and asset management plans may be required to be re-applied or renewed to meet the requirements under the PRC laws. As a result, our business, results of operations and prospects would be adversely affected.

Furthermore, new laws and regulations may impose additional restrictions on our business operations. For example, in January 2018, the Asset Management Association of China, or the AMAC, issued the Notice regarding Filing of Private Investment Fund, or the Filing Notice, which provides that, among others, private investment funds should not make debt investments, including (i) investing in private loans, small loans or factoring facilities or other assets or beneficiary interests of which the nature is borrowing; (ii) lending money through entrusted bank loans or trusts; and (iii) conducting the aforementioned activities through the form of special purpose vehicle or investment enterprise. If the underlying assets of a private investment funds are debt, such private investment funds will not be able to complete the filing with the AMAC. Before the release of the Filing Notice, a majority of the private investment funds managed by us invest in corporate bonds with underlying assets as real estate projects. Starting from February 2018, we have ceased to make any new investment in debt assets through our private investment funds and have started to focus on equity investment in real estate developers with high quality real estate projects. We cannot assure you that after such adjustment our private investment fund will continue to be well received by our clients or will receive the investment return as we expect, or at all.

On September 30, 2018, the AMAC issued the Notice on Strengthening Self-Regulatory Administration of Information Disclosure by Private Investment Fund, which emphasizes the information disclosure obligations of private fund manager. In December 2018, the AMAC updated Notice for Registration of Private Fund Manager. The notice, among others, further clarifies the requirements for new private fund manager applicant, including the authenticity and stability of shareholders and related parties, and the requirements of continuous operation and internal control for registered private fund manager.

On December 23, 2019, the AMAC issued the Filing Notice on Privately Offered Investment Funds, or the 2019 Filing Notice, which clarifies, among others, that the negative scope of financial products that are unable to be registered as private investment funds and the special filing or registration requirements on different types of private investment funds. The 2019 Filing Notice further emphasizes, among others, that (i) the fund manager or any of its actual controller, shareholder, affiliates or fundraising agencies is prohibited to promise the minimum amount of return, the break-even return of principal or the minimum amount or rate of loss to investors; and (ii) the fund manager is prohibited to set up several investment units or tranches in the private investment funds, which accept investments from different investors and make investments in different assets for the purposes of avoiding any filing or registration obligation.

In the event that we are found to be not in full compliance with the changing regulatory requirements on private fund manager and private investment fund, we may incur significantly increased costs and expenses and may need to allocate additional resources to gain compliance. We cannot assure you that we will be able to make the required adjustment in a timely manner if needed, failure of which will materially affect our operations.

The overall regulatory conditions in China would also affect our business and financial condition. For example, in 2018, the PRC government authorities issued a series of banking policies to control the leverage ratio, which have adversely affected the liquidity of capital in the market. Under such circumstance, the investment demand of our clients and the financial performance of certain wealth management products we distributed may be adversely affected, which may in turn adversely affect our results of operations.

If any future PRC regulations require us to obtain additional licenses or permits, adjust our business strategies or change our products or services in order to continue to conduct our business operations, we cannot assure you that we would be able to do so in a timely manner, or at all. If any of these situations occur, our business, financial condition and prospects would be materially and adversely affected. See “Item 4. Information on the Company—B. Business Overview—Regulation.”

We may not be able to continue to retain or expand our high-net-worth client base or maintain or increase the amount of investment made by our clients in the products we distribute.

We target China's large population of high-net-worth individuals as our clients. As the wealth management industry for high-net-worth individuals in China is ever-evolving, we cannot assure you that we will be able to maintain and increase the number of our clients or our existing clients will maintain the same level of investment in the wealth management products that we distributed to them. As this industry in China is at an early stage of development and highly fragmented and has low barriers to entry, our existing and future competitors may be better equipped to capture market opportunities and grow their client bases faster than us. In addition, the evolving regulatory landscape of China's financial service industry may not affect us and our competitors proportionately with respect to the ability to maintain or grow our client base. We may lose our leading position if we fail to maintain or further grow our client base at the same pace. A decrease in the number of our clients or a decrease in their spending on the products that we distribute may reduce revenues derived from commissions and recurring service fees and monetization opportunities for our asset management services. If we fail to continue to meet our clients' expectations on the returns from the products we distribute or manage or if they are no longer satisfied with our services, they may leave us for our competitors and our reputation may be damaged by these clients, affecting our ability to attract new clients, which will in turn affect our financial condition and operational results.

If we cannot identify or effectively control the various risks involved in the wealth management products that we distribute or manage, our reputation, client relationships and overall business operations will be adversely affected.

We distribute a broad selection of third-party and self-developed wealth management products, including fixed income products, private equity and venture capital funds, public market products, insurance products and foreign-currency denominated alternative investments, for which we may generate revenue based on one-time commissions and recurring fees. These products often have complex structures and involve various risks, including default risks, interest risks, liquidity risks and others. In addition, we are subject to risks arising from any potential misconduct or violation of law by the product providers or corporate borrowers. Although, the product providers or corporate borrowers of the wealth management products we distributed are typically directly liable to our clients in the event of a product default or otherwise, these incidences may negatively impact the performance of the applicable products that we distribute and adversely affect our reputation. Our success in maintaining our brand image depends, in part, on our ability to effectively control the risks associated with these products. Our wealth management product advisors not only need to understand the nature of the products but also need to accurately describe the products to, and evaluate them for, our clients. Although we enforce and implement strict risk management policies and procedures, they may not be fully effective in mitigating the risk exposure of our clients in all market environments or against all types of risks.

If we fail to identify and effectively control the risks associated with the products that we distribute or manage, or fail to disclose such risks to our clients in a sufficiently clear manner, and as a result our clients suffer financial loss or other damages resulting from their purchase of the wealth management products following our recommendations, our reputation, client relationship, business and prospects will be materially and adversely affected. The poor performance of such products and services, whether self-developed or sourced from third parties, or negative perceptions of the firms offering such products and services, may adversely:

- affect our distribution of such products and reduce our revenue;
- impact client confidence in the products we distribute; or
- impede the launch of new products or fund-raising activities in connection with our asset management business.

Any harm to our reputation or failure to further enhance our brand recognition may materially and adversely affect our business, financial condition and results of operations.

Our reputation and brand recognition, including the brand of E-House Capital, is critical to the success of our business. We believe a well-recognized brand is crucial to increase our high-net-worth client base and, in turn, facilitate our effort to monetize our services and enhance our attractiveness to our clients and product providers. Our reputation and brand are vulnerable to many threats that can be difficult or impossible to control and costly or impossible to remediate. Regulatory inquiries or investigations, lawsuits and other claims in the ordinary course of our business, employee misconduct, perceptions of conflicts of interest and rumors, among other things, could substantially damage our reputation, even if they are baseless or satisfactorily addressed.

Any perception that the quality of our wealth management product recommendations or the management capabilities of our fund products may not be the same as or better than that of other wealth management advisory firms or product distributors or other asset management firms can also damage our reputation. For example, if the performance of our fund of funds products or real estate or related fund products falls below expectations, they may be linked to negative perceptions that may damage our reputation and brand recognition. Moreover, any negative media publicity about any of the products that we distributed, the financial services industry or wealth management service industry in general, or product or service quality problems at other firms in the industry, including our competitors, may also negatively impact our reputation and brand. Negative perceptions of certain financial products and services, or the financial industry in general, may increase the number of withdrawals and redemptions or reduce purchases made by our clients, which would adversely impact our revenues and liquidity position.

If we are unable to maintain a good reputation or further enhance our brand recognition, our ability to attract and retain clients, wealth management product providers and key employees could be harmed and, as a result, our business and revenues would be materially and adversely affected.

Our future success depends on our continued efforts to retain our existing management team and other key management as well as to attract, integrate and retain highly skilled and qualified personnel, and our business may be disrupted if we lose their services.

Our future success depends heavily on the continued services of our current executive officers. If any of our executive officers or other key management are unable or unwilling to stay in their present positions, we may not be able to find suitable replacements, which may disrupt our business operations. We do not have key personnel insurance in place. If any of our executive officers or other key management joins a competitor or forms a competing company, we may lose clients, know-how, key professionals and staff members. Each executive officer has entered into confidentiality and non-competition agreements with us. However, if any dispute arises between our executive officers and us, we cannot assure you of the extent to which any of these agreements could be enforced in China, where these executive officers reside, because of the uncertainties of China’s legal system. See “—Risks Related to Doing Business in China—Uncertainties in the interpretation and enforcement of PRC law and regulations could limit the legal protections available to you and us.”

We also rely on the skills, experience and efforts of our experienced service professionals, including our wealth management product advisors, client managers and product development personnel. Our wealth management product advisors and client managers mainly recommend wealth management products. Our asset management personnel also design our self-developed products. The investment performance of products distributed or managed by us and the retention of our clients are partly dependent upon the strategies carried out and performance by our talents. The market for these talents is extremely competitive. If we are unable to attract and retain qualified individuals or our recruiting and retention costs increase significantly, our financial condition and results of operations could be materially and adversely impacted.

Our acquisition of or investment in complementary businesses and assets as well as formation of strategic alliances involves significant risk and uncertainty that may prevent us from achieving our objectives and harm our financial condition and results of operations.

We from time to time consider opportunities for strategic acquisitions or investments in complementary businesses and assets and strategic alliances. Over the past years, we have made several acquisitions that are complementary to our business. See also “Item 4. Information on the Company—C. History and Development of the Company.” Our future strategic acquisitions and investments could subject us to uncertainties and risks, including:

- costs associated with, and difficulties in, integrating acquired businesses and managing newly acquired business;
- potentially significant goodwill impairment charges;
- high acquisition and financing costs;
- potential ongoing financial obligations and unforeseen or hidden liabilities;

- failure to achieve our intended objectives, benefits or revenue-enhancing opportunities;
- potential claims or litigation regarding our board's exercise of its duty of care and other duties required under applicable law in connection with any of our significant acquisitions or investments approved by the board; and
- diversion of our resources and management attention.

Our failure to address these uncertainties and risks may affect our ability in implementing our acquisition strategies, which may in turn have a material adverse effect on our liquidity, financial condition and results of operations. In the year ended December 31, 2019, we recorded impairment loss from equity in affiliates of RMB2.7 million (US\$0.4 million) in connection with our equity interest in a non-controlling investee. We cannot guarantee that we will not incur increased impairment loss from any acquisition or investment in the future, which may materially and adversely affect our financial condition and results of operations. In addition, we may not be able to complete proposed acquisitions and the completed ones may not benefit our business as intended.

Our business may be materially and adversely affected by various fluctuations and uncertainties in China's real estate industry, including government measures aimed at the industry.

To date, a significant portion of the products that we distribute involve real estate or related assets. Historically, this concentration is predominantly among the fixed income products that we distribute. The total transaction value of the fixed income products we distributed that have real estate developers as corporate borrowers accounted for 69%, 68% and 100%, respectively, of the total transaction value of all fixed income products we distributed in 2017, 2018 and 2019. Almost all of the total transaction value of all private equity and venture capital products we distributed in 2019 were invested in real-estate related assets. The total transaction value of the real estate-related products we distributed (including fixed income products and private equity and venture capital products) accounted for 89% of the total transaction value of all products we distributed in 2019. We expect that the real estate or related products will continue to account for a significant portion of the products we distribute.

The success of such products depends significantly on conditions in China's real estate industry and more particularly on the volume of new property transactions in China. Demand for private residential real estate in China has grown rapidly in recent years, but such growth is often coupled with volatility and fluctuations in real estate transaction volume and prices.

The PRC government has from time to time taken measures to cool down the real estate market and to curb the increase of housing prices by requiring more stringent implementation of housing price control measures. Such measures may depress the real estate market, dissuade potential purchasers from making purchases, reduce transaction volume, cause a decline in selling prices, and prevent developers from raising the capital they need and increase developers' costs to start new projects. In addition, we cannot assure you that the PRC government will not adopt new measures in the future that may result in lower growth rates in the real estate industry. Frequent changes in government policies may also create uncertainty that could discourage investment in real estate.

We are also susceptible to the risks inherent in the operation of real estate-related businesses and assets. These risks include those associated with general and local economic conditions, changes in supply of and demand for competing properties in an area, natural disasters, changes in government regulations, changes in real property tax rates, changes in interest rates, the reduced availability of mortgage funds, which may render the sale or refinancing of properties difficult or impracticable, and other factors that are beyond our control. For example, due to the slow-down of economic growth, a number of the wealth management products linked to real estate that we distributed missed the due date of the payment of return to the investors. Although we are not directly liable to our clients in the event of these product default and did not suffer direct economic losses arising from such default, these incidences may harm our reputation and may impair the confidence of our clients in the wealth management products we distributed, which may impede our ability to distribute new products in the future and may result in an increase in the withdrawal or redemption by the clients of existing products.

In February 2017, the AMAC, released the No. 4 Filing Rules to regulate real estate investments by the securities and futures institutions. According to the No. 4 Filing Rules, private fund managers, such as our company, are required to follow relevant rules with respect to the investment in the real estate development enterprises or projects. See “Item 4. Information on the Company—B. Business Overview—Regulation.” To comply with the No. 4 Filing Rules, we have adjusted our investment strategies and started to increase our investment in real estate or related assets in the cities other than certain popular areas as specified in such rules. The AMAC and other regulatory authorities may continue to release new rules and regulations which may impose additional restriction on our business or require us to adjust our current products, services or business practices. As a result, our business, cash flow, or prospect could be materially and adversely affected.

If significant fluctuations occur in China’s real estate industry, or the risks inherent in the ownership and operation of real estate materialize, they may result in decreased value and increased default rates of the wealth management products linked to real estate or the construction and development of the real estate that we distribute or manage, and reduced interest of our clients in purchasing such products, which account for a significant portion of our product choices. As a result, our revenues from such products could be adversely affected, which in turn may materially and negatively affect our overall financial condition and results of operations.

A drop in the investment performance for products distributed or managed by us, a decline in the value of the assets under our management or any decrease in our other services could negatively impact our revenues and profitability.

Investment performance is a key competitive factor for products distributed or managed by us. Strong investment performance helps us to retain and expand our client base and helps generate new sales of products and services. Strong investment performance is therefore an important element to our goals of maximizing the value of products and services provided to our clients or the assets under our management. There can be no assurance as to how future investment performance will compare to our competitors or that historical performance will be indicative of future returns. Any drop or perceived drop in investment performance as compared to our competitors could cause a decline in sales of our investment products and services. These impacts may also reduce our aggregate amount of assets under management and management fees. Poor investment performance could also adversely affect our ability to expand the distribution of third-party wealth management products and our self-developed products.

In addition, the profitability of our asset management services depends on fees charged based on the value of assets under management. Any impairment on the value of the assets we manage, whether caused by fluctuations or downturns in the underlying markets or otherwise, will reduce our revenues generated from asset management business, which in turn may materially and adversely affect our overall financial performance and results of operations.

Starting from 2016, we offered consulting services to some peer firms in the asset management industry and other companies seeking for equity investments. Depending on the availability of products suitable, we may not continue this line of services in the future. Furthermore, we negotiate our service fees with our counterparts on a deal-by-deal basis, adding to the level of uncertainty in our revenues from this business.

If we breach the contractual obligations under the fund management documents or fiduciary duties we owe to the fund counterparties in connection with our asset management services, our results of operations will be adversely impacted.

While our asset management business has experienced substantial growth in general since 2013, our assets under management declined in 2019, as compared to that of 2018, due to the uncertainty of macro-economic conditions and rapid changes in regulatory regime of the industry. Our assets management business may continue to suffer in the coming year if the macro economic factors affecting our business do not have material changes in a positive way. However, we intend to further develop our fund management business by offering and managing a broader variety of funds, including funds related to real estate, funds of securities investment funds, and funds of fixed income funds.

Our asset management business involves inherent risks. For some of the funds that we self-develop or manage, such as contractual funds, we may be exposed to indemnity or other legal liabilities if we are deemed to have breached our legal obligations as fund managers under the fund management documents or fund subscription agreements, and are therefore susceptible to legal disputes and potentially significant damages. In cases where we serve as the general partner or co-general partner for the funds that are in the form of limited partnership, we are required to manage the funds for the limited partners or the investors. We may be removed by the limited partners without cause by their exercising their kick-out rights if they are not satisfied with our services in the roles of general partner or co-general partner of the funds. If we are deemed to have breached our fiduciary duty, we may be exposed to risks and losses related to legal disputes. We could also experience losses on our principal for funds invested by us and the entity as the general partner shall bear unlimited joint and several liabilities for the debts of any fund managed by it out of all its assets. We cannot assure you that our efforts to further develop the fund management business will be successful. If our asset management business fails, our future growth may be materially and adversely affected and our reputation and credibility may be damaged among high-net-worth individuals, which in turn may affect our wealth management product advisory services business.

Our risk management policies and procedures may not be fully effective in identifying or mitigating risk exposure in all market environments or against all types of risk, including employee and financial advisor misconduct.

We have devoted significant resources to developing our risk management policies and procedures and will continue to do so. Nonetheless, our policies and procedures to identify, monitor and manage risks may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk. Many of our risk management policies are based upon observed historical market behavior or statistics based on historical models. During periods of market volatility or due to unforeseen events, the historically derived correlations upon which these methods are based may not be valid. As a result, these methods may not predict future exposures accurately, which could be significantly greater than what our models indicate. This could cause us to incur investment losses or cause our hedging and other risk management strategies to be ineffective. Other risk management methods depend upon the evaluation of information regarding markets, clients, catastrophe occurrence or other matters that are publicly available or otherwise accessible to us, which may not always be accurate, complete, up-to-date or properly evaluated.

Moreover, we are subject to the risks of errors and misconduct by our employees and advisors, which include:

- engaging in misrepresentation or fraudulent activities when marketing or distributing wealth management products to clients;
- improperly using or disclosing confidential information of our clients, third-party wealth management product providers or other parties;
- concealing unauthorized or unsuccessful activities; or
- otherwise not complying with laws and regulations or our internal policies or procedures.

Although we have established an internal compliance system to supervise service quality and regulation compliance, these risks may be difficult to detect in advance and deter, and could harm our business, results of operations or financial performance.

In addition, although we perform due diligence on potential clients, we cannot assure you that we will be able to identify all the possible issues based on the information available to us. If certain investors do not meet the relevant qualification requirements for products we distribute or under applicable laws, we may also be deemed in default of the obligations required in our contract with the product providers. Management of operational, legal and regulatory risks requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk.

Non-compliance on the part of third parties with which we conduct business could disrupt our business and adversely affect our results of operation.

Our third-party wealth management product providers or other business counterparties may be subject to regulatory penalties or punishments because of their regulatory compliance failures, which may affect our business activities and reputation and in turn, our results of operations. Although we conduct due diligence on our business counterparties, we cannot be certain whether any such counterparty has infringed or will infringe any third parties' legal rights or violate any regulatory requirements. We require the business counterparties in the financial services industry to provide their licenses, permits or filing documents in respect of the wealth management products before we distribute their products, but we cannot assure you that these counterparties will continue to maintain all applicable permits and approvals, and any noncompliance on the part of these counterparties may cause potential liabilities to us and in turn disrupt our operations.

The impairment or negative performance of other financial services companies could adversely affect us.

We routinely work with counterparties in the financial services industry, including asset management companies, trust companies, insurers and other institutions, when providing our services. A decline in the financial condition of one or more financial services institutions may expose us to credit losses or defaults, limit our access to liquidity or otherwise disrupt the operations of our businesses. While we regularly assess our exposure to different industries and counterparties, the performance and financial strength of specific institutions are subject to rapid change, the timing and extent of which cannot be known.

Downgrades in the credit or financial strength ratings assigned to the counterparties with whom we transact or other adverse reputational impacts to such counterparties could create the perception that our financial condition will be adversely impacted as a result of potential future defaults by such counterparties. As a result, our operations and financial performances may be adversely impacted.

Any material decrease in the commission and fee rates for our services may have an adverse effect on our revenues, cash flow and results of operations.

We derive a significant portion of our revenues from commissions and recurring fees paid by wealth management product providers and corporate borrowers when our clients invest in the products we distribute. The commission and recurring fee rates are set by such product providers and corporate borrowers or negotiated between such parties and us, and vary from product to product. Although the fee rates within any given category of the products we distribute remained relatively stable during the applicable periods referenced in this annual report, future commission and recurring fee rates may be subject to change based on the prevailing political, economic, regulatory, taxation and competitive factors that affect product providers or corporate borrowers. These factors, which are not within our control, include the capacity of product providers to place new business and realize profits, client demand and preference for wealth management products, the availability of comparable products from other product providers at a lower cost, the availability of alternative wealth management products to clients and the tax deductibility of commissions and fees. In addition, the historical volume of wealth management products that we distributed or managed may have a significant impact on our bargaining power with third-party wealth management product providers in relation to the commission and fee rates for future products. Because we do not determine, and cannot predict, the timing or extent of commission and fee rate changes with respect to the wealth management products, it is difficult for us to assess the effect of any of these changes on our operations. In order to maintain our relationships with the product providers and to enter into contracts for new products, we may have to accept lower commission rates or other less favorable terms, which could reduce our revenues. Although we believe that substitute third-party providers for most of the wealth management products we distribute are generally available, if some of our key wealth management product providers decide not to enter into new contracts with us, or our relationships with them are otherwise impacted, our business and operating results could be materially and adversely affected. Furthermore, as we continue to grow our asset management services, we may face similar fee rates risk in connection with our asset management services.

We derive a substantial portion of our revenues from several affluent cities in China, and we face market risk due to our concentration in these cities.

As of December 31, 2019, we derived our revenues from 51 client centers in 43 affluent cities in mainland China and Hong Kong. In 2019, approximately 21% of our total net revenues were derived from Shanghai and Hangzhou. We expect these two urban centers to continue to be important sources of revenues. If any of these major urban centers experiences an event that negatively impacts the local real estate or financial industries, such as a serious economic downturn or contraction, a natural disaster, or slower growth due to adverse governmental policies or otherwise, demand for our services could decline significantly and our business and growth prospects could be materially and adversely impacted.

We may face increased competition and if we are unable to compete successfully, we could lose our market share and our results of operations and financial condition may be materially and adversely affected.

The wealth management market in China is at an early stage of development and is highly fragmented. As the industry develops, we may face increased competition. In distributing wealth management products, we face direct competition primarily from other third-party wealth management service providers, such as Noah Holdings Limited (NYSE: NOAH). We also compete with many local PRC commercial banks and insurance companies that have their own wealth management teams and sales forces to distribute their products.

In addition, there is a risk that we may not successfully identify new product and service opportunities or develop and introduce these opportunities in a timely and cost-effective manner. New competitors that are better adapted to the wealth management service industry may emerge, which could cause us to lose market share in key market segments.

Our competitors may have better brand recognition, stronger market influence, greater financial and/or marketing resources. For example, the commercial banks we compete with tend to enjoy distribution advantages due to their nationwide distribution networks, longer operating histories, broader client bases and settlement capabilities. A number of commercial banks have established subsidiaries to distribute wealth management products. Moreover, many wealth management product providers with whom we currently have relationships, such as commercial banks and trust companies, are also engaged in, or may in the future engage in, the distribution of wealth management products and may benefit from the integration of wealth management products with their other product offerings.

In addition, in the asset management service sector, we may face competition from mutual fund management companies and securities firms that have emerged or will emerge in the asset management business in China in the foreseeable future. With an increasing portion of wealth management products being distributed through online or mobile platforms, we expect we may potentially compete with an increasing number of internet finance enterprises.

Any failure to protect our clients' privacy and confidential information could lead to legal liability, adversely affect our reputation and have a material adverse effect on our business, financial condition or results of operations.

Our services involve the exchange, storage and analysis of highly confidential information, including detailed personal and financial information regarding our high-net-worth clients, through a variety of electronic and non-electronic means, and our reputation and business operations are highly dependent on our ability to safeguard the confidential personal data and information of our clients. We rely on a network of process and software controls to protect the confidentiality of data provided to us or stored on our systems. We face various security threats on a regular basis, including cyber-security threats to and attacks on our technology systems that are intended to gain access to our confidential information, destroy data or disable our systems.

If we do not take adequate measures to prevent security breaches, maintain adequate internal controls or fail to implement new or improved controls, this data, including personal information, could be misappropriated or confidentiality could otherwise be breached. We could be subject to liability if we fail to prevent security breaches, improper access to, or inappropriate disclosure of, any client's personal information, or if third parties are able to illegally gain access to any client's name, address, portfolio holdings, or other personal and confidential information. Although we have developed systems and internal control processes that are designed to prevent or detect security breaches and protect our clients' data, we cannot assure you that such measures will provide absolute security. Any such failure could subject us to claims for identity theft or other similar fraud claims or claims for other misuses of personal information, such as unauthorized marketing or unauthorized access to personal information. In addition, such events would cause our clients to lose their trust and confidence in us, which may result in a material adverse effect on our business, results of operations and financial condition.

We may not be able to prevent unauthorized use of our intellectual property, which could reduce demand for the products that we distribute and our services, adversely affect our revenues and harm our competitive position.

We rely primarily on a combination of copyright, trade secret, trademark and anti-unfair competition laws and contractual rights to establish and protect our intellectual property rights. We cannot assure you that the steps we have taken or will take in the future to protect our intellectual property or piracy will prove to be sufficient. For example, although we require our employees, wealth management product providers and others to enter into confidentiality agreements in order to protect our trade secrets, other proprietary information and, most importantly, our client information, these agreements might not effectively prevent disclosure of our trade secrets, know-how or other proprietary information and might not provide an adequate remedy in the event of unauthorized disclosure of such confidential information. In addition, others may independently discover trade secrets and proprietary information, and in such cases we could not assert any trade secret rights against such parties. Implementation of intellectual property-related laws in China has historically been lacking, primarily due to ambiguity in the PRC laws and enforcement difficulties. Accordingly, intellectual property rights and confidentiality protection in China may not be as effective as in the United States or other countries. Current or potential competitors may use our intellectual property without our authorization in the development of products and services that are substantially equivalent or superior to ours, which could reduce demand for our solutions and services, adversely affect our revenues and harm our competitive position. Even if we were to discover evidence of infringement or misappropriation, our recourse against such competitors may be limited or could require us to pursue litigation, which could involve substantial costs and diversion of management's attention from the operation of our business.

We may face intellectual property infringement claims, which could be time-consuming and costly to defend and may result in the loss of significant rights by us.

Although we have not been subject to any material litigation, pending or threatened, alleging infringement of third parties' intellectual property rights, we cannot assure you that such infringement claims will not be asserted against us in the future. Some third parties may own technology patents, copyrights, trademarks, trade secrets and Internet content, which they may use to assert claims against us. We require our advisors, managers and relevant staff to sign agreements upon joining our company, to undertake to follow certain procedures designed to reduce the likelihood that we may use, develop or make available any content or applications without the proper licenses or necessary third party consents. However, these procedures may not be effective in completely preventing the unauthorized posting or use of copyrighted material or the infringement of other rights of third parties.

Intellectual property litigation is expensive and time-consuming and could divert resources and management attention from the operation of our business. If there is a successful claim of infringement, we may be required to alter our services, cease certain activities, pay substantial royalties and damages to, and obtain one or more licenses from third parties. We may not be able to obtain those licenses on commercially acceptable terms, or at all. Any of those consequences could cause us to lose revenues, impair our client relationships and harm our reputation.

Legal or administrative proceedings or allegations against us or our management could have a material adverse impact on our reputation, results of operations, financial condition and liquidity.

We have not been subject to legal or administrative proceedings or third-party allegations historically which were likely to have had a material adverse effect on our business, financial condition or results of operations. We have been, and may from time to time in the future become, a party to such proceedings or claims arising in the ordinary course of our business. Any lawsuit or allegation against us, with or without merit, or any perceived unfair, unethical, fraudulent or inappropriate business practice by us or perceived wrong doing by any key member of our management team could harm our reputation, distract our management from day-to-day operations and cause us to incur significant expenses in the defense of such matters. A substantial judgment, award, settlement, fine, or penalty may generate negative publicity against us and could be materially adverse to our operating results or cash flows for a particular future period, depending on our results for that period. This risk may be heightened during periods when credit, equity or other financial markets are volatile, or when clients or investors are experiencing losses.

If we fail to maintain our relationship with E-House and SINA, our business and results of operations could be materially and adversely affected.

Both E-House (China) Holdings Limited, or E-House, and SINA Corporation (Nasdaq: SINA), or SINA, are our existing principal shareholders and are strategically significant for our business and they may help us grow our real estate or real estate-related wealth management products and expand our presence online. By leveraging our partnerships with E-House and SINA, we seek to capture new business opportunities and increase our addressable markets by exploring and entering into the online third-party wealth management and asset management markets. To a certain extent, we rely on continued cooperation with them to develop, innovate and diversify our products offerings. Either of E-House and SINA could, at any time, reduce its support for our business. In addition, their dual role as our substantial shareholders and contractual counterparty could result in conflicts of interest. If for any reason E-House or SINA reduces its support for our real estate or related wealth management products and our online services, our business may be materially and adversely affected.

We are required to register our client centers outside of our corporate residence address as branch offices under PRC law and any failure to do so may subject our centers to shut-down or penalties.

Under PRC law, a company setting up premises for business operations outside its residence address must register the premises as branch offices with the competent local market regulation bureau and obtain business licenses for them as branch offices. We have 51 client centers in 43 cities across China and overseas as of December 31, 2019. As of March 31, 2020, three of these client centers in their relevant cities have not been registered as branch offices and the net revenues attributable to these centers, in the aggregate, accounted for 6.4%, 2.7% and 0.8% of our net revenues in 2017, 2018 and 2019, respectively. We are in the process of applying for the registration of these client centers, and we cannot assure you whether the registration can be completed in a timely manner. Although we have not been subject to any query or investigation by any PRC government authority regarding the absence of such registration, if the PRC regulatory authorities determine that we are in violation of the relevant laws and regulations, we may be subject to penalties, including fines, confiscation of income and suspension of operation. If we become subject to these penalties, our business, results of operations, financial condition and prospects could be materially and adversely affected.

Our principal shareholders have substantial influence over our company and their interests may not be aligned with the interests of our other shareholders.

As of March 31, 2020, Mr. Jianda Ni, our chairman of the board of directors and chief executive officer, and Mr. Xin Zhou, a director of our company, beneficially own an aggregate of approximately 34.7% of our total outstanding shares. As a result of this high level of shareholding, Mr. Ni and Mr. Zhou have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. Also, SINA and Mr. Tianxiang Hu hold 10.8% and 15.9% of our total outstanding shares as of March 31, 2020, respectively. Our principal shareholders may take actions that are not in the best interests of us or our other shareholders. This concentration of ownership may discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs. These actions may be taken even if they are opposed by our other shareholders, including those who hold ADSs. For more information regarding our principal shareholders and their affiliated entities, see “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

We have granted, and may continue to grant, share options and other share-based compensation in the future, which may materially impact our future results of operations.

As of March 31, 2020, options to purchase 15,642,600 ordinary shares and 8,928,548 restricted shares have been granted, and options to purchase 8,993,283 ordinary shares and 633,744 restricted shares are outstanding under our currently effective incentive share plan. As a result of these grants and potential future grants under the plans, we have incurred, and will incur in future periods, significant share-based compensation expenses. We account for compensation costs for all stock options using a fair-value based method and recognize expenses in our consolidated statement of income in accordance with the relevant rules in accordance with U.S. GAAP, which may have a material adverse effect on our net income. Any additional securities issued under share-based compensation schemes will dilute the ownership interests of our shareholders, including holders of our ADSs. See “Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers.” We believe the granting of share-based compensation is of significant importance to our ability to attract and retain key employees and consultants, and we will continue to grant share-based compensation to directors, employees or consultants in the future.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately report our results of operations, meet our reporting obligations or prevent fraud.

We are subject to the reporting obligations under the U.S. securities laws. The Securities and Exchange Commission, or the SEC, as required under Section 404 of the Sarbanes-Oxley Act of 2002, has adopted rules requiring a public company to include a report of management on the effectiveness of such company’s internal control over financial reporting in its annual report on Form 20-F. As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules promulgated by the SEC, our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2019 using criteria established in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, our management concluded that our internal control over financial reporting was effective as of December 31, 2019.

If we fail to achieve and maintain an effective internal control environment for our financial reporting, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with the Sarbanes-Oxley Act. We may therefore need to incur additional costs and use additional management and other resources in an effort to comply with Section 404 of the Sarbanes-Oxley Act and other requirements going forward. Moreover, effective internal control over financial reporting is necessary for us to produce reliable financial reports. As a result, any failure to maintain effective internal control over financial reporting could result in the loss of investor confidence in the reliability of our financial statements which in turn could negatively impact the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions.

We have limited insurance coverage.

Insurance companies in China currently do not offer as extensive an array of insurance products as insurance companies in more developed economies. Other than casualty insurance on some of our assets, we do not have commercial insurance coverage on our other assets and we do not have insurance to cover our business or interruption of our business, litigation or product liability. Moreover, the low coverage limits of our property insurance policies may not be adequate to compensate us for all losses, particularly with respect to any loss of business and reputation that may occur. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Any uninsured occurrence of loss or damage to property, litigation or business disruption may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our results of operations and financial condition.

We face risks related to outbreaks of health epidemics, natural disasters, and other extraordinary events, which could significantly disrupt our operations and adversely affect our business, financial condition or results of operations.

Our business could be adversely affected by the outbreak of Zika, Ebola, avian influenza, severe acute respiratory syndrome, or SARS, the influenza A (H1N1), H7N9, COVID-19 or other epidemics. Any of such occurrences could cause severe disruption to our daily operations, and may even require a temporary closure of our offices. Such closures may disrupt our business operations and adversely affect our results of operations. Our operation could also be disrupted if any of our employees were affected by such health epidemics.

COVID-19, a novel strain of coronavirus, has spread worldwide. This outbreak has led to temporary closure of our offices in many locations in February 2020 with a significant portion of our employees working from home. For offices that have been re-opened, we have taken measures to reduce the impact of this epidemic outbreak, including adjusting employees' office hours to avoid public transportations in rush hour and monitoring our employees' health on a daily basis. However, we might still experience lower work efficiency and productivity, which may adversely affect our service quality. In particular, our employees may not be able to respond to inquiries from our potential clients as timely as usual due to such lower work efficiency, which may further result in a lower-than-usual referral rate of our products. In addition, the outbreak may cause delay or cancellation in our offline events and restrictions on our employees' ability to travel, which may in turn adversely affect our business, results of operations and financial condition.

The extent to which COVID-19 impacts our results will depend on future developments, which are highly uncertain and cannot be predicted. In the event that this epidemic cannot be effectively and timely contained, our business, results of operations and financial condition may be adversely and materially affected if the investors' demand for wealth management products reduces due to their less confidence in the outlook of economics, or if our business partners' ability to consistently supply wealth management products and related services is significantly impacted, which may negatively affect the amount of one-time commissions and other service fees that we are able to charge from them. However, we will continue to incur costs for our operations, and therefore our financial condition and results of operations for the fiscal year of 2020 may be adversely and materially affected by the COVID-19 outbreak. Furthermore, the global spread of COVID-19 pandemic in a significant number of countries around the world has resulted in, and may intensify, global economic distress, which may further adversely and materially affect our business, financial condition, results of operation and prospects.

We are also vulnerable to natural disasters and other calamities, including fire, floods, typhoons, earthquakes, power loss, telecommunications failures, break-ins, war, riots, terrorist attacks, and any other severe weather conditions or similar event may give rise to loss of personnel, damages to property, server interruptions, breakdowns, technology platform failures or internet failures, where our operations could be materially and adversely affected.

Risks Related to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating certain of our operations in China do not comply with PRC regulations relating to the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

We sell mutual funds and asset management plans sponsored by mutual fund management companies from time to time. While the distribution of mutual funds and asset management plans sponsored by mutual fund management companies is not explicitly categorized as restricted to foreign investment, a license is required for the direct sales of mutual fund and asset management plans sponsored by mutual fund management companies. According to the Administration Measures on Securities Investment Fund Sales issued by the CSRC, last amended on February 17, 2013, and came into effect on June 1, 2013, to apply for a mutual fund sales license, the shareholders of the applicant shall meet with certain requirements, including, among others, to maintain a good track record for three consecutive financial years. According to the Draft Sales Agency Measure, the legal entity shareholders for an independent mutual fund sales agency who hold more than 5% shares shall have the minimum registered capital, capital contribution or net asset of RMB100.0 million, and shall have been profitable for the last three financial years with sound operation and internal control. In addition, there are financial condition requirements for controlling shareholder and actual controller. Shareholders who are foreign entities shall be financial institutions with financial assets management or financial investment advisory experience, and shall be in good standing. Our offshore entities do not meet the qualifications of foreign shareholders of an independent mutual fund sales agency. Therefore, in order to conduct our direct sales services in the future, we have entered into contractual arrangements through Shanghai Juxiang Investment Management Consulting Co., Ltd., or Shanghai Juxiang, which is one of our PRC subsidiaries, with Shanghai Jupai. Yumao, a wholly owned subsidiary of Shanghai Jupai, holds such license.

Part of our business includes conducting market surveys, which is defined by the current Foreign Investment Catalogue as the collection and analysis of information concerning the performance and prospects of certain commercial products and/or services. Market survey is categorized as restricted to foreign investment in the Special Administration Measures for Access of Foreign Investment (Negative List) (2019 Version), or the Negative List, pursuant to which market survey is restricted to joint venture or joint cooperation enterprises. Because Shanghai Juxiang is unable to obtain such license, we conduct such activities through Shanghai Jupai, which, as a domestic PRC company, is not required to obtain such license for market survey.

In terms of our asset management business, although foreign-invested enterprises incorporated in China are not expressly prohibited from providing asset management services as private investment fund managers in China, in practice, when managing various funds, we may also need to invest in projects or funds at the same time. Some targeted projects are listed in the Negative List as prohibited or restricted categories for foreign investment. Therefore, besides Shanghai Jupai, we provide asset management services through contractual arrangements between Baoyi Investment Consulting (Shanghai) Co., Ltd., or Shanghai Baoyi, which is one of our PRC subsidiaries, and Shanghai E-Cheng Asset Management Co., Ltd., or Shanghai E-Cheng.

Our contractual arrangements with Shanghai Jupai and Shanghai E-Cheng, and their respective shareholders enable us to (i) have power to direct the activities that most significantly affect the economic performance of Shanghai Jupai and Shanghai E-Cheng; (ii) receive substantially all of the economic benefits from Shanghai Jupai and Shanghai E-Cheng in consideration for the services provided by Shanghai Juxiang and Shanghai Baoyi, respectively; and (iii) have an exclusive option to purchase all or part of the equity interests in Shanghai Jupai and Shanghai E-Cheng when and to the extent permitted by PRC law, or request any existing shareholder of Shanghai Jupai and Shanghai E-Cheng to transfer any or part of the equity interest in Shanghai Jupai and Shanghai E-Cheng to another PRC person or entity designated by us at any time at our discretion. Because of these contractual arrangements, we are the primary beneficiary of Shanghai Jupai and Shanghai E-Cheng and hence treat each of Shanghai Jupai and Shanghai E-Cheng as our VIE, and consolidate their and their respective subsidiaries' results of operations into ours.

If the PRC government finds that our contractual arrangements do not comply with its restrictions on foreign investment, or if the PRC government otherwise finds that we, Shanghai Jupai, Shanghai E-Cheng or any of their respective subsidiaries or client centers are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the CSRC, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or our PRC subsidiaries and consolidated entities may not be able to comply;
- requiring us or our PRC subsidiaries and consolidated entities to restructure the relevant ownership structure or operations;
- restricting or prohibiting our use of the proceeds from the initial public offering or other financing activities of Jupai Holdings Limited to finance the business and operations of our VIEs and their respective subsidiaries; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of any of our consolidated entities in our consolidated financial statements, if the PRC government authorities find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of Shanghai Jupai or Shanghai E-Cheng that most significantly impact its economic performance and/or our failure to receive the economic benefits from Shanghai Jupai or Shanghai E-Cheng, we may not be able to consolidate Shanghai Jupai or Shanghai E-Cheng into our consolidated financial statements in accordance with U.S. GAAP.

We rely on contractual arrangements with our VIEs, and their respective shareholders for a portion of our China operations, which may not be as effective as direct ownership in providing operational control.

We rely on contractual arrangements with our VIEs, Shanghai Jupai and Shanghai E-Cheng, and their respective shareholders to operate a portion of our operations in China, including asset management services, market survey and the direct sale of mutual funds and asset management plans sponsored by mutual fund management companies. These contractual arrangements may not be as effective as direct ownership in providing us with control over our VIEs. For example, our VIEs and their respective shareholders could breach their contractual arrangements with us by, among other things, failing to operate our business in an acceptable manner or taking other actions that are detrimental to our interests. These risks exist throughout the period in which we operate our businesses through the contractual arrangements with our VIEs. If we were the controlling shareholder of the VIEs with direct ownership, we would be able to exercise our rights as shareholders to effect changes to their board of directors, which in turn could implement changes at the management and operational level. However, under the current contractual arrangements, as a legal matter, if our VIEs or their respective shareholders fail to perform their obligations under these contractual arrangements, we may have to incur substantial costs to enforce such arrangements, and rely on legal remedies under PRC law, including contract remedies, which may be time-consuming, unpredictable and expensive. If we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation. See “—Risks Related to Doing Business in China—Uncertainties in the interpretation and enforcement of Chinese laws and regulations could limit the legal protections available to you and us.”

In 2017, 2018 and 2019, Shanghai Jupai, Shanghai E-Cheng and their respective subsidiaries and branches contributed 37%, 31% and 62% of our total net revenues, respectively. In the event we are unable to enforce the contractual arrangements, we may not be able to have the power to direct the activities that most significantly affect the economic performance of Shanghai Jupai, Shanghai E-Cheng and their respective subsidiaries and branches, and our ability to conduct our business may be negatively affected, and we may not be able to consolidate the financial results of Shanghai Jupai, Shanghai E-Cheng and their respective subsidiaries and branches into our consolidated financial statements in accordance with U.S. GAAP.

The shareholders of our VIEs may have potential conflicts of interest with us, and if any such conflicts of interest are not resolved in our favor, our business may be materially and adversely affected.

We have designated individuals who are PRC nationals to be the shareholders of Shanghai Jupai and Shanghai E-Cheng. These individuals may have conflicts of interest with us. Approximately 67.7% equity interest of Shanghai Jupai is held by Mr. Jianda Ni, our chairman and chief executive officer and one of our principal shareholders, and the remaining 32.3% equity interest of Shanghai Jupai is collectively held by other four individuals. Conflicts of interest may arise between the roles of Mr. Ni as shareholder of our company and as shareholder of our VIEs. 70.0% equity interest of Shanghai E-Cheng is held by Ms. Qimin Wu, one of our employees, and the remaining 30.0% equity interest of Shanghai E-Cheng is held by Mr. Tianxiang Hu, one of our principal shareholders. Ms. Wu is our employee. We cannot assure you that when conflicts arise, shareholders of our VIEs will act in the best interest of our company or that conflicts will be resolved in our favor. These individuals may breach or cause the VIEs to breach the existing contractual arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

Our ability to enforce the equity pledge agreements between us and the shareholders of Shanghai Jupai and Shanghai E-Cheng may be subject to limitations based on PRC laws and regulations.

Pursuant to the equity pledge agreements relating to Shanghai Jupai and the Joinder Agreement relating to Equity Pledge Agreement on July 15, 2018, the shareholders of Shanghai Jupai pledged their equity interests in Shanghai Jupai to Shanghai Juxiang to secure Shanghai Jupai's performance of the obligations and indebtedness under the consulting services agreement. Pursuant to the equity pledge agreements relating to Shanghai E-Cheng, the shareholders of Shanghai E-Cheng pledged their equity interests in Shanghai E-Cheng to Shanghai Baoyi to secure Shanghai E-Cheng's performance of the obligations and indebtedness under the consulting services agreement. The equity pledges under the equity pledge agreements in connection with Shanghai Jupai have been registered with the relevant local branch of the State Administration for Market Regulation, or the SAMR, except that the equity pledge over Mr. Ni's equity interest in Shanghai Jupai in favor of Shanghai Juxiang is still under the process of registration with the local branch of SAMR in Shanghai and has not been completed yet. In addition, the equity pledges under the equity pledge agreements in connection with Shanghai E-Cheng have not been registered with the relevant local branch of SAMR. Under the PRC Property Law, when an obligor fails to pay its debt when due, the pledgee may choose to either conclude an agreement with the pledgor to obtain the pledged equity or seek payments from the proceeds of the auction or sell-off of the pledged equity. The PRC Property Law further provides that the registration with the local branch of SAMR is necessary to create security interest on the equity interests of a PRC limited liability company, which means that before the equity interest pledge is duly registered with the local branch of SAMR, such pledge is unenforceable even though the relevant equity pledge agreement is binding. The shareholders of Shanghai E-Cheng are in the process of applying with the local branch of SAMR in Shanghai for registration of their equity interest pledge. However, there is no guarantee that the shareholders of Shanghai E-Cheng will complete the registration in a timely manner, or at all. If any shareholder fails to complete such registration, then no security interests will be created and Shanghai Baoyi will not be able to effectively exercise the pledge of such shareholders' equity interests in Shanghai E-Cheng or at all. Moreover, if Shanghai Jupai or Shanghai E-Cheng fails to perform its obligations secured by the pledges under the equity pledge agreements, one remedy in the event of default under the agreements is to require the pledgor to sell the equity interests in Shanghai Jupai or Shanghai E-Cheng, as applicable, in an auction or private sale and remit the proceeds to our subsidiaries in China, net of related taxes and expenses. Such an auction or private sale may not result in our receipt of the full value of the equity interests in our VIEs. We consider it very unlikely that the public auction process would be undertaken since, in an event of default, our preferred approach would be to ask our PRC subsidiary that is a party to the exclusive call option agreement with the VIE's shareholders, to designate another PRC person or entity to acquire the equity interests in such VIE and replace the existing shareholders pursuant to the exclusive call option agreement.

In addition, in the registration forms of the local branch of the SAMR for the pledges over the equity interests under the equity pledge agreements, the amount of registered equity interests pledged to our PRC subsidiary was stated as the pledgor's portion of the registered capital of the VIE. The equity pledge agreements with the shareholders of our VIEs provide that the pledged equity interest constitute continuing security for any and all of the indebtedness, obligations and liabilities of our VIEs under the relevant contractual arrangements, and therefore the scope of pledge should not be limited by the amount of the registered capital of the applicable VIE. However, there is no guarantee that a PRC court will not take the position that the amount listed on the equity pledge registration forms represents the full amount of the collateral that has been registered and perfected. If this is the case, the obligations that are supposed to be secured in the equity pledge agreements in excess of the amount listed on the equity pledge registration forms could be determined by the PRC court to be unsecured debt, which takes last priority among creditors and often does not have to be paid back at all. We do not have agreements that pledge the assets of our VIEs and their respective subsidiaries for the benefit of us or our PRC subsidiaries, although our VIEs grant our PRC subsidiaries options to purchase the assets of our VIEs and their equity interests in their subsidiaries under the exclusive call option agreements.

If any of our VIEs and their subsidiaries becomes the subject of a bankruptcy or liquidation proceeding, we may lose the ability to use and enjoy their assets, which could reduce the size of our operations and materially and adversely affect our business.

We do not have priority pledges and liens against the assets of our VIEs. As a contractual and property right matter, this lack of priority pledges and liens has remote risks. If Shanghai Jupai or Shanghai E-Cheng undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority against such third-party creditors on the assets of our VIEs. If our VIEs liquidate, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and recover any outstanding liabilities owed by Shanghai Jupai to Shanghai Juxiang or by Shanghai E-Cheng to Shanghai Baoyi under the applicable service agreement.

If the shareholders of our VIEs were to attempt to voluntarily liquidate our VIEs without obtaining our prior consent, we could effectively prevent such unauthorized voluntary liquidation by exercising our right to request the shareholders of our VIEs to transfer all of their respective equity ownership interests to a PRC entity or individual designated by us in accordance with the option agreement with the shareholders of our VIEs. In addition, under the operation agreement signed by Shanghai Juxiang, Shanghai Jupai and its shareholders and according to the PRC Property Law, the shareholders of Shanghai Jupai do not have the right to issue dividends to themselves or otherwise distribute the retained earnings or other assets of Shanghai Jupai without our consent. Similarly, the shareholders of Shanghai E-Cheng do not have the right to issue dividends to themselves or otherwise distribute the retained earnings or other assets of Shanghai E-Cheng without our consent. In the event that the shareholders of our VIEs initiate a voluntary liquidation proceeding without our authorization or attempts to distribute the retained earnings or assets of our VIEs without our prior consent, we may need to resort to legal proceedings to enforce the terms of the contractual arrangements. Any such litigation may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such litigation will be uncertain.

Our contractual arrangements with our VIEs may result in adverse tax consequences to us.

As a result of our corporate structure and the contractual arrangements among our PRC subsidiaries, our VIEs, their respective shareholders and us, we are effectively subject to the PRC value-added tax at rates of 3% or 6% and related surcharges on revenues generated by our subsidiaries from our contractual arrangements with our VIEs. The PRC Enterprise Income Tax Law requires every enterprise in China to submit its annual enterprise income tax return together with a report on transactions with its affiliates or related parties to the relevant tax authorities. These transactions may be subject to audit or challenge by the PRC tax authorities within ten years after the taxable year during which the transactions are conducted. We may be subject to adverse tax consequences if the PRC tax authorities were to determine that the contracts between us and our VIEs were not on an arm's length basis and therefore constitute favorable transfer pricing arrangements. If this occurs, the PRC tax authorities could request that our VIEs and any of its respective subsidiaries adjust their taxable income upward for PRC tax purposes. Such a pricing adjustment could adversely affect us by reducing expense deductions recorded by such VIE and thereby increasing the VIE's tax liabilities, which could subject the VIE to late payment fees and other penalties for the underpayment of taxes. Our results of operations may be materially and adversely affected if our VIEs' tax liabilities increase or if either of them becomes subject to late payment fees or other penalties.

Substantial uncertainties exist with respect to the viability of our current corporate structure, corporate governance, business operations and financial results.

The National People’s Congress of the PRC passed the Foreign Investment Law on March 15, 2019 and the State Council passed the Foreign Investment Law Implementing Rules on December 26, 2019, both of which became effective on January 1, 2020. The Foreign Investment Law replaces the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law. The Foreign Investment Law unified legal system for foreign investment, the governance of foreign investment companies in the PRC, and more open up of domestic market to foreign investors. The Foreign Investment Law has become the basic law for foreign investment field. Foreign investment enterprises not on the Negative List shall be subject to the same regulatory and governmental administration as of domestic companies and thus, the Company Law of the PRC and the Partnership Company Law are applied to foreign investment companies, the high authority is the shareholders’ meeting, the resolution requirements on material matters and requirements on equity transfer to third party is relaxed to certain extent. The Negative List lists fields which foreign investment is prohibited or restricted. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, “foreign investment” refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in China. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangement would not be interpreted as a type of indirect foreign investment activities under the definition in the future. In addition, the definition contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment. In any of these cases, it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations. Furthermore, if future laws, administrative regulations or provisions promulgated by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance challenges could materially and adversely affect our current corporate structure, corporate governance and business operations.

Any financial or economic crisis, or perceived threat of such a crisis, including a significant decrease in consumer confidence, may materially and adversely affect our business, financial condition and results of operations.

The global financial markets experienced significant disruptions in 2008 and the United States, European and other economies went into recession. The recovery from the lows of 2008 and 2009 was uneven and the global financial markets are facing new challenges, including the escalation of the European sovereign debt crisis since 2011, the hostilities in the Ukraine, the end of quantitative easing by the U.S. Federal Reserve and the economic slowdown in the Eurozone in 2014, the new tariff and trade policies imposed by the U.S. to a number of markets in 2018 and 2019, and the U.K. exited the European Union in 2020 and the unsettled negotiation on post-exit arrangement. It is unclear whether these challenges will be contained and what effects they each may have. Any financial or economic crisis or disruption, or perceived threat of such a crisis or disruption, might lead to tighter credit markets, increased market volatility, sudden drops in business and market confidence and dramatic changes in business and consumer behaviors, which may materially and adversely affect our business, financial condition and results of operations.

A severe or prolonged downturn in the Chinese or global economy could materially and adversely affect our business and financial condition.

The global macroeconomic environment is facing numerous challenges. The growth rate of the Chinese economy has gradually slowed since 2010 and the trend may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. Unrest, terrorist threats and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations and tariffs. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

Our business could be adversely affected by trade tariffs or other trade barriers.

Recently there have been heightened tensions in international economic relations, such as the one between the U.S. and China. Since July 2018, the U.S. government has imposed, and has proposed to impose additional, new or higher tariffs on certain products imported from China to penalize China for what it characterizes as unfair trade practices. China has responded by imposing, and proposing to impose additional, new or higher tariffs on certain products imported from the U.S. In May 2019, the U.S. government announced to increase tariffs to 25%, and China responded by imposing tariffs on certain U.S. goods on a smaller scale and proposed to impose additional tariffs on U.S. goods. On June 1, 2019, the tariffs announced in May 2019 became in effect on US\$60 billion worth of U.S. goods exported to China. On September 1, 2019, as announced, U.S. began implementing tariffs on more than US\$125 billion worth of Chinese imports. On September 2, 2019, China lodged a complaint against the U.S. over import tariffs to the World Trade Organization. In December 2019, the U.S. and China reached a limited trade agreement that will roll back existing tariff rates on certain Chinese goods and cancel new levies set to take effect on December 15, 2019 in exchange for Chinese purchases of U.S. farm goods and obtain other concession. Although we do not currently export any products to the United States, it is not yet clear what impact these tariffs may have or what actions other governments, including the Chinese government may take in retaliation. Although we primarily provide services to the domestic market, tariffs could potentially impact the business of our customers, suppliers and business partners which may in turn affect our business. In addition, these developments could have a material adverse effect on global economic conditions and the stability of global financial markets. Any of these factors could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Doing Business in China

Adverse changes in the political and economic policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.

Substantially all of our assets are located in China and substantially all of our revenues are derived from our operations there. Accordingly, our business, financial condition, results of operations and prospects are affected significantly by economic, political and legal developments in China. The Chinese economy differs from the economies of most developed countries in many respects, including the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the Chinese economy has experienced significant growth in the past 40 years, the growth has been uneven across different periods, regions and among various economic sectors of China and the rate of growth has been slowing. We cannot assure you that the Chinese economy will continue to grow, or that if there is growth, such growth will be steady and uniform, or that if there is a slowdown, such slowdown will not have a negative effect on our business.

The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatment to particular industries or companies. It is unclear whether PRC economic policies will be effective in stimulating growth, and the PRC government may not be effective in achieving stable economic growth in the future. Any slowdown in the economic growth of China could lead to reduced demand for the products we distribute or manage, which could materially and adversely affect our business, as well as our financial condition and results of operations.

Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.

The PRC legal system is based on written statutes and court decisions have limited precedential value. The PRC legal system is evolving rapidly, and the interpretation of many laws, regulations and rules may contain inconsistencies and enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. However, since PRC judicial and administrative authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be more difficult to predict the outcome of a judicial or administrative proceeding than in more developed legal systems. Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, but which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability towards our contractual, property (including intellectual property) and procedural rights could adversely affect our business and impede our ability to continue our operations.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of financial services businesses, service providers and financial products we distribute.

The PRC government extensively regulates the financial services industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the financial services industry, including wealth management and asset management companies. These financial service-related laws and regulations are evolving, and their interpretation and enforcement involve significant uncertainty. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violations of applicable laws and regulations. Issues, risks and uncertainties relating to PRC regulation of the financial services business include, but are not limited to, the following:

- The regulations of the wealth management and asset management business in China, including evolving licensing practices, are evolving and subject to uncertainties. Operations at some of our subsidiaries and consolidated entities may be subject to challenge, or we may fail to obtain permits or licenses that may be deemed necessary for our operations or we may not be able to obtain or renew certain permits or licenses. See “—Risks Related to Our Business and Industry—We may fail to obtain and maintain licenses and permits necessary to conduct our operations in China, and our business may be materially and adversely affected as a result of any changes in the laws and regulations governing the financial services industry in China” and “Item 4. Information on the Company—B. Business Overview—Regulation.”
- The evolving PRC regulatory system for the financial service industry may lead to the establishment of new regulatory agencies. If these new laws, regulations or policies are promulgated, additional licenses may be required for our operations. If our operations do not comply with these new regulations after they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the financial services industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, financial services businesses in China, including our business. There are also risks that we may be found in violation of existing or future laws and regulations given the uncertainty and complexity of China's regulation of financial services business.

Besides, the regulations relating to financial services or products may change, and as a result we may be required to discontinue the supply of certain wealth management products that we currently distribute or cease managing certain products in our asset management business.

Fluctuations in exchange rates could have a material adverse effect on our results of operations and the value of your investment.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. The value of Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. We cannot assure you that Renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces the PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

Any significant appreciation or depreciation of Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive into Renminbi to pay our operating expenses, appreciation of Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, a significant depreciation of Renminbi against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency. As a result, fluctuations in exchange rates may have a material adverse effect on your investment.

Governmental control of conversion of Renminbi into foreign currencies may limit our ability to utilize our revenues effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our company may rely on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiary is able to pay dividends in foreign currencies to us without prior approval from SAFE by complying with certain procedural requirements. But approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies, and we cannot assure you that the required governmental approval or registration can be obtained or completed in time when such capital needs arise, or at all. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of our ADSs.

PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of our initial public offering to make loans to our PRC subsidiaries and consolidated entities or to make additional capital contributions to our PRC subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and consolidated entities. In utilizing the proceeds that we received from our initial public offering, we are permitted under PRC laws and regulations as an offshore holding company to provide funding to our PRC subsidiaries only through loans or capital contributions and to our consolidated entities only through loans.

Any loans by us to our PRC subsidiary, which is treated as foreign-invested enterprises under PRC law, are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our wholly owned PRC subsidiary to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of the SAFE. If we decide to finance our wholly owned PRC subsidiaries by means of capital contributions, these capital contributions must be filed with or approved by the MOFCOM or its local counterpart. We may also extend loans to our consolidated entities, which are treated as PRC domestic companies under PRC law, and loans with a term more than one year must be approved by the National Development and Reform Commission, or the NDRC, and must also be registered with the SAFE or its local branches, loans with term less than one year must be approved by the SAFE or its local branches.

The SAFE promulgated a circular on November 19, 2010, known as Circular No. 59, which tightens the examination of the authenticity of settlement of net proceeds from our initial public offering and requires that the settlement of net proceeds shall be in accordance with the description in this annual report.

On March 30, 2015, the SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises, or SAFE Circular 19, which became effective on June 1, 2015. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or elect to follow the “conversion-at-will” regime of foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will regime of foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its RMB registered capital converted from foreign currencies. According to SAFE Circular 19, such Renminbi capital may be used at the discretion of the foreign-invested enterprise within the business scope of the foreign-invested enterprise following the principles of authenticity and self-use and the SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards.

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective in June 2016. Except for reiteration of some of the rules set forth in SAFE Circular 19, SAFE Circular 16 only prohibits using changes RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue loans to non-associated enterprises, instead of prohibiting using such fund to extend RMB entrusted loans to any party as provided under SAFE Circular 19. Violations of SAFE Circular 19 or SAFE Circular 16 could result in administrative penalties.

In January 2017, SAFE issued the Notice of State Administration of Foreign Exchange on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control, or the SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years’ losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, including SAFE Circular 19, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans by us to our PRC subsidiaries or consolidated entities or with respect to future capital contributions by us to our PRC subsidiary. Our failure to complete such registrations or obtain such approvals may negatively affect our ability to use the proceeds we receive from our initial public offering and to capitalize or otherwise fund operations of our PRC operating entities, Shanghai Juxiang and Shanghai Jupai, and any other new subsidiaries we may establish in the future for business purposes, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Our PRC subsidiaries and consolidated entities are subject to restrictions on paying dividends or making other payments to us, which may restrict our ability to satisfy our liquidity requirements.

We are a holding company incorporated in the Cayman Islands. We rely on dividends from our PRC subsidiaries as well as consulting and other fees paid to us by our consolidated entities for our cash and financing requirements, such as the funds necessary to pay dividends and other cash distributions to our shareholders, including holders of our ADSs, and service any debt we may incur. Current PRC regulations permit our PRC subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiary is required to set aside at least 10% of its after-tax profits after making up previous years' accumulated losses each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of its registered capital. These reserves are not distributable as cash dividends. Furthermore, if our PRC subsidiaries and consolidated entities incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us, which may restrict our ability to satisfy our liquidity requirements.

In addition, the EIT Law and its implementation rules provide that withholding tax rate of 10% will be applicable to dividends payable by PRC companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

China's M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of PRC companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or M&A Rules, and other recently adopted regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that impact or may impact national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress on August 30, 2007 and effective as of August 1, 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10.0 billion and at least two of these operators each had a turnover of more than RMB400.0 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2.0 billion, and at least two of these operators each had a turnover of more than RMB400.0 million within China) must be cleared by the MOFCOM before they can be completed. In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Further, on August 25, 2011, the MOFCOM promulgated the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors, or the MOFCOM Security Review Regulations, which became effective on September 1, 2011, to implement the Circular 6. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having "national defense and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns. Under the MOFCOM Security Review Regulations, the MOFCOM will focus on the substance and actual impact of the transaction when deciding whether a specific merger or acquisition is subject to security review. If the MOFCOM decides that a specific merger or acquisition is subject to security review, it will submit it to the Inter-Ministerial Panel, an authority established under the Circular 6 led by the NDRC and the MOFCOM under the leadership of the State Council, to carry out security review. The regulations prohibit foreign investors from bypassing the security review by structuring transactions through trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. There is no explicit provision or official interpretation stating that the merging or acquisition of a company engaged in the wealth management or asset management business requires security review.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. The M&A Rules requires a foreign investor to obtain the approval from the MOFCOM or its local counterpart only upon (i) its acquisition of a domestic enterprise's equity interest; (ii) its subscription of the increased capital of a domestic enterprise; or (iii) establishes and operates a foreign-invested enterprise with assets acquired from a domestic enterprise. It is unclear whether our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in China, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiary to liability or penalties, limit our ability to inject capital into our PRC subsidiary, limit our PRC subsidiary's ability to increase its registered capital or distribute profits to us, or may otherwise adversely affect us.

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with and obtain approval from local branches of the SAFE in connection with their direct or indirect offshore investment activities. These regulations apply to our shareholders who are PRC residents and may apply to any offshore acquisitions that we make in the future.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies will be required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be prohibited from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be prohibited from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions.

We have requested PRC residents holding direct or indirect interest in our company to our knowledge to make the necessary applications, filings and amendments as required by these foreign exchange regulations. Such PRC resident shareholders and beneficial owners have completed their initial registrations in relation to their ownership in our company and have also completed amendment registrations in relation to their subsequent ownership changes and the establishment of certain subsidiaries of our company required by foreign exchange regulations. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interests in our company, and we cannot provide any assurances that all of our shareholders and beneficial owners who are PRC residents will make, obtain or update any applicable registrations or approvals required by these foreign exchange regulations. The failure or inability of our PRC resident shareholders to make such registration or truthfully disclose actual controllers of the round-trip enterprises may subject PRC residents to fines up to RMB300,000 in case of domestic institutions or RMB50,000 in case of domestic individuals. If the PRC resident shareholders do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for violating applicable foreign exchange restrictions.

However, as there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration of share options held by our employees who are “domestic individuals” may subject such employee or us to fines and legal or administrative sanctions.

Pursuant to Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company issued by the SAFE in February 2012, or the Stock Incentive Plan Rules, “domestic individuals” (both PRC residents and non-PRC residents who reside in China for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) participating in any stock incentive plan of an overseas listed company according to its stock incentive plan are required, through qualified PRC agents which could be the PRC subsidiary of such overseas-listed company, to register with the SAFE and complete certain other procedures related to the stock incentive plan.

We and our employees, who are “domestic individuals” and have been granted share options, or the PRC optionees, became subject to the Stock Incentive Plan Rules when our company became an overseas listed company upon the completion of our initial public offering. We have completed the registration as required under the Stock Incentive Plan Rules and other relevant SAFE registrations and plan to update the registration on an on-going basis. If we or our PRC optionees fail to comply with the Individual Foreign Exchange Rule and the Stock Incentive Plan Rules, we and/or our PRC optionees may be subject to fines and other legal sanctions. We may also face regulatory uncertainties that could restrict our ability to adopt additional option plans for our directors and employees under PRC law. In addition, the General Administration of Taxation has issued a few circulars concerning employee stock options. Under these circulars, our employees working in China who exercise stock options will be subject to PRC individual income tax. Our PRC subsidiary has obligations to file documents related to employee stock options with relevant tax authorities and withhold individual income taxes of those employees who exercise their stock options. If our employees fail to pay and we fail to withhold their income taxes, we may face sanctions imposed by tax authorities or any other PRC government authorities. Furthermore, there are substantial uncertainties regarding the interpretation and implementation of the Individual Foreign Exchange Rule and the Stock Incentive Plan Rules.

The discontinuation of any of the government incentives and preferential tax treatment currently available to us in China could adversely affect our financial condition and results of operations.

Pursuant to the letter agreement that we entered into with the local county government in January 2013 and various subsequent agreements, the local county government agreed to provide us subsidies based on the value-added tax, enterprise income tax and individual income tax for the financial year ended December 31, 2019 to Shanghai Juxiang, Shanghai Jupai and other subsidiaries. Nevertheless, the government agencies may decide to reduce, eliminate or cancel subsidies at any time. We cannot assure you of the continued availability of the government incentives and subsidies currently enjoyed by Shanghai Juxiang, Shanghai Jupai and other subsidiaries. The discontinuation of these governmental incentives and subsidies could adversely affect our financial condition and results of operations.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.

We may be deemed as a provider of value-added communication services due to ownership of some of our websites. The PRC government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

The interpretation and application of existing PRC laws, regulations and policies and possible new laws, regulations or policies relating to the internet industry have created substantial uncertainties regarding the legality of existing and future foreign investments in, and the businesses and activities of, internet businesses in China, including our internet-based business. We cannot assure you that we have obtained all the permits or licenses required for conducting our business in China or will be able to maintain our existing licenses or obtain new ones. If the PRC government considers that we were operating without the proper approvals, licenses or permits or promulgates new laws and regulations that require additional approvals or licenses or imposes additional restrictions on the operation of any part of our business, it has the power, among other things, to levy fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions by the PRC government may have a material adverse effect on our business and results of operations.

The dividends we receive from our PRC subsidiary may be subject to PRC tax under the PRC Enterprise Income Tax Law, which would have a material adverse effect on our financial condition and results of operations. In addition, if we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.

Pursuant to the PRC Enterprise Income Tax Law and its amendment, or the EIT Law, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign investors are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. We are a Cayman Islands holding company and substantially all of our income may come from dividends we receive, directly or indirectly, from our wholly foreign-owned PRC subsidiary. Since there is currently no such tax treaty between China and the Cayman Islands, dividends we directly receive from our wholly foreign-owned PRC subsidiary will generally be subject to a 10% withholding tax.

In addition, under the Arrangement between China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, where a Hong Kong resident enterprise which is considered a non-PRC tax resident enterprise directly holds at least 25% of a PRC enterprise, the withholding tax rate in respect to the payment of dividends by such PRC enterprise to such Hong Kong resident enterprise is reduced to 5% from a standard rate of 10%, subject to approval of the PRC local tax authority. Accordingly, Jupai HongKong Investment Limited, or Jupai HK, and Scepter Holdings Limited may be able to enjoy the 5% withholding tax rate for the dividends it receives from Shanghai Juxiang and Shanghai Baoyi, respectively, if they satisfy the conditions prescribed in relevant tax rules and regulations, and obtain the approvals as required. However, if the Hong Kong resident enterprise is not considered to be the beneficial owner of such dividends under applicable PRC tax regulations, such dividends may remain subject to withholding tax at a rate of 10%. If Jupai HK or Scepter Holdings Limited is considered to be a non-beneficial owner for purposes of the tax arrangement, any dividends paid to them by our wholly foreign-owned PRC subsidiary directly would not qualify for the preferential dividend withholding tax rate of 5%, but rather would be subject to a rate of 10%. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Tax—Dividend Withholding Tax".

Furthermore, under the EIT Law and its implementation rules, an enterprise established outside of China with "de facto management body" within the PRC is considered a PRC resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. See "Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Tax—PRC Enterprise Income Tax." We do not believe that Jupai Holdings Limited or any of its subsidiaries outside of China would be a PRC resident enterprise as of March 31, 2020. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body". If the PRC tax authorities determine that we were a PRC resident enterprise for tax purposes, we would be subject to a 25% enterprise income tax on their global income. In addition, if we were considered a PRC resident enterprise for tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-PRC resident enterprises, including the holders of our ADSs. Furthermore, non-PRC resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and China in the event that we are considered as a PRC resident enterprise.

If we were required under the EIT Law to withhold such PRC income tax, your investment in our ordinary shares or ADSs may be materially and adversely affected.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a PRC establishment of a non-PRC company, or immovable properties located in China owned by a non-PRC company.

We face uncertainties on the reporting and consequences on private equity financing transactions, private share exchange transactions and private transfer of shares, including private transfer of public shares, in our company by non-resident investors. According to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises issued by the PRC State Administration of Taxation on December 10, 2009, or SAT Circular 698, where a non-resident enterprise transfers the equity interests in a PRC resident enterprise indirectly through a disposition of equity interests in an overseas holding company, or an Indirect Transfer, the non-resident enterprise, as the seller, may be subject to PRC enterprise income tax of up to 10% of the gains derived from the Indirect Transfer in certain circumstances.

On February 3, 2015, the State Administration of Taxation, or the SAT, issued Announcement on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfers by Non-PRC Resident Enterprises, or SAT Notice No. 7, to supersede the existing tax rules in relation to the tax treatment of the Indirect Transfer, while the other provisions of SAT Circular 698 that are irrelevant to the Indirect Transfer remain in force. SAT Notice No. 7 introduces a new tax regime and extends the SAT's tax jurisdiction to capture not only the Indirect Transfer as set forth under SAT Circular 698 but also transactions involving indirect transfer of (i) real properties in China and (ii) assets of an "establishment or place" situated in China, by a non-PRC resident enterprise through a disposition of equity interests in an overseas holding company. SAT Notice No. 7 also extends the interpretation with respect to the disposition of equity interests in an overseas holding company. In addition, SAT Notice No. 7 further clarifies how to assess reasonable commercial purposes and introduces safe harbors applicable to internal group restructurings. However, it also brings challenges to both the foreign transferor and transferee as they are required to make self-assessment on whether an Indirect Transfer or similar transaction should be subject to PRC tax and whether they should file or withhold any tax payment accordingly.

On October 17, 2017, the SAT issued the Public Notice on Issues Relating to Withholding at Source of Income Tax of Non-resident Enterprises, or the SAT Notice 37, which came into effect on December 1, 2017. According to SAT Notice 37, where the non-resident enterprise fails to declare its tax payable pursuant to Article 39 of the EIT Law, the tax authority may order it to pay its tax due within required time limits, and the non-resident enterprise shall declare and pay its tax payable within such time limits specified by the tax authority. If the non-resident enterprise voluntarily declares and pays its tax payable before the tax authority orders it to do so, it shall be deemed that such enterprise has paid its tax payable in time.

However, as there is a lack of clear statutory interpretation on these notices, we face uncertainties on the reporting and consequences on the future private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our company and other non-resident enterprises in our group may be subject to filing obligations or being taxed if our company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to withholding obligations if our company and other non-resident enterprises in our group are transferees in such transactions. For the transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under the rules and notices. We may be required to expend costly resources to comply with SAT Notice No. 7 and SAT Notice No. 37, or to establish a case to be tax exempt under SAT Notice No. 7 and SAT Notice No. 37, which may cause us to incur additional costs and may have a negative impact on the value of your investment in us.

The PRC tax authorities have discretion under SAT Notice No. 7 and SAT Notice No. 37 to make adjustments to the taxable capital gains based on the difference between the fair value of the transferred equity interests and the investment cost. We may pursue acquisitions in the future that may involve complex corporate structures. If we are considered as a non-PRC resident enterprise under the EIT Law and if the PRC tax authorities make adjustments to the taxable income of the transactions under SAT Notice No. 7 and SAT Notice No. 37, our income tax expenses associated with such potential acquisitions will be increased, which may have an adverse effect on our financial condition and results of operations.

If the custodians or authorized users of controlling non-tangible assets of our company, including our corporate chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations could be materially and adversely affected.

Under PRC law, legal documents for corporate transactions, including contracts such as consulting service agreements we enter into with wealth management product providers, which are important to our business, are executed using the chops or seals of the signing entity, or with the signature of a legal representative whose designation is registered and filed with the relevant branch of the SAMR.

Although we usually utilize chops to enter into contracts, the designated legal representatives of each of our PRC subsidiaries and consolidated entities have the power to enter into contracts on behalf of such entities without chops and bind such entities. Almost all designated legal representatives of our PRC subsidiary and consolidated entities, except four subsidiaries, are members of our senior management team and have signed employment undertaking letters with us or our PRC subsidiary and consolidated entities under which they agree to abide by various duties they owe to us. In order to maintain the physical security of our chops and the chops of our PRC entities, we generally store these items in secured locations accessible only by the authorized personnel of each of our PRC subsidiary and consolidated entities. Although we monitor such authorized personnel, there is no assurance such procedures will prevent all instances of abuse or negligence. Accordingly, if any of our authorized personnel misuse or misappropriate our corporate chops or seals, we could encounter difficulties in maintaining control over the relevant entities and experience significant disruption to our operations. If a designated legal representative obtains control of the chops in an effort to obtain control over any of our PRC subsidiary or consolidated entities, we, our PRC subsidiary or consolidated entities would need to pass a new shareholder or board resolution to designate a new legal representative and we would need to take legal action to seek the return of the chops, apply for new chops with the relevant authorities, or otherwise seek legal redress for the violation of the representative's fiduciary duties to us, which could involve significant time and resources and divert management attention away from our regular business. In addition, the affected entity may not be able to recover corporate assets that are sold or transferred out of our control in the event of such a misappropriation if a transferee relies on the apparent authority of the representative and acts in good faith.

Increases in labor costs and enforcement of stricter labor laws and regulations in China may adversely affect our business and our profitability.

China's overall economy and the average wage in China have increased in recent years and are expected to continue to grow. The average wage level for our employees has also increased in recent years. We expect that our labor costs, including wages and employee benefits, will continue to increase. Unless we are able to pass on these increased labor costs to the product providers or corporate borrowers who pay for our services, our profitability and results of operations may be materially and adversely affected.

In addition, we have been subject to stricter regulatory requirements in terms of entering labor contracts with our employees and paying various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and childbearing insurance to designated government agencies for the benefit of our employees. Pursuant to the PRC Labor Contract Law, or the Labor Contract law, that became effective in January 2008, as amended on December 28, 2012 and effective as of July 1, 2013, and its implementation rules that became effective in September 2008, employers are subject to stricter requirements in terms of signing labor contracts, minimum wages, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. In the event that we decide to terminate some of our employees or otherwise change our employment or labor practices, the Labor Contract Law and its implementation rules may limit our ability to effect those changes in a desirable or cost-effective manner, which could adversely affect our business and results of operations. On October 28, 2010, the Standing Committee of the National People's Congress promulgated the PRC Social Insurance Law, or the Social Insurance Law, which was amended on December 29, 2018 and became effective on December 29, 2018. According to the Social Insurance Law, employees must participate in pension insurance, work-related injury insurance, medical insurance, unemployment insurance and maternity insurance and the employers must, together with their employees or separately, pay the social insurance premiums for such employees.

As the interpretation and implementation of labor-related laws and regulations are still evolving, we cannot assure you that our employment practice do not and will not violate labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

Our predecessor auditor is not inspected by the Public Company Accounting Oversight Board and, as such, you are deprived of the benefits of such inspection.

Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent registered public accounting firm, was our predecessor auditor and audited our consolidated financial statements for the fiscal years ended December 31 between 2012 and 2018. On February 14, 2020, we engaged B F Borgers CPA PC, an independent registered public accounting firm, as our new auditor.

Auditors of companies that are registered with the SEC and traded publicly in the United States, including our independent registered public accounting firm, must be registered with the PCAOB, and are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their compliance with the laws of the United States and professional standards. B F Borgers CPA PC is registered with the PCAOB and operating in Lakewood, Colorado, the U.S., and is currently subject to PCAOB rules regarding periodically inspection. However, because we have substantial operations within the People's Republic of China and the PCAOB is currently unable to conduct inspections of the work of the auditors who are based in China as it relates to those operations without the approval of the PRC authorities, our predecessor auditor's work related to our operations in China was not inspected by the PCAOB.

This lack of PCAOB inspections of audit work performed by auditors based in China prevents the PCAOB from regularly evaluating audit work of auditors based in China including that performed by our predecessor independent registered public accounting firm. As a result, investors may be deprived of the full benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of audit work performed by auditors based in China makes it more difficult to evaluate the effectiveness and quality of our predecessor auditor's audit procedures as compared to auditors in other jurisdictions that are subject to PCAOB inspections on all of their work. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements prepared by our predecessor auditor.

Risks Related to Our ADSs

The trading price of our ADSs is likely to be volatile, which could result in substantial losses to investors.

The trading price of our ADSs has ranged from US\$1.40 to US\$5.95 per ADS in 2019. The trading price of our ADSs is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. A number of PRC companies have listed their securities on U.S. stock markets. The securities of some of these companies have experienced significant volatility, including price declines in connection with their initial public offerings. The trading performances of these PRC companies' securities after their offerings may affect the attitudes of investors toward PRC companies listed in the United States in general and consequently may impact the trading performance of our ADSs, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our revenues, earnings, cash flow and data related to our user base or user engagement;
- announcements of new investments, acquisitions, strategic partnerships or joint ventures by us or our competitors;
- announcements of new services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- detrimental adverse publicity about us or our industry;
- additions or departures of key personnel;
- sales of additional equity securities; and
- potential litigation, regulatory investigations or regulatory developments that are perceived to be adverse to our business.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

From time to time, shareholders of public companies bring securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an “emerging growth company,” as defined in the JOBS Act, and we may take advantage of certain exemptions from requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 for so long as we are an emerging growth company until the fifth anniversary from the date of our initial listing (i.e., July 16, 2020).

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to “opt out” of the later provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

As an exempted company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NYSE corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the NYSE corporate governance listing standards.

As a Cayman Islands exempted company listed on the NYSE, we are subject to the NYSE corporate governance listing standards. However, NYSE rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the NYSE corporate governance listing standards. Currently, we rely on home country practice with respect to the shareholder approval requirement in respect of the establishment or material revision of an equity-compensation plan and the requirements of the NYSE corporate governance listing standards that our compensation committee and nominating and corporate governance committee each be composed of independent directors. Our shareholders may be afforded less protection than they otherwise would under the NYSE corporate governance listing standards applicable to U.S. domestic issuers.

The sale or availability for sale of substantial amounts of our ADSs could adversely affect their market price.

Sales of our ADSs in the public market, or the perception that these sales could occur, could cause the market price of our ADSs to decline. As of March 31, 2020, based on a review of our register of shareholders, we had 202,285,906 ordinary shares outstanding (excluding 8,626,458 ordinary shares issued to our depository bank for bulk issuance of ADSs reserved under our share incentive plan). Among these shares, 109,763,178 ordinary shares are in the form of ADSs, which are freely transferable without restriction or additional registration under the Securities Act. The remaining ordinary shares outstanding will be available for sale, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act and the applicable lock-up agreements. Certain holders of our ordinary shares may cause us to register under the Securities Act the sale of their shares, subject to the applicable lock-up period. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline.

Because we may not continue to pay dividends in the foreseeable future, you may need to rely on price appreciation of our ADSs as the sole source for return on your investment.

Although we declared dividend on our ordinary shares in March 2018, we may not continue to do so regularly, or at all. Therefore, you may need to rely on price appreciation of our ADSs as the sole source for return on your investment.

Our board of directors has discretion as to whether to distribute dividends, subject to our memorandum and articles of association and certain restrictions under Cayman Islands law. In addition, our shareholders may by ordinary resolution also declare dividends, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstance may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. There is no guarantee that our ADSs will appreciate in value or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

We are controlled by a small number of our existing shareholders, whose interests may differ from other shareholders, and our board of directors has the power to discourage a change of control.

As of March 31, 2020, our executive officers and directors, together with our principal shareholders existing before our initial public offering, beneficially own approximately 129,478,769 ordinary shares, or 62.1% of our outstanding ordinary shares. Accordingly, our executive officers and directors, together with our shareholders existing before our initial public offering, could have significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets, election of directors and other significant corporate actions. In cases where their interests are aligned and they vote together, these shareholders will also have the power to prevent or cause a change in control. Without the consent of some or all of these shareholders, we may be prevented from entering into transactions that could be beneficial to us. In addition, our directors and officers could violate their fiduciary duties by diverting business opportunities from us to themselves or others. The interests of our largest shareholders may differ from the interests of our other shareholders. The concentration in ownership of our ordinary shares may cause a material decline in the value of our ADSs.

Our memorandum and articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.

Our currently effective memorandum and articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company with limited liability incorporated in the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, as amended and restated from time to time, the Companies Law (2020 Revision) of the Cayman Islands and the common law of the Cayman Islands. The rights of our shareholders to take action against our directors, actions by minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

In addition, certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States.

As a result of all of the above, public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States.

Certain judgments obtained against us by our shareholders may not be enforceable.

We are an exempted company incorporated in the Cayman Islands and all of our assets are located outside of the United States. Substantially all of our current operations are conducted in China. In addition, a majority of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to effect service of process within the United States upon us or these persons, or to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

Holders of ADSs may have fewer rights than holders of our ordinary shares and must act through the deposit to exercise those rights.

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of our ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights which are carried by the underlying ordinary shares represented by your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Under the deposit agreement, you may vote only by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will vote the ordinary shares underlying your ADSs in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying ordinary shares unless you withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting. Under our currently effective memorandum and articles of association, the minimum notice period required to be given by our company to our registered shareholders to convene a general meeting is seven calendar days. When a general meeting is convened, you may not receive sufficient advance notice of the meeting to permit you to withdraw the ordinary shares underlying your ADSs and become the registered holder of such shares to allow you to attend the general meeting and to cast your vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. Furthermore, under our currently effective memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the ordinary shares underlying your ADSs and becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the ordinary shares underlying your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct how the ordinary shares underlying your ADSs are voted and you may have no legal remedy if the ordinary shares underlying your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

Your rights to pursue claims against the depositary as a holder of ADSs are limited by the terms of the deposit agreement.

Under the deposit agreement, any action or proceeding against or involving the depositary, arising out of or based upon the deposit agreement or the transactions contemplated thereby may only be instituted in a state or federal court in New York, New York, and pursuant to the deposit agreement, you, as a holder of our ADSs, will have irrevocably waived any objection which you may have to the laying of venue of any such proceeding, and irrevocably submitted to the exclusive jurisdiction of such courts in any such suit, action or proceeding. Notwithstanding the foregoing, however, the depositary may, in its sole discretion, require that any such action, controversy, claim, dispute, legal suit or proceeding be referred to and finally settled by an arbitration conducted under the terms described in the deposit agreement subject to certain exceptions solely related to the aspects of such claims that are related to U.S. securities law, in which case the resolution of such aspects may, at the option of such registered holder of the ADSs, remain in state or federal court in New York, New York. Also, we may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs after an amendment to the deposit agreement, you agree to be bound by the deposit agreement as amended.

You may not receive dividends or other distributions on our ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities underlying our ADSs, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

You may experience dilution of your holdings due to inability to participate in rights offerings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depository will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depository may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

You may be subject to limitations on transfer of your ADSs.

Your ADSs are transferable on the books of the depository. However, the depository may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depository may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depository needs to maintain an exact number of ADS holders on its books for a specified period. The depository may also close its books in emergencies, and on weekends and public holidays. The depository may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depository are closed, or at any time if we or the depository thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

We incur increased costs as a result of being a public company, particularly after we cease to qualify as an “emerging growth company.”

As a public company, we incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the NYSE, impose various requirements on the corporate governance practices of public companies. As a company with less than US\$1.07 billion in revenues for our last fiscal year, we qualify as an “emerging growth company” pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company’s internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies. However, we have elected to “opt out” of the latter provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an “emerging growth company,” we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a public company, we have adopted policies regarding internal controls and disclosure controls and procedures and incurred substantially higher costs to obtain the same or similar coverage of directors and officers liability insurance. In addition, as a public company, we have incurred additional costs associated with our public company reporting requirements and additional costs to have qualified persons to serve on our board of directors or as executive officers.

We believe that we were a passive foreign investment company, or PFIC, for United States federal income tax purposes for the taxable year ended December 31, 2019, which could subject United States investors in our ADSs or ordinary shares to significant adverse United States income tax consequences.

We will be classified as a “passive foreign investment company,” or “PFIC” if, in the case of any particular taxable year, either (a) 75% or more of our gross income for such year consists of certain types of “passive” income or (b) 50% or more of the value of our assets (generally determined on the basis of a quarterly average) during such year produce or are held for the production of passive income (the “asset test”).

Based on the market price of our ADSs and the composition of our assets (in particular the retention of a substantial amount of cash), we believe that we were a PFIC for United States federal income tax purposes for our taxable year ended December 31, 2019, and we will likely be a PFIC for our current taxable year ending December 31, 2020 unless the market price of our ADSs increases and/or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of active income.

If we are classified as a PFIC in any taxable year, a U.S. Holder (as defined in “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation”) may incur significantly increased United States income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the receipt of distributions on the ADSs or ordinary shares to the extent such gain or distribution is treated as an “excess distribution” under the United States federal income tax rules and such U.S. Holders may be subject to burdensome reporting requirements. Further, if we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares. We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different (and generally less adverse than) the general tax treatment for PFICs. For more information see “Item 10. Additional Information—E. Taxation—United States Federal Income Taxation—Passive Foreign Investment Company Rules.”

If we were deemed an investment company under the Investment Company Act of 1940, applicable restrictions could have a material adverse effect on our business and the price of our ADSs and ordinary shares.

We are not an “investment company” and do not intend to become registered as an “investment company” under the Investment Company Act of 1940, or the 1940 Act, because our primary business is the provision of wealth management services complemented by our asset management services.

Generally, a company is an “investment company” if it is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities or owns or proposes to own investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, unless an exception, exemption or safe harbor applies. We seek to conduct our business activities to comply with this test. As a foreign private issuer, we would not be eligible to register under the Investment Company Act, and if a sufficient amount of our assets are deemed to be “investment securities” within the meaning of the Investment Company Act, we would either have to obtain exemptive relief from the SEC, modify our contractual rights or dispose of investments in order to fall outside the definition of an investment company. Additionally, we may have to forego potential future acquisitions of interests in companies that may be deemed to be investment securities within the meaning of the Investment Company Act. Failure to avoid being deemed an investment company under the Investment Company Act coupled with our inability as a foreign private issuer to register under the Investment Company Act could make us unable to comply with our reporting obligations as a public company in the United States and lead to our being delisted from the New York Stock Exchange, which would have a material adverse effect on the liquidity and value of our ADSs and ordinary shares.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We commenced operations in July 2010 through Shanghai Jupai Investment Group Co., Ltd., or Shanghai Jupai, in China. In August 2012, we incorporated Jupai Investment Group as our offshore holding company in the Cayman Islands and changed our name from Jupai Investment Group to Jupai Holdings Limited, or Jupai, in December 2014. In August 2012, we also established Jupai HongKong Investment Limited, or Jupai HK, in Hong Kong, which is wholly owned by Jupai.

In November 2013, we established Jupai Investment International Limited, or Jupai BVI, in the British Virgin Islands and transferred the shares of Jupai HK from Jupai to Jupai BVI in January 2014.

Due to lack of express permission under PRC law for foreign-invested enterprises to sell mutual fund products or asset management plans and to provide asset management services in China, we provide asset management services and plan to sell mutual fund products and asset management plans through the subsidiaries of Shanghai Jupai, a domestic PRC company. In July 2013, we established Shanghai Juxiang Investment Management Consulting Co., Ltd., or Shanghai Juxiang, our wholly-owned subsidiary in China. Shanghai Juxiang has entered into a series of contractual arrangements with Shanghai Jupai and its shareholders. The contractual arrangements between Shanghai Juxiang and Shanghai Jupai and its shareholders enable us to (i) exercise effective control over Shanghai Jupai; (ii) receive substantially all of the economic benefits of Shanghai Jupai in consideration for the consulting services provided by Shanghai Juxiang; and (iii) have an exclusive option to purchase all of the equity interests in Shanghai Jupai when and to the extent permitted under PRC laws and regulations.

As a result of these contractual arrangements, we are considered the primary beneficiary of Shanghai Jupai, and we treat it as our VIE under U.S. GAAP. We have consolidated the assets, liabilities, revenues, expenses and cash flows that are directly attributable to Shanghai Jupai and its subsidiaries in our consolidated financial statements in accordance with U.S. GAAP.

In 2013, in conjunction with the establishment of Shanghai Juxiang, we completed an internal business migration whereby almost all of our wealth management advisory services personnel became employees of Shanghai Juxiang. We also started to use Shanghai Juxiang as the operating entity of our wealth management advisory services business that are not subject to foreign investment restrictions. After this internal business migration, Shanghai Juxiang is a party to the business contracts related to our wealth management advisory services and is the entity that receives one-time commissions and recurring service fees from this business. This internal migration caused no substantive change in the management or operation of the relevant business because those business operations remain under the leadership of the same management team of our company and are operated through almost identical wealth management advisory services personnel.

In July 2015, concurrently upon the completion of our initial public offering, we acquired Scepter Pacific, the holding company of E-House Capital. As consideration, we issued 16,565,592 and 15,915,960 ordinary shares to E-House (China) Capital Investment Management Limited, or E-House Investment, and Reckon Capital Limited, respectively. E-House Investment is a wholly owned subsidiary of E-House and Reckon Capital Limited is majority owned by Mr. Xin Zhou, our director.

E-House Capital's business is conducted through Shanghai E-Cheng and its subsidiaries. Shanghai E-Cheng is a VIE of Scepter Pacific through the contractual arrangements between Shanghai Baoyi and Shanghai E-Cheng and its shareholders. The contractual arrangements between Shanghai Baoyi and Shanghai E-Cheng and its shareholders enable us to (i) exercise effective control over Shanghai E-Cheng; (ii) receive substantially all of the economic benefits of Shanghai E-Cheng in consideration for the consulting services provided by Shanghai Baoyi; and (iii) have an exclusive option to purchase all of the equity interests in Shanghai E-Cheng when and to the extent permitted under laws and regulations of China.

As a result of these contractual arrangements, we treat Shanghai E-Cheng as our VIE under U.S. GAAP. We have consolidated the assets, liabilities, revenues, expenses and cash flows that are directly attributable to Shanghai E-Cheng and its subsidiaries in our consolidated financial statements in accordance with U.S. GAAP.

In January 2016, we issued 9,591,000 ordinary shares and 2,880,000 ordinary shares to Julius Baer Investment Ltd. and SINA, respectively, at US\$1.83 per share, in a private placement.

In March 2016, we acquired 34% equity interest in and 70% contractual earning distribution right of UP Capital Management Limited, or UP Capital, which directly holds 100% equity interest in Juhui Financial Securities Limited, a Hong Kong entity holding the required license to provide financial services to the high-net-worth clients in Hong Kong. We acquired additional 45% equity interest in UP Capital in 2017, and therefore owned 79% ownership and corresponding economic rights in UP Capital since then. In December 2019, we transferred all of our equity interests in UP Capital to a subsidiary of E-House. In May 2016, we acquired 85% equity ownership of Non-Linear Investment Management Limited which directly holds 100% equity interest in Jucheng Insurance Broker Ltd., a Hong Kong entity holding the required license to provide the insurance brokerage services in Hong Kong.

In connection with our investment in UP Capital and acquisition of Non-Linear Investment Management Limited in 2016, we opened our Hong Kong office in May 2016 to expand our overseas business.

In September 2016, we acquired 100% equity interest in Shanghai Jupai Yongyu Insurance Brokers Co., Ltd. (previously known as Jiangsu Kang'an Insurance Brokers Co. Ltd.), a PRC entity holding the required license to provide the insurance brokerage services in China.

In September 2017, we completed the acquisition of a non-controlling interest in Runju, a company primarily operates an online platform which facilitates the transfer of debt and equity securities, from Shanghai Kushuo Information Technology Limited and an individual shareholder. Shanghai Kushuo Information Technology Limited is a subsidiary of E-House.

In October 2017, we acquired Pushing International Trade (China) Co., Ltd., which directly holds 100% equity interest in Gunan Financial Leasing (Shanghai) Co., Ltd, a PRC entity engaged in financial leasing services.

Our principal executive offices are located at Global Creative Center, T2, 15/F, No 166 Ming Hong Road, Minhang District, Shanghai 201100, the People's Republic of China. Our telephone number at this address is +86-21-5226-5851. Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

SEC maintains an internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC on <http://www.sec.gov>. You can also find information on our website <http://jupai.investorroom.com>.

B. Business Overview

We are a leading third-party wealth management service provider focusing on distributing wealth management products and providing quality product advisory services to high-net-worth individuals in China. In China, third-party wealth management service providers generally refer to those service providers who are not associated with any financial institutions. Our integrated business model features an established wealth management product advisory services operation that is complemented by our growing in-house asset management capabilities. The asset management business, which we started in 2013, not only diversifies our wealth management product offerings and increases our competitiveness, but also enhances our overall profitability.

We provide our wealth management product advisory services mainly to China's high-net-worth individuals who have investable assets in excess of RMB3.0 million or have an average annual income in excess of RMB500,000 for the past three years. With our network of 51 client centers in 43 economically vibrant cities as of December 31, 2019, we strategically bring our services closer to our clients by maintaining a physical presence in key markets in mainland China and Hong Kong. We maintained a large high-net-worth client base. In 2017, 2018 and 2019, we had 12,825, 8,638 and 2,973 active clients, respectively.

Our typical wealth management service team is centered around an experienced wealth management product advisor who maintains regular contact with and facilitate the execution of transactions for our clients. Each wealth management product advisor is supported by several client managers, who are tasked with searching for and making contact with potential clients, and a centralized client care unit that specializes in maintaining client relationships. Our wealth management product advisors, many of whom possess industry-recognized qualifications, are primarily recruited from reputable institutions in the wealth management industry and have an average of approximately 11 years of industry experience. We believe our wide spectrum of value-added services offered, before, during and after distribution of wealth management products have helped us generate client loyalty. Among our active clients in 2017, 2018 and 2019, approximately 60.9%, 73.5% and 75.0% of them had previously purchased wealth management products that we distribute at least once before their latest purchase, demonstrating our client retention ability.

We serve as a one-stop wealth management product aggregator. In addition to the products that we develop and manage in-house, we also source products from third parties. In 2019, we sourced third-party products from eight domestic and one overseas product providers for recommendation to our clients. Our product choices include fixed income products, private equity and venture capital funds, public market products and other products such as insurance products and tailored alternative investments. In 2017, 2018 and 2019, the aggregate value of wealth management products we distributed reached RMB54.3 billion, RMB30.3 billion and RMB9.8 billion (US\$1.4 billion), respectively. Our brand is built upon our rigorous risk management and product selection standards, which ensures the quality of products that we distribute. We draw on in-house and external expertise to carefully screen each product we distribute from legal and commercial perspectives.

Our wealth management product advisory services are complemented by our ability to provide asset management services in the management and advisory of real estate or related funds, other specialized fund products and funds of funds. As of December 31, 2019, the amount of total assets under our sole or shared management was RMB41.8 billion (US\$6.0 billion), compared to RMB56.8 billion as of December 31, 2018. By participating in the management of a fund where our clients are some of the investors, we are well positioned to develop ongoing relationships with our clients and improve our understanding of their varied expectations for investment products, which in turn helps us and the product providers to design more attractive and competitive products.

We generate our revenues in connection with our wealth management product related services from one-time commissions and recurring service fees paid by third-party product providers, corporate borrowers and our own clients. The one-time commissions are calculated based on the value of wealth management products we distribute to our clients. Where we act as the product provider for our self-developed products, we generate revenues from one-time commissions from the corporate borrowers and product provider. During the life cycle of some of the public market products and fund products, we charge product providers or corporate borrowers recurring service fees for our ongoing services. Prior to 2015, one-time commissions received from distribution of fixed income products in connection with our wealth management product advisory services accounted for substantially all of our revenues. We also generate revenues from one-time commissions for our fund formation services and from recurring management fees for managing the funds. These fees are typically computed as a percentage of the capital contribution in the funds. We expect the recurring management fees to also include performance fees or carried interest paid by funds that we manage or co-manage mostly upon maturity of the relevant funds. Starting from 2016, we offered consulting services to some peer firms in the asset management industry and other companies seeking for equity investments. We charged those firms consulting service fees for our services, which are negotiated on a case-by-case basis depending on the nature and extent of our services.

Our revenues of 2019 declined as compared to that of 2018 primarily due to the uncertainty of macro-economic conditions and the regulatory changes of the industry. Our net revenues decreased from RMB1.7 billion in 2017 to RMB1.3 billion in 2018 and to RMB0.8 billion (US\$0.1 billion) in 2019. We recorded a net income attributable to our shareholders of RMB409.5 million in 2017, a net loss attributable to our shareholders of RMB387.7 million in 2018, and a net loss attributable to our shareholders of RMB164.7 million (US\$23.7 million) in 2019. Our net revenues in 2019 from one-time commissions, recurring management fees, recurring services fees and other service fees were RMB318.9 million (US\$45.8 million), RMB338.6 million (US\$48.6 million), RMB114.5 million (US\$16.5 million) and RMB13.9 million (US\$2.0 million), respectively.

Our Services

We provide wealth management product advisory, asset management and other services. These complementary service capabilities enable us to offer customized, value-adding and integrated services to our high-net-worth clients. Our clients' sizeable amount of investable assets makes us an attractive and reliable source of funds to investment product providers. Our ability to design products further expands our clients' investment options, and our participation in the ongoing management of investment projects helps forge long-term relationships with both our clients and product providers and corporate borrowers.

Wealth management product advisory services

To help our high-net-worth clients attain their diversified financial objectives, we provide third-party advice on how their investable assets should be allocated. We provide our clients with a wide spectrum of value-added services before, during and after distribution of wealth management products by assisting our clients in crafting their wealth management plans in light of their risk appetite, recommending investment opportunities carefully selected from a vast array of competitive products including fixed income products, private equity and venture capital funds products, public market funds and other products and keeping them informed of the latest market and product intelligence. We require our wealth management service personnel to advise our clients based on their investment needs. For our clients who need advice on product selection, we require our wealth management service personnel to select and suggest products with features and terms that best suit the investor's risk appetite and investment horizon. When, for instance, a client decides to invest in one-year term fixed income products, we recommend the specific product that we believe is of the highest quality among those products. To help achieve this, we offer our wealth management service personnel with the same internal commission rates for all products with similar feature and term notwithstanding the varying levels of external commission rates we receive from different product providers. Our clients enter into contractual arrangements with the product providers to purchase investment products directly from them. We generally charge product providers or the underlying corporate borrowers a one-time commission based on the investment amount made by our clients. Where we act as the product provider for our self-developed products, we generate revenues from one-time commissions from the corporate borrowers and product provider. We also charge recurring service fees during the life cycle of certain wealth management products from the underlying product providers or corporate borrowers for services we provide, such as investor coordination, investment advisory services and distribution of periodic product performance reports.

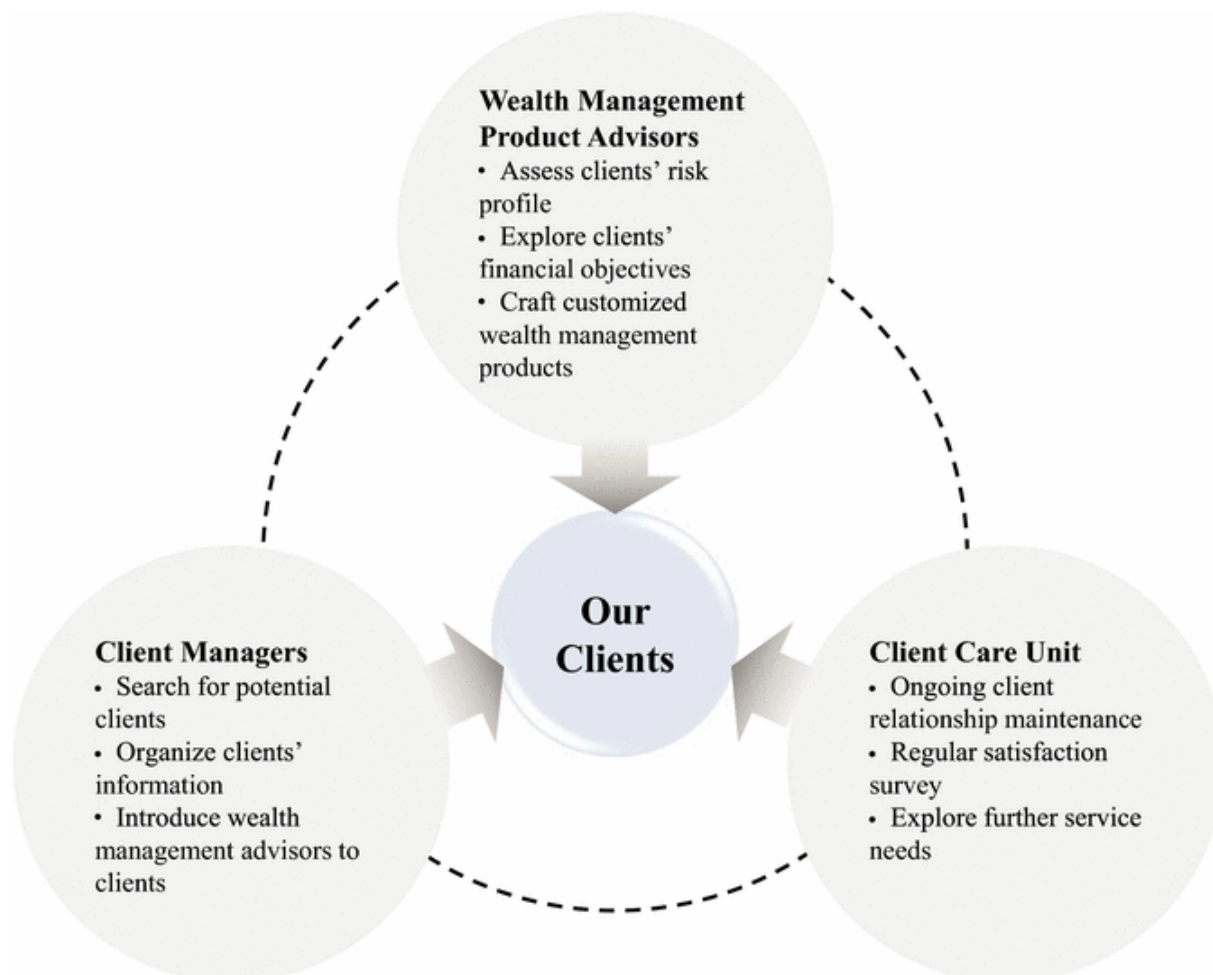
We consider the following aspects of our services key to the operation of our wealth management product advisory services:

Our high-net-worth clients

We provide our wealth management product advisory services mainly to China's high-net-worth individuals who have investable assets in excess of RMB3.0 million or have an average annual income in excess of RMB500,000 for the past three years. Our client base consists of entrepreneurs, corporate executives, professionals and other investors. In 2017, 2018 and 2019, we provided wealth management product advisory services to 12,825, 8,638 and 2,973 active clients, respectively. In 2017, 2018 and 2019, the aggregate value of wealth management products we distributed reached RMB54.3 billion, RMB30.3 billion and RMB9.8 billion (US\$1.4 billion), respectively. We believe our clients are loyal to our brand and services. Among our active clients in 2017, 2018 and 2019, approximately 60.9%, 73.5% and 75.0% of them previously purchased wealth management products that we distribute at least once before their latest purchase, demonstrating our client retention abilities.

Our client service model

We operate under a proven and cost-efficient client service model, which features a team approach that covers the full service cycle for each client, as illustrated by the diagram below. A typical wealth management service team is centered around an experienced wealth management product advisor who maintains regular contact and facilitates the execution of transactions with our clients, and each wealth management product advisor is supported by several client managers and a centralized client care unit. The client managers are tasked with sourcing potential clients and introducing our services to them. The client managers leverage various resources in performing their task, including their social connections and referrals from existing clients. Assisted by these client managers, our wealth management product advisors meet individually with potential clients to assess their risk profile, understand their financial objectives and craft tailored wealth management plans for them. We have a vast array of investment products for our wealth management product advisors and clients to choose from in order to develop tailored portfolios. To sustain and further improve our service quality, we also have a centralized client care unit dedicated to the ongoing maintenance of client relationships and collection of client feedback. Members of the client care unit communicate with our clients on a regular basis to evaluate their level of satisfaction and to explore the need for further services. This integrated client service model facilitates new client development, ensures quality and consistent professional services and promotes long-term relationships with our existing clients.



We place heavy emphasis on recruiting, training and motivating our advisors and other client service team members. Our wealth management product advisors are primarily recruited from private banking teams of both domestic and foreign banks, and other domestic third-party wealth management service providers with an average of approximately 11 years of wealth management product advisory industry experience. Our wealth management product advisors are qualified to provide wealth management services, while many of them possess industry-recognized certifications, including CFP, CFA and qualifications to conduct securities, fund and insurance businesses. We require these wealth management product advisors to possess necessary knowledge of financial products and a good understanding of the PRC economy and various market trends. We sponsor regularly scheduled information sessions, seminars, workshops and other training events for various levels of our service teams to keep them informed of the latest market trends, familiarize them with new product types and improve their marketing and advisory skills. From time to time, we organize company-wide conferences where our in-house experts work with third-party consultants to design and offer comprehensive training to our mid-level-and-above management. In addition, by implementing a team structure for our client services, we consciously encourage virtuous competition among the client managers to retain the personnel with the best client development abilities. Compensation of our service team members is largely performance-based. A large part of their compensation is linked to the number of new clients that they bring in and the amount of investment made by our clients following their advice.

Our coverage networks

With our network of 51 client centers in 43 economically vibrant cities in mainland China and Hong Kong as of December 31, 2019, we bring our services closer to our clients by maintaining a physical presence in key markets in China, primarily covering the Bohai Rim, the Yangtze River Delta and the Pearl River Delta. We strategically locate our client centers in cities with high concentrations of high-net-worth individuals, strong growth potential and sufficient supply of industry talents. As of December 31, 2019, we operated three client centers in Shanghai, two client centers in each of Beijing, Tianjin, Hangzhou, Taiyuan, Dongguan, and Hong Kong, and one client center in 36 other cities in mainland China.

Asset management services

Our wealth management product advisory services are complemented by our asset management services in the management and advisory of real estate or related funds, other specialized fund products and funds of funds. We substantially strengthened our asset management services with our acquisition of E-House Capital in 2015. We provide fund management services as well as advisory and administrative services, serving as the general partner or co-general partner alongside another management company, to limited partnership funds. Serving as the general partner, co-general partner or manager of the funds under management, we charge a recurring management fee for actively managing the fund's investments. We share performance fees or carried interest towards the successful completion of the investment projects. Our ability to provide these asset management and advisory services provides us with an additional source of revenue.

By participating in the management of a fund where our clients are some of the investors, we are well positioned to develop ongoing relationships with our clients and improve our understanding of our clients' expectations for investment products. A significant portion of the products that we help to develop are in the form of private investment funds with real estate as the underlying asset. For those products, the real estate developers benefit from the combination of our industry knowledge and understanding of financial products. Whereas products designed by other providers are typically financed with debt instruments, we are able to design innovative products that feature equity or a combination of debt and equity elements. Products with equity elements are increasingly welcomed by real estate developers because of the higher flexibility in satisfying their financial needs. Along with the trends of the regulatory changes, we have increased our emphasis on products of equity investment in real-estate projects since 2018. At the same time, those self-developed real estate investment products offer our clients with an alternative to invest in the sharing of long-term profits instead of fixed returns. For the products that we develop and manage in-house, we invest the product proceeds pursuant to the use of proceeds as provided for under the respective product's subscription documents.

The table below lists the funds under our management invested in each product category for the three years ended December 31, 2019.

| Product Categories (Asset Under Management ⁽¹⁾) | As of December 31, | | |
|---|--------------------------|--------------------------|--------------------------|
| | 2017 % ⁽²⁾ | 2018 % ⁽²⁾ | 2019 % ⁽²⁾ |
| Fixed Income Products | 62 | 35 | 32 |
| Private equity and venture capital fund products | 33 | 60 | 63 |
| Public Market Products | 4 | 3 | 2 |
| Other Products | 1 | 2 | 3 |

(1) Our “Assets Under Management”, or “AUM”, refers to the amount of capital contributions made by investors to the funds we manage, for which we are entitled to receive management fees. The amount of our AUM is recorded and carried based on the historical cost of the contributed assets instead of fair market value of assets for almost all our AUM. Our total Assets Under Management were RMB 57.5 billion, RMB56.8 billion and RMB41.8 billion (US\$6.0 billion) as of December 31, 2017, 2018 and 2019, respectively.

(2) The sum of the following percentages does not necessarily equal 100% due to rounding.

Other services

Starting from 2016, we offered consulting services to some peer firms in the asset management industry and other companies seeking for equity investments. We provide consulting services to them and charge them service fees determined on a case-by-case basis. In addition, we work closely with reputable insurance companies or brokerage firms to distribute insurance products to China’s high-net-worth population, including basic coverage policies and annuities, as well as products that come with investment attributes. With our competitive real estate background, we often work closely with developers to structure new products, offering advice on financial as well as commercial terms and serving an advisory role in financing activities.

Our Product Offerings

Product Categories

We serve as a one-stop wealth management product aggregator and recommend both third-party and self-developed products to our clients. In addition to the products that we develop and manage in-house, we also source products from third parties. In 2019, we sourced products from eight domestic and one overseas product providers for recommendation to our clients. Our wealth management product advisors are required to select and recommend products with the goal of maximizing our clients' interests. We select, evaluate and recommend the following categories of products, whose underlying assets may overlap with each other:

- Fixed income products, which refer to projects that are distributed or managed by us with potential prospective fixed rates of return and which mainly include investments in corporate bonds, including real estate-related bonds, or government bonds, either directly or via vehicles such as asset management plans sponsored by mutual fund management companies or securities companies and collateralized fixed income products sponsored by trust companies and fund of funds products where the fund recipients or corporate borrowers are not yet defined at the time of investment. The underlying borrowers of the government or corporate bonds mainly include top-ranking real estate developers and urban investment companies that are affiliated with local governments that have good credit ratings. Prior to 2015, we derived substantially all of our revenues from one-time commissions received from distribution of fixed income products in connection with our wealth management product advisory services.
- Private equity and venture capital funds, including (i) direct investments in private equity and venture capital funds sponsored by leading domestic or international asset management companies and indirect investments in such funds via participation in asset management plans sponsored by mutual fund management companies or securities companies, and (ii) funds investing in real estate related projects through equity investment vehicles managed by us.
- Public market products, which refer to a type of wealth management products that invest in publicly traded securities and mutual funds in China and which mainly including investments in securities publicly traded on the capital markets via vehicles such as privately raised funds investing in publicly traded stocks and bonds, sponsored by leading asset management companies in China.
- Other products, including overseas insurance products and foreign-currency denominated alternative investments. We work with insurance companies and insurance brokerage firms both in China and overseas to introduce products such as whole life coverage and universal life coverage. Our product development team often participates in the product design process to develop customized and innovative financing structures and offer foreign-currency denominated products that are an alternative to traditional investments.

The fixed income products we distributed that have real estate developers as corporate borrowers accounted for 69%, 68% and 100% of the total transaction value of all fixed income products we distributed in 2017, 2018 and 2019, respectively. The total transaction value of the private equity and venture capital products accounted for around 16% of the total transaction value of all the products we distributed in 2019. Almost all of the total transaction value of all private equity and venture capital products we distributed in 2019 were invested in real-estate related assets. The total transaction value of the real estate-related products we distributed (including fixed income products and private equity and venture capital products) accounted for 89% of the total transaction value of all products we distributed in 2019. More than two thirds of those products are secured by the equity interests of the project company or the guarantees provided by the project company's affiliates. Such real estate development-related products are predominantly products relating to residential apartment complexes and commercial properties in urban areas with demonstrated growth potential. To cater to the investment preferences of our clients, many of the real estate development-related products that we select have underlying projects in economically developed areas in China or other populous areas in China with promising economic growth potential. In 2017, 2018 and 2019, 23.0%, 17.5%, and 5.4% of the amount of the real estate development-related products we distributed were to fund projects in Beijing, Xi'an, Shanghai and Suzhou, respectively.

To date, fixed income products, particularly real estate or related fund products, account for a significant portion of our wealth management product related revenue streams. This concentration correlates with the relatively conservative investment appetite and deeply rooted perception among Chinese investors that real estate investments provide more investment transparency and security. In recent years, we started to design unconventional or non-traditional investment products in niche markets to cater to the individualized investment needs and tastes of some of our clients.

The products we distribute may take on a variety of legal structures, including contractual funds, limited partnership funds, the asset management plans or private bond funds administered by a local exchange. “Contractual fund” refers to the rights and obligations regarding investment management among the investor, the manager of the investor’s funds and the custodian of such funds in accordance with the contractual fund contracts, under which the fund manager manages the investor’s fund as its agent. Instead of being owned by a separate legal entity, the funds to be invested remain the legal property of the investor held in a custody account separate from the fund manager’s own assets or other funds under its management. The custodian oversees the usage of the fund by the fund manager. “Asset management plan” refers to an investment arrangement under which a mutual fund management company or its subsidiary (unless otherwise indicated, collectively referred to as mutual fund management company) or securities company, in its capacity as trustee, manages funds entrusted to it by multiple sources for the interest of the entrusting parties by investing the entrusted funds in pre-determined assets or projects to generate returns for the beneficiaries. Investments in asset management plans are referred to as asset management products. “Private bond fund” refers to an investment fund that invests in debt instruments which are placed via non-public means to qualified investors and which are regulated by and traded on authorized exchanges in China.

In products we develop and manage in-house or some of the third-party products we help design, we may provide asset management services as a manager of the contractual funds or take on the role of general partner or co-general partner in the limited partnership fund. In products where there is a guarantee provided by the parent of the underlying borrowing entity or a third-party guarantee company, the guarantor would typically provide the guarantee to the contractual funds, limited partnership funds or private bond funds, as the case may be. In terms of fund settlement, the proceeds raised may be released to the borrowing entities through a number of structures, including for example, a unilateral trust arrangement or direct equity investment in an entity set up by the corporate borrower along with a shareholder loan to that entity in accordance with PRC laws and regulations.

Twelve of the products that we distributed were subject to redemption by our clients, and the aggregate value of these products that remained subject to possible redemption amounted to RMB0.5 billion, RMB6.4 billion and RMB0.6 billion (US\$0.1 billion) as of December 31, 2017, 2018 and December 31, 2019, respectively. None of these products, if redeemed, will require a refund of the applicable fees we collected.

Product Development and Distribution

We have a team focused on product development, a majority of whom have experience in fund raising and management operations or real estate related work experience. As of December 31, 2019, the team was comprised of 154 members. We started to develop products in-house in 2013. In terms of value, approximately RMB48.8 billion, RMB28.2 billion and RMB9.2 billion (US\$1.3 billion) of the products that we distributed in 2017, 2018 and 2019, respectively, were either products developed and managed by us or third-party products that we helped design. To date, we have distributed a majority of the wealth management products that were developed and managed by us and a majority of the wealth management products that we participated in designing.

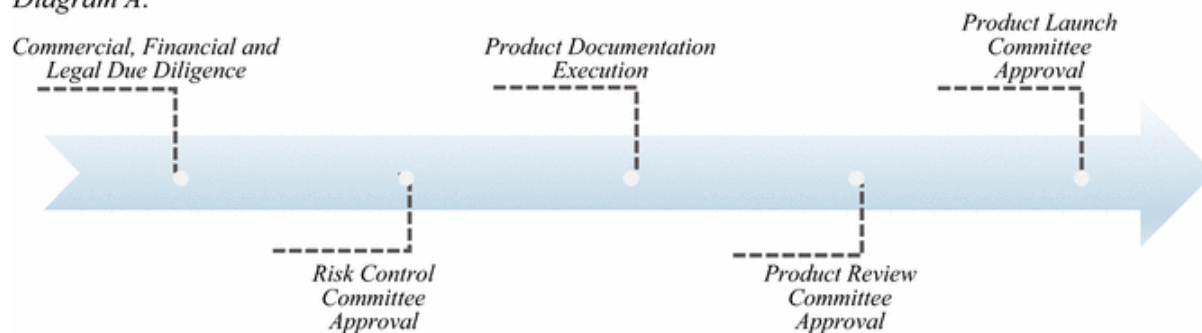
For sizable projects with demanding fund-raising timetables, we sometimes use third-party distribution channels in addition to our in-house sales force. These third-party channels consist primarily of third-party wealth management service providers that operate on a smaller scale compared to us. We select them based on market reputation and our prior working experience with them, and we pay channel fees to these third-party distribution channels based on the value of products distributed by them.

Product Selection, Risk Management and Compliance Control

We draw on in-house and external expertise and follow strictly implemented procedures to carefully screen each product we distribute from legal and commercial perspectives. Specialists from our product development, finance and legal departments perform rigorous due diligence on each product candidate. Each product candidate is evaluated from multiple aspects including potential financial performance, corporate structure and history of the sponsor qualifications of the investment manager and legal, tax and employment matters. In particular, we stress the importance of product compliance with applicable PRC laws, rules and regulations. A team of our legal staff carefully reviews the registration or approval documents and registration or filing requirement that are applicable to each product to confirm regulatory compliance. When necessary, we engage external professionals to avail ourselves of their expertise in various specialized areas.

Our risk control and viability review committee, which is comprised of our executive officers, other senior managers and heads of legal and financial teams, holds regular sessions to review product selection. In addition to reviewing due diligence findings, this committee also obtains input from our manager sponsoring such products and other in-house experts. A prospective product needs to be approved by at least a majority of the committee members before it is launched. Diagram A below illustrates our strictly implemented product screening procedures that a third-party product is subject to before our wealth management product advisors can recommend it to our clients.

Diagram A:



For a product that we develop in-house, in addition to the selection procedures applicable to third-party products, we also require that it undergo a viability test conducted by our risk control and viability review committee as shown in the following Diagram B. We actively participate in the initial project study, site visit, financing model development and profit projection of the products that we develop and manage in-house, leveraging our expertise in areas such as real estate development and utilizing leading databases and reports, including CRIC. We analyze the project's self-generated cash flow, impose third-party guarantee requirements and establish minimum collateralization levels to select only those products that can weather adverse market changes.

Diagram B:



Marketing and Brand Promotion

A majority of our clients have come to us through referrals from existing clients and we believe word-of-mouth is an especially effective marketing tool for the wealth management product advisory business, which mainly targets high-net-worth individuals. We intend to engage in nationwide marketing initiatives to further raise our brand awareness while continuing to improve client satisfaction to strengthen our word-of-mouth referrals. We also encourage our employees to introduce or recommend new clients to us by providing incentive bonus.

In addition to word-of-mouth and internal referrals and recommendations, we also enhance our brand recognition and attract potential high-net-worth clients through a variety of offline and online marketing methods:

Offline Marketing Activities. In order to attract new clients and foster client loyalty, all of our clients are members of our high-end membership club, Paikeshui (派客汇). The membership is free of charge. Through Paikeshui we organize frequent and targeted high-profile events, such as product roadshows in cities across China and one-on-one wealth management salons from time to time. These events enable us to present our market outlook and introduce products while affording our members the opportunity to socialize with other Paikeshui members. These events are often co-organized by our business partners and well-established industry players, such as top-ranked real estate developers, financial institutions and reputable opinion leaders to provide in-depth and up-to-date market insights and knowledge to our clients. In 2017, we organized a series of investment strategy conferences and forums. In 2018, we held the first Lujiazui Real Estate Finance Forum and a series of investment strategy conferences and forums. In 2019, we co-hosted a finance forum with Shanghai Development Research Foundation under the theme of challenges and responses to maintaining stable economic growth. Some of our clients are also members of the J+ Club, a high-end membership club designated for our ultra-high-net-worth clients. We aim to build a financial ecosystem for those ultra-high-net-worth individuals through J+ Club by connecting them with famous economists, business leaders and successful investors. In August 2016, we organized our first group of members to attend the investment seminar hosted by the Wharton Business School in the United States. In August 2017, we held first annual celebration event of J+ Club in Sanya, Hainan Province.

Online Marketing Activities. To further promote our brand, we also take advantage of the Internet and various mobile social network applications, such as WeChat and Weibo, through which we introduce basic services information, market research and updates to our members. For example, one of our WeChat official accounts, Jupai Research Institution, delivers research results to its subscribers regularly. During the business disruption period caused by the outbreak of COVID-19, we provided a series of online investment analysis through WeChat official accounts to our subscribers.

Information Technology Infrastructure

We currently use a combination of commercially available and custom-developed software and hardware systems, including (i) “Jupai Online,” a mobile application that integrates our online system in assisting our client managers to provide services on the mobile platform for our clients and also collect and analyze our clients’ individualized transaction information; and our office automation system; (ii) “iJupai,” a system platform which is empowered by the DingTalk system of Alibaba Group and independently developed by us that integrates our internal work streams and information flow on one single platform and increases our employees’ work efficiency; and (iii) the Asset Risk Control Management Platform, a platform which assists us in investment project process management, post-investment management and information disclosure. We will further enhance our technology infrastructure to improve the operation and communication efficiency. We use big data analytics to further strengthen our product design and customer service capabilities, and we hold online training sessions for our client managers through our e-learning system. We expect to continue upgrading our system and IT infrastructure to further enhance our client service and product management capabilities.

Competition

While the wealth management services industry in China is growing rapidly, it is still at an early stage of development and is highly fragmented. We operate in an increasingly competitive environment and compete for clients on the basis of product choice, client service, reputation and brand recognition. Our principal competitors include:

- *Third-party wealth management service providers.* Our direct competition comes from other third-party wealth management service providers, some of which are relatively well developed, such as Noah Holdings Limited. We believe that we can compete effectively due to the quality of our client-oriented and customized services, our product sourcing and development capabilities and our rigorous risk management systems, in light of the great potential of the wealth management services market.

- *Commercial banks, trust companies and insurance companies.* Many commercial banks, trust companies and insurance companies rely on their own wealth management arms and sales forces or establish subsidiaries primarily engaged in wealth management to distribute their products. We believe that we compete effectively with commercial banks, trust companies and insurance companies due to a number of factors, including our independence, which positions us as a centralized wealth management product aggregator to provide and recommend suitable wealth management product advice and product combinations that suit our clients' financial objectives.
- *Asset management service providers.* A number of mutual fund management companies, securities companies and other fund managers have emerged in the asset management business in China in recent years. We believe that we compete effectively due to the quality of our services, our fund sourcing capabilities from third parties and our in-depth experience in industries such as real estate development.
- *Internet financial service providers.* As the wealth management industry rapidly evolves and moves online, we may face competition from new market entrants that distribute wealth management products through websites or mobile platforms.

Intellectual Property

Our brand, trade names, trademarks, trade secrets, proprietary database and research reports and other intellectual property rights distinguish the products we distribute and our services from those of our competitors and contribute to our competitive advantage in the high-net-worth wealth management services industry. We rely on a combination of trademark and trade secret laws as well as confidentiality agreements and non-compete covenants with our wealth management product advisors and other employees, our third-party wealth management product providers and other contractors. We have 19 registered trademarks in China and seven registered domain names. Our registered domain names include *jpinvestment.cn*, *jp-fund.com* and *jupaionline.com*, among others.

Insurance

We participate in government sponsored social security programs including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We do not maintain business interruption insurance or key-man life insurance. We consider our insurance coverage to be in line with that of other wealth management companies of similar size in China.

Regulation

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China.

Regulations on Asset Management Plans

According to the CSRC, qualified mutual fund management companies, securities companies and other financial institutions may be entrusted by clients to engage in asset management business.

Asset Management Plans by Securities Companies

In April 2018, the PBOC, the CBIRC, the CSRC and SAFE joint issued the Asset Management Guidance. Pursuant to the Asset Management Guidance, investors of asset management plans are divided into non-specific public and qualified investors. Qualified investors shall be natural persons, legal entities or other organizations that have corresponding risk identification ability and risk-taking ability to invest in a single asset management production no less than a certain amount and meets certain requirements. The implicit guarantee of the minimum amount of return, the break-even return of principal or the minimum amount or rate of loss to investors is not allowed under such guidance.

In October 2018, the CSRC promulgated Administration Measures on Privately Offered Asset Management Business of Securities and Futures Operation Institutions, or the Asset Management Administration Measures. The Asset Management Administration Measures replaced former administration measures on assets management business of fund companies, securities companies and futures companies.

The Asset Management Administration Measures apply to privately offered asset management plans established and managed by securities and futures operation institutions (including securities company, fund management company, futures companies and subsidiaries established by the aforesaid institutions that engage in privately offered asset management business) through private placement of funds or acceptance of property entrustment, with a custodian institution acting as the asset custodian, and makes investments according to the asset management agreement. Securities and futures operation institutions engaging in privately offered asset management business shall be approved by the CSRC. The securities and futures operation institutions may sell its asset management plans on its own or through an agency qualified to sell mutual funds. The securities and futures operation institutions, custodian, selling agency shall ensure the authenticity, accuracy, completeness and promptness of information disclosure. The assets management plans shall be raised to qualified investors in a non-public manner, and securities and futures operation institutions and selling agencies shall perform appropriate management obligations. Selling agency shall provide investors' information to the securities and futures operation institutions within prescribed time limit. For the sale of asset management plan, selling agency shall strictly fulfill the appropriate management obligations, fully know the investors and classify the investors, conduct risk assessment on the asset management plan, follow the risk match principle, recommend appropriate products to investors. Selling agency is not allowed to mislead investors to purchase products not matching their risk tolerance, to sell asset management plans to investors with lower risk identification capabilities and lower risk tolerances below the product risk levels. Records relating to the sale of asset management plans shall be kept at least 20 years from the termination date of the asset management plans. The Asset Management Administration Measures provided for a transition period ending on December 31, 2020 for rectification.

On October 2018, the CSRC promulgated Administration Measures on Operation of Privately Offered Asset Management Plan of Securities and Futures Operation Institutions, or the Asset Management Plan Operation Measures, which prescribed the raise, investment, risk management, valuation, information disclosure and other operation activities of asset management plans by securities and futures operation institutions. Securities and futures operation institutions and their entrusting selling agencies shall fully acknowledge investors' capital source, individual and family financial assets and debts, and shall adopt necessary measure to verify. The Asset Management Plan Operation Measures provided for a transition period ending on December 31, 2020 for rectification.

On October 12, 2019, the PBOC released a discussion draft of Rules for Identification of Standardized Debt Assets to clarify the criteria of standardized debt assets, pursuant to which the definition of non-standardized debt assets is more stringent compared to the current industry practice.

On November 8, 2019, the Supreme People's Court released the Summaries of the National Conference for the Work of Courts in the Trial of Civil and Commercial Cases, or the Summaries, which, among others, imposes additional obligations on institutional sellers, including but not limited to additional suitability obligations and additional information disclosure and explanation obligations to financial customers. According to the Supreme Court's Summaries, institutional sellers include issuers of financial products, sellers of financial products, and financial services providers. Each institutional seller has suitability obligations, which refer to the obligations to know the customers, know the products and sell or provide appropriate financial products or services to a suitable financial consumer, where the institutional sellers are obliged to perform their duties in the sale of, among others, high-risk financial products such as bank wealth management products, insurance investment products, trust wealth management products, brokerage collective wealth management plans, leveraged fund shares, options and other over-the-counter derivatives to financial consumers. Under certain circumstances, an issuer of financial product and a seller of financial product may be deemed jointly and severally liable for the losses suffered by the financial customers due to their purchase of such financial product, if either of the issuer or the seller of the financial product fails to perform its corresponding suitability obligations to the financial customers. If any financial customers suffer the losses in the purchase of any financial products, resulted from any financial services provider's failure to perform the suitability obligations, the financial services providers are obliged to compensate the financial customers for their losses. When deciding if an institutional seller has fulfilled its information disclosure and explanation obligations to financial customers, the court may combine the objective standard, meaning that if a rational person could understand, together with a subjective standard, meaning that if a financial customer could understand, based on the risk of the financial products and investment activities and the actual condition of the financial consumer in question. The Supreme Court's Summaries is the practical guidance for the courts when handling disputes relating to certain newly emerged issues in civil and commercial trials.

On December 28, 2019, the Standing Committee of the National People's Congress has enacted the amended Securities Law of the PRC, which came into effect on March 1, 2020. The amended Securities Law of the PRC provides that, among others, asset management products should be deemed as securities and the rules of issuance and trading of asset management products should be set out by the State Council. Therefore, the regulations relating to asset management plans and mutual funds are expected to be further changed in accordance with the amended Securities Law of the PRC in the future.

Regulations on Private Equity Investment Products

In China, Renminbi denominated private equity funds are typically formed as limited liability companies or partnerships, and therefore, their establishment and operation is subject to the PRC company laws or partnership laws. The PRC Partnership Enterprise Law was revised in August 2006 when it expanded the scope of eligible partners in partnerships from individuals to legal persons and other organizations and added limited partnerships as a new form of partnership. A limited partnership shall consist of limited partners and at least one general partner. The general partners shall be responsible for the operation of the partnership and assume joint and several liabilities for the debts of the partnership, and the limited partners shall assume liability for the partnership's debts limited by the amount of their respective capital commitment.

CSRC is now in charge of the supervision and regulation of private funds, including, but not limited to, private equity funds, private securities investment funds, venture capital funds and other forms of private funds. Further, CSRC authorized the Asset Management Association of China, or AMAC, to supervise the registration of private fund managers, record filing of private funds and perform its self-regulatory role. Thus, the AMAC formulated the Measures for the Registration of Private Investment Fund Managers and Filing of Private Investment Funds (for Trial Implementation), or the Measures, which became effective as of February 7, 2014, setting forth the procedures and requirements for the registration of private fund managers and filing of private funds to perform self-regulatory administration of privately placement funds. On August 21, 2014, CSRC promulgated the Interim Provisions for the Supervision and Management of Private Equity Funds, which further clarified the self-regulatory requirements for private funds. Local governments in certain cities, such as Beijing, Shanghai and Tianjin, have promulgated local administrative rules to encourage and regulate the development of private equity investment in their areas. These regulations typically provide preferential treatment to private equity funds registered in the cities or districts that satisfy the specified requirements. Such local administrative rules may be changed or preempted according to the new regulations to be issued by CSRC. We have completed the private fund manager registration and filing of private funds under our management with AMAC for the relevant entities that act as private fund managers, including three asset management companies that Shanghai Jupai owns equity interests in and four asset management companies or partnerships that Shanghai Baoyi owns equity interests or capital interests in.

In April 2016, AMAC issued the Measures for the Administration of the Fund Raising Conducts of the Private Investment Funds, or the Fund Raising Measures. According to the Fund Raising Measures, only two types of institutions are qualified to conduct fund raising activities for private investment funds: (i) private fund managers which have registered with AMAC (only allowed to raise fund for the funds established and managed by such fund managers); and (ii) the fund distributors that have are the members of AMAC and obtained the fund distribution license. In addition, the Fund Raising Measures set out detailed procedures for conducting fund raising business and introduced new process such as "cooling-off period" and the "re-visit". We are qualified to conduct the fund raising activities of the funds managed by us and are complying with such procedures when raising the fund.

In February 2017, AMAC released the No. 4 Filing Rules to regulate the securities and futures institution's investment into the real estate area. According to the No. 4 Filing Rules, private fund managers shall follow relevant rules when investing into real estate development enterprises or projects. Among others, the No.4 Filing Rules specify that AMAC will not accept the filing application of private asset management plans or private funds investing in ordinary residential properties in "popular cities", including Beijing, Shanghai, Guangzhou, Shenzhen, Xiamen, Hefei, Nanjing, Suzhou, Wuxi, Hangzhou, Tianjin, Fuzhou, Wuhan, Zhengzhou, Jinan and Chengdu, by way of debt investment, the specific types of which are identified in the No. 4 Filing Rules. The No. 4 Filing Rules will influence our business in this regard and we have adjusted our investment strategies and started to increase our investment in real estate or related assets in the cities other than the "popular cities". We currently are not able to tell how far the influence will be and whether the filing rule for private real estate investment fund will change in the future.

In January 2018, AMAC issued Notice regarding Filing of Private Investment Fund, or the Filing Notice. The Filing Notice provides that private investment funds are prohibited from raising funds from unqualified investors. It also provides that private investment fund manager should file the contracts and other documents of the fund with AMAC on a timely basis and keep proper records of all filing materials. In addition, the Filing Notice also provides that private investment funds should not make debt investments, including (i) investing in private loans, small loans or factoring facilities or other assets or beneficiary interests of which the nature is borrowing; (ii) lending money through entrusted bank loans or trusts; and (iii) conducting the aforementioned activities through the form of special purpose vehicle or investment enterprise. AMAC will not approve the filing of private investment funds that are engaged in the unpermitted debt investment activities. Starting from February 2018, we have ceased to make any new investment in debt assets through our private investment funds.

In August 2018, AMAC issued an explanation specifying requirements for application for private fund manager engaging in cross-class investment, which covers requirements on actual controller, equity structure stability, senior management, and initial fund raising scale.

In September 2018, AMAC issued the Notice on Strengthening the Self-Regulatory Administration of Information Disclosure by Private Investment Fund, which emphasizes the information disclosure obligations of private fund manager. Pursuant to the notice, starting from November 1, 2018, failure to comply with relevant private fund information disclosure obligations can lead to suspension on receiving the private investment fund filing application of the relevant private fund manager.

In December 2018, AMAC updated Notice for Registration of Private Fund Manager. Among others, the notice further clarifies the requirements of authenticity and stability of shareholders, related parties and other requirements for application for registration as a private fund manager, and the requirements of continuous operation and internal control requirements for registered private fund manager.

On December 23, 2019, the AMAC issued the Filing Notice on Privately Offered Investment Funds, or the 2019 Filing Notice, which clarifies, among others, that the negative scope of financial products that are unable to be registered as private investment funds and the special filing or registration requirements on different types of private investment funds. The 2019 Filing Notice further emphasizes, among others, that (i) the fund manager or any of its actual controller, shareholder, affiliates or fundraising agencies is prohibited to promise the minimum amount of return, the break-even return of principal or the minimum amount or rate of loss to investors; and (ii) the fund manager is prohibited to set up several investment units or tranches in the private investment funds, which accept investments from different investors and make investments in different assets for the purposes of avoiding any filing or registration obligation.

Regulations on Insurance Brokerages

The primary regulation governing the insurance intermediaries is the PRC Insurance Law enacted in 1995 and further amended in 2002, 2009, 2014 and 2015. According to the PRC Insurance Law, the China Insurance Regulatory Commission, or the CIRC, is the regulatory authority responsible for the supervision and administration of the PRC insurance companies and the intermediaries in the insurance sector, including insurance agencies and brokers.

The principal regulation governing insurance brokerage is the Provisions on the Supervision and Administration of Insurance Brokerage Agency, or the Insurance Brokerage Agency Provisions, promulgated by the CIRC in September 2009, amended and effective as of April 27, 2013 and October 19, 2015. According to the Insurance Brokerage Agency Provisions, an insurance brokerage agency refers to an entity that receives commissions for providing intermediary services to policyholders and sponsors to facilitate their entering into insurance contracts based on the interests of the policyholders. An insurance brokerage agency established in China must meet the qualification requirements specified by the CIRC and obtain a license to operate an insurance brokerage business issued by the CIRC. Among others, the minimum registered capital for an insurance brokerage agency shall be no less than RMB50.0 million and must be fully paid in. The license of an insurance brokerage agency is valid for a period of three years, and can be renewed subject to the approval of the CIRC.

An insurance brokerage agency is subject to CIRC reporting obligations for corporate events such as amendment of constitutional documents, changes in name and address and changes in shareholding.

An insurance brokerage agency may conduct the following insurance brokerage businesses:

- making insurance proposals, selecting insurance companies and handling the insurance application procedures for insurance applicants;
- assisting the insured or the beneficiary in insurance claims;
- reinsurance brokering business;
- providing consulting services to clients with respect to disaster and damage prevention, risk assessment and risk management; and
- other business activities approved by the CIRC.

The senior managers of an insurance brokerage agency must meet certain qualification requirements set forth in the Insurance Brokerage Agency Provisions. Appointment of the senior managers of an insurance brokerage agency is subject to review and approval by the CIRC. Personnel of an insurance brokerage agency who engage in any of the insurance brokerage businesses described above must meet the requirements prescribed by the CIRC and obtain the qualification certificate issued by the CIRC.

On February 1, 2018, CIRC issued the Provisions on the Supervision and Administration of Insurance Broker, or the Insurance Broker Provision, to replace Insurance Brokerage Agency Provisions and will be effective upon May 1, 2018. Under Insurance Broker Provisions, the definition and licensing requirements of an insurance broker are substantially similar to those of an insurance brokerage agency as provided under the Insurance Brokerage Agency Provisions. The insurance broker shall meet following requirements for the operation of the insurance brokerage business, including, among others, (i) the shareholders must meet the requirement stipulated under Insurance Broker Provision and all paid-in capitals must be self-owned and not from any bank loans or others; (ii) certain material aspects of the company, including the registered capital requirement, capital under the custody, business scopes, articles of associations, company name, constitution of management, corporate governance and internal control must, and information management system, must meet relevant legal requirements; and (iii) information management system for business and finance complying with regulations of CIRC. The Insurance Broker Provisions also specify that insurance broker that provide personal insurance services nationwide must establish branch offices, and an insurance broker must segregate its reinsurance business from other insurance business. A subsidiary of our VIEs, Shanghai Jupai Yongyu Insurance Brokers Co., Ltd. (previously known as Jiangsu Kang'an Insurance Brokers Co. Ltd.) has obtained the license for insurance brokerage business.

In April 2018, the China Banking and Insurance Regulatory Commission, or CBIRC, issued a Notice on Opening Business Scope of Foreign Invested Insurance Brokerage Company, pursuant to which the licensed foreign invested insurance brokerage companies are allowed to engage in the same insurance brokerage businesses as those of domestic insurance brokerage companies upon handling changing procedures.

Regulations on the Sale of Mutual Funds

On December 28, 2012, the Standing Committee of the PRC National People's Congress promulgated the Law on Securities Investment Funds, or the New SIF Law, which became effective on June 1, 2013 and replaced the Securities Investment Funds Law effective since June 1, 2004. The New SIF Law not only imposes detailed regulations on mutual funds but also includes new rules on the fund services agencies for the first time. Agencies that engage in sales and other fund services related to mutual funds are required to register or file with the securities regulatory authority.

Correspondingly, on March 15, 2013, the CSRC amended the Administrative Measures on the Sales of Securities Investment Funds, or the Fund Sales Measures, which became effective on June 1, 2013. The Fund Sales Measures specify that it only applies to the sales of mutual funds. Commercial banks, securities companies, futures companies, insurance companies, securities investment consultation agencies, independent fund sales agencies and other agencies permitted by the CSRC may apply with the local branches of the CSRC for the license related to mutual fund sales. In order to obtain such license, an independent fund sales agency shall meet certain requirements, including without limitation: (i) having a paid-in capital of no less than RMB20.0 million; (ii) the senior executives shall have obtained the fund practice qualification, be familiar with fund sales business, and have two or more years of work experience in fund practice or five or more years of work experience in other relevant financial institutions; (iii) having at least 10 employees qualified to engage in fund related business; and (iv) not being involved in any material changes that have impacted or are likely to impact the normal operation of organizations, or other material issues such as litigations and arbitrations.

When dealing with fund sales business, fund sales agencies may collect subscription fee, purchase fee, redemption fee, switching fee, sales service fee, and other relevant fees from the investors according to fund contracts and prospectuses. When providing value-added services to fund investors, fund sales agencies may charge the fund investors value-added service fee. In addition, they shall not charge investors extra fees unless otherwise agreed in fund contracts, prospectuses and fund sales service contracts.

On February 22, 2019, the CSRC released an exposure draft of the Draft Sales Agency Measure and its implementation rules. The Draft Sales Agency Measures define fund selling as opening fund transaction accounts for fund investors, promoting fund sales, handling fund units sale, and handling subscription, redemption and account information inquiry. Pursuant to the Draft Sales Agency Measure, the requirements for an independent fund sales agency include, among others: (i) having a paid-in capital of no less than RMB50.0 million; (ii) the senior executives shall meet with the senior management qualifications set by CSRC and have two or more years working experience in fund sales management; specific compliance risk control senior executive shall be specified; (iii) neither the controlling shareholder nor the actual controller has not been changed for the last two years. The application or the sales agency qualification shall be submitted to the CSRC. In addition, shareholders who own more than 5% shares of the sales agency shall, among others, meet the following requirements: (i) if the shareholder is a legal entity or other organizations, its registered capital, paid-in capital, or net asset shall be no less than RMB100.0 million, and it shall have kept a consistently profitable track record for the past three fiscal years; (ii) if the shareholder is an individual, she shall have more than 10 years working experience in securities fund department management, or no less than five years working experience as senior management in securities fund industry. There are also financial condition requirements for controlling shareholders and actual controllers. If the shareholder is a foreign entity, it shall be a financial institution in good standing with financial assets management or financial investment advisory experience. The sales agency shall obtain securities and futures operation license, the validity period of which is three years, and the renewal of which is subject to approval of CSRC and its local agency. The average daily sales holding volume and losses of the sales agency will be taken into consideration for renewal.

On December 20, 2019, the PBOC, the CBIRC, the CSRC and the SAFE jointly issued the Circular on Further Regulating Financial Marketing Campaigns, or the Regulations on Financial Marketing Campaigns, which became effective on January 25, 2020. According to the Regulations on Financial Marketing Campaigns, financial product operators or financial service providers, including financial institutions in the banking, securities and insurance industries and other institutions engaged in the financial business or finance-related business, should carry out financial marketing activities within the scope of financial business permitted by the competent governmental authorities and may not carry out financial marketing activities beyond such permitted scope of business. Entities are not allowed to carry out marketing activities related to the financial business if they do not obtain the corresponding qualifications for such financial business, except for information release platforms or media entrusted by the financial product operators or financial service providers who have obtained appropriate qualifications for the financial business. The Regulations on Financial Marketing Campaigns further provides that, among others, the financial product operators or financial service providers must (i) prudently determine the form of cooperation with business partners in accordance with the applicable laws, (ii) stipulate the responsibilities of themselves and the business partners in financial marketing activities, and (iii) jointly ensure that the relevant financial marketing campaigns comply with laws and regulations. “Financial marketing campaigns” refers to the promotion or marketing activities carried out by financial product operators or financial service providers for financial products or financial services by using various promotion tools or methods.

Yumao, a subsidiary of Shanghai Jupai, has obtained a license from the CSRC for mutual fund sales on December 15, 2014. Yumao has started to sell mutual fund products and other regulated fund products since 2017. If the Draft Sales Agency Measure comes into effect, Yumao may be required to apply for the securities and futures operation license and adjust its business operation to meet with the relevant requirements.

Regulation on Entrusted Loan of Commercial Bank

In January 2018, CBRC issued the Notice of the China Banking Regulatory Commission on Promulgation of the Administrative Measures for Entrusted Loans undertaken by Commercial Banks, or Entrusted Loan Measure. According to the Entrusted Loan Measures, the “entrusted loan” refers to the loan provided by a trustor and granted by a commercial bank (trustee) on behalf of the trustor to a borrower determined by the trustor, and the purpose, amount, currency, duration and interest rate of such loan are determined by the trustor. A commercial bank shall not accept any of the following types of funds for entrusted loans: (i) funds from others that entrusted the trustors to manage, (ii) bank loans, (iii) various special funds of special purposes (unless otherwise required by relevant authorities under the State Council), (iv) other borrowings (unless otherwise required by relevant authorities under the State Council), or (v) funds of which the source cannot be proved. The above restriction, however, is not applicable to the funds raised by a corporate group for bond issuance or applied within a group. Starting from January 2018, the private investment funds managed by us have ceased to make debt investment through the structure of entrusted loans.

Regulations on Labor Protection

On June 29, 2007, the Standing Committee of the National People's Congress, or the SCNPC, promulgated the Labor Contract Law, as amended on December 28, 2012, which formalizes employees' rights concerning employment contracts, overtime hours, layoffs and the role of trade unions and provides for specific standards and procedure for the termination of an employment contract. In addition, the Labor Contract Law requires the payment of a statutory severance pay upon the termination of an employment contract in most cases, including in cases of the expiration of a fixed-term employment contract. In addition, under the Regulations on Paid Annual Leave for Employees and its implementation rules, which became effective on January 1, 2008 and on September 18, 2008 respectively, employees are entitled to a paid vacation ranging from 5 to 15 days, depending on their length of service and to enjoy compensation of three times their regular salaries for each such vacation day in case such vacation days are deprived by employers, unless the employees waive such vacation days in writing. Although we are currently in compliance with the relevant legal requirements for terminating employment contracts with employees in our business operation, in the event that we decide to lay off a large number of employees or otherwise change our employment or labor practices, provisions of the Labor Contract Law may limit our ability to effect these changes in a manner that we believe to be cost-effective or desirable, which could adversely affect our business and results of operations.

Enterprises in China are required by PRC laws and regulations to participate in certain employee benefit plans, including social insurance funds, namely a pension plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund, and contribute to the plans or funds in amounts equal to certain percentages of salaries, including bonuses and allowances, of the employees as specified by the local government from time to time at locations where they operate their businesses or where they are located. According to the Social Insurance Law, an employer that fails to make social insurance contributions may be ordered to pay the required contributions within a stipulated deadline and be subject to a late fee of 0.05% of the amount overdue per day from the original due date by the relevant authority. If the employer still fails to rectify the failure to make social insurance contributions within such stipulated deadline, it may be subject to a fine ranging from one to three times the amount overdue. According to Regulations on Management of Housing Fund, an enterprise that fails to make housing fund contributions may be ordered to rectify the noncompliance and pay the required contributions within a stipulated deadline; otherwise, an application may be made to a local court for compulsory enforcement.

Regulations on Foreign Investment

The State Planning Commission, the State Economic and Trade Commission and the Ministry of Foreign Trade and Economic Cooperation jointly promulgated the Foreign Investment Industrial Guidance Catalogue, or the Foreign Investment Catalogue, in 2005, which was subsequently revised from time to time. The Foreign Investment Catalogue sets forth the industries in which foreign investment are encouraged, restricted, or forbidden. Industries that were not indicated as any of the above categories under the Foreign Investment Catalogue are permitted areas for foreign investment. The last effective version of the Foreign Investment Catalogue came into effect in July 2017. The industries listed in this version are divided into two categories: encouraged industries and the industries with special entry administration measure, or the Negative List. The Negative List is further divided into two sub-categories: restricted industries and prohibited industries. Establishment of wholly foreign-owned enterprises is generally allowed in industries outside of the Negative List. For the restricted industries within the Negative List, some are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects are subject to government approvals and certain special requirements. Foreign investors are not allowed to invest in industries in the prohibited category. Industries not listed in the Foreign Investment Catalogue are generally open to foreign investment unless specifically restricted by other PRC regulations. The list of encouraged industries for foreign investment under the Foreign Investment Catalogue has been replaced by the Encouraged Foreign Investment Catalogue (2019 version), which was promulgated by the NDRC on June 30, 2019 and became effective on July 30, 2019.

In October 2016, the Ministry of Commerce issued the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises, or FIE Record-filing Interim Measures, which was further revised in July 2017. Pursuant to FIE Record-filing Interim Measures, the establishment and change of an FIE are subject to record-filing procedures, instead of prior approval requirements, provided that the establishment or change does not involve special entry administration measures. If the establishment or change of FIE matters involve the special entry administration measures, the approval of the Ministry of Commerce or its local counterparts is still required. The FIE Record-filing Interim Measures has been replaced by the Measures for Reporting of Foreign Investment Information, or the FIE Information Reporting Measures, which became effective on January 1, 2020. Pursuant to the FIE Information Reporting Measures, a foreign investor or an FIE should provide the investment information by submission of initial report, report of changes, report of de-registration and annual report. Information that a foreign investor should provide in its initial report includes basic corporate information of the FIE, information of the investor and its actual controller, and investment transaction information.

On June 28, 2018, NDRC and MOFCOM jointly issued Special Administration Measures for Access of Foreign Investment (2018 Version), or the Negative List, as subsequently amended on June 30, 2019 and became effective on July 30, 2019, which listed special requirements for foreign investment, including shareholding percentage limits and qualification for senior management for certain fields. Foreign investors are not allowed to invest into prohibited industries for foreign investors listed in the Negative List. For investment into other industries listed in the Negative List, access approval is required. However, foreign investment into fields not listed in the Negative List generally enjoys the same conditions as domestic entities.

Pursuant to the currently effective or the amended Negative List, market survey, a business activity that we currently engage in through our VIE, is restricted for foreign investment. As market survey may be constantly involved during our development and expansion, we may continue this business activity through contractual arrangements with our consolidated subsidiary, Shanghai Jupai.

In addition, if our PRC subsidiary and consolidated entities plan to engage in promoting or distributing wealth management plans through the Internet, or allows our clients to purchase wealth management products on any of our websites, such business is likely to be deemed as value-added telecommunications service and call for approvals from relevant authorities. Foreign investment in telecommunications businesses is governed by the State Council's Administrative Rules for Foreign Investments in Telecommunications Enterprises, issued by the State Council in December 2001 and amended in February 2016, under which a foreign investor's beneficial equity ownership in an entity providing value-added telecommunications services in China cannot exceed 50%. In addition, for a foreign investor to acquire any equity interest in a business providing value-added telecommunications services in China, it must demonstrate a positive track record and experience in providing such services. The MIIT's Notice Regarding Strengthening Administration of Foreign Investment in Operating Value-Added Telecommunication Businesses, or the MIIT Notice, issued on July 13, 2006 prohibits holders of these services licenses from leasing, transferring or selling their licenses in any form, or providing any resource, sites or facilities, to any foreign investors intending to conduct such businesses in China. Although MIIT promulgated its Notice on Lifting Foreign Investment Restrictions on Online Data and Deal Processing Business in June 2015, which permits foreign ownership, in whole or in part, of online data and deal processing business, a sub-type of value-added telecommunications service, we still expect our potential business of online promotion and distribution of wealth management products to face foreign investment restrictions or uncertainties, since it is not clear whether our potential business will be deemed as online data and deal processing.

We plan to engage in the direct sales of mutual funds and asset management plans sponsored by mutual fund management companies. While the distribution of mutual funds and asset management plans sponsored by mutual fund management companies is not explicitly categorized as restricted to foreign investment, a license is required for the direct sales of mutual fund and asset management plans sponsored by mutual fund management companies. According to the Administration Measures on Securities Investment Fund Sales issued by the CSRC that was last amended on February 17, 2013 and came into effect on June 1, 2013, in order to apply for a mutual fund sales license, the shareholders of the applicant shall meet with certain requirements, including, among others, to maintain a good track record for three consecutive financial years. According to the Draft Sales Agency Measure, the legal entity shareholders for an independent mutual fund sales agency holding more than 5% shares shall have the minimum registered capital, capital contribution or net asset of RMB100.0 million and shall have been profitable for the last three financial years with sound operation and internal control. There are financial condition requirements for controlling shareholders and actual controllers. If the shareholder is a foreign entity, it shall be a financial institution in good standing with financial assets management or financial investment advisory experience. Given that our foreign shareholder is not qualified as a foreign shareholder of an independent mutual fund sales agency, in order to conduct our direct sales services in the future, we have entered into contractual arrangements through Shanghai Juxiang, our PRC subsidiary, with Shanghai Jupai, our PRC variable interest entity. In December 2014, Yumao obtained the mutual fund sales license, and accordingly, we have started the sale of mutual fund products and other regulated fund products through Yumao since 2017.

Our PRC subsidiary was not allowed to engage in insurance brokerage businesses prior to the promulgation of the Notice on Opening Business Scope of Foreign Invested Insurance Brokerage Company on April 27, 2018. Therefore, our insurance brokerage related business is carried out principally through Jupai HK and our consolidated entities. In 2016, we acquired 85% equity ownership of Non-Linear Investment Management Limited, which directly holds 100% equity interest of a Hong Kong entity with the required license to provide the insurance brokerage services in Hong Kong, and 100% equity interest in Shanghai Jupai Yongyu Insurance Brokers Co., Ltd. (previously known as Jiangsu Kang'an Insurance Brokers Co. Ltd.), a PRC entity holding the required license to provide the insurance brokerage services in China, and we plan to engage in the insurance brokerage businesses in the PRC relying on licenses held by these consolidated entities.

E-House Capital relies on similar contractual arrangements with Scepter Pacific's variable interest entities in China to conduct its asset management services. Although foreign-invested enterprises incorporated in China are not expressly prohibited from providing asset management services in China, in practice, when acting as the general partner of various funds, Scepter Pacific may also need to invest in projects or funds as a limited partner at the same time. Some targeted projects are in the Negative List. Therefore, E-House Capital to provide asset management services through contractual arrangements between Scepter Pacific's wholly-owned PRC subsidiary and its variable interest entities in China.

Other than those disclosed above, we are not aware of any other PRC legal restriction or prohibition for foreign investment in the business activities that we and E-House Capital engage in.

In the opinion of Yuan Tai Law Offices, our PRC legal counsel:

- the ownership structures of Shanghai Jupai, Shanghai Juxiang, and Jupai are in compliance with all existing PRC laws and regulations,
- the contractual arrangements governed by PRC laws among Shanghai Juxiang, Shanghai Jupai and its shareholders establishing the corporate structure for our wealth management and asset management businesses are valid, binding and enforceable in accordance with their terms, and will not result in a violation of PRC laws or regulations currently in effect; and
- the contractual arrangements governed by PRC laws among Shanghai Baoyi, Shanghai E-Cheng and its shareholders establishing the corporate structure for E-House Capital's asset management service business are valid, binding and enforceable in accordance with their terms, and will not result in a violation of PRC laws or regulations currently in effect.

We have been advised by our PRC legal counsel, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules, including the laws and regulations governing the enforcement and performance of our contractual arrangement in the event of any imposition of statutory liens, bankruptcy and criminal proceedings. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to the above opinion of our PRC counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC governmental restrictions on foreign investment in our businesses, we could be subject to severe penalties, including being prohibited from continuing operations. See "Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us."

Regulations on Foreign Exchange

Foreign exchange regulations in China are primarily governed by the following rules:

- Foreign Exchange Administration Rules (1996), as amended, or the Exchange Rules; and
- Administration Rules of the Settlement, Sale and Payment of Foreign Exchange (1996), or the Administration Rules.

Under the Exchange Rules, Renminbi is convertible for current account items, including the distribution of dividends, interest and royalty payments, trade and service-related foreign exchange transactions. Conversion of Renminbi for capital account items, such as direct investment, loan, securities investment and repatriation of investment, however, is still subject to the approval of SAFE.

Under the Administration Rules, foreign-invested enterprises may only buy, sell and/or remit foreign currencies at banks authorized to conduct foreign exchange business after providing valid commercial documents and, in the case of capital account item transactions, obtaining approval from SAFE. Capital investments by foreign-invested enterprises outside of China are also subject to limitations, including approval by the Ministry of Commerce, SAFE and the National Development and Reform Commission or their local counterparts.

On November 16, 2011, SAFE promulgated the Circular of the State Administration of Foreign Exchange on Issues Relating to Further Clarification and Regulation of Certain Capital Account Items under Foreign Exchange Control, or SAFE Circular 45, to further strengthen and clarify its existing regulations on foreign exchange control under SAFE Circular 142. Circular 45 expressly prohibits foreign invested entities, including wholly foreign owned enterprises such as Shanghai Juxiang, from converting registered capital in foreign exchange into Renminbi for the purpose of equity investment, granting certain loans, repayment of inter-company loans, and repayment of bank loans which have been transferred to a third party. Further, SAFE Circular 45 generally prohibits a foreign invested entity from converting registered capital in foreign exchange into Renminbi for the payment of various types of cash deposits. If our VIE requires financial support from us or our wholly owned subsidiary in the future and we find it necessary to use foreign currency-denominated capital to provide such financial support, our ability to fund our VIE's operations will be subject to statutory limits and restrictions, including those described above.

On May 10, 2013, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents, which specifies that the administration by SAFE or its local branches over foreign direct investment in the PRC shall be conducted by way of registration. Institutions and individuals shall register with SAFE and/or its branches for their direct investment in China. Banks shall process foreign exchange business relating to the direct investment in China based on the registration information provided by SAFE and its branches.

In February 2015, SAFE promulgated the Circular of Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment, or Circular 13, which will become effective on June 1, 2015. Upon the implementation of Circular 13, the current foreign exchange procedures will be further simplified, foreign exchange registrations of direct investment will be handled by designated foreign exchange settlement banks instead of SAFE and its branches.

On March 30, 2015, SAFE issued the Circular on Reform of the Administrative Rules of the Payment and Settlement of Foreign Exchange Capital of Foreign-Invested Enterprises (“SAFE Circular 19”), which became effective on June 1, 2015. Pursuant to SAFE Circular 19, foreign-invested enterprises may either continue to follow the current payment-based foreign currency settlement system or elect to follow the “conversion-at-will” regime of foreign currency settlement. Where a foreign-invested enterprise follows the conversion-at-will regime of foreign currency settlement, it may convert part or all of the amount of the foreign currency in its capital account into Renminbi at any time. The converted Renminbi will be kept in a designated account labeled as settled but pending payment, and if the foreign-invested enterprise needs to make payment from such designated account, it still needs to go through the review process with its bank and provide necessary supporting documents. SAFE Circular 19, therefore, has substantially lifted the restrictions on the usage by a foreign-invested enterprise of its RMB registered capital converted from foreign currencies. According to SAFE Circular 19, such Renminbi capital may be used at the discretion of the foreign-invested enterprise and SAFE will eliminate the prior approval requirement and only examine the authenticity of the declared usage afterwards. Nevertheless, foreign-invested enterprises like our PRC subsidiary are still not allowed to extend intercompany loans to our PRC consolidated entities. In addition, as Circular 19 was promulgated recently, there remain substantial uncertainties with respect to the interpretation and implementation of this circular by relevant authorities.

On June 9, 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (“Circular 16”), which became effective simultaneously. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to RMB on self-discretionary basis. Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis which applies to all enterprises registered in the PRC. Circular 16 reiterates the principle that RMB converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purpose beyond its business scope or prohibited by PRC Laws or regulations, while such converted RMB shall not be provide as loans to its non-affiliated entities. As Circular 16 is newly issued and SAFE has not provided detailed guidelines with respect to its interpretation or implementation, it is uncertain how these rules will be interpreted and implemented.

On January 26, 2017, SAFE issued the Notice of State Administration of Foreign Exchange on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control, or the Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including: (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Regulations on Dividend Distribution

The principal regulations governing dividend distributions of wholly foreign-owned companies include:

- Wholly Foreign-Owned Enterprise Law, as most recently amended on September 3, 2016;
- Wholly Foreign-Owned Enterprise Law Implementing Rules, as most recently amended on February 19, 2014;
- Company Law of China, as most recently amended on October 26, 2018;
- Foreign Investment Law, as promulgated on March 15, 2019 and became effective on January 1, 2020; and
- Foreign Investment Law Implementing Rules, as promulgated on December 26, 2019 and became effective on January 1, 2020.

Under these laws and regulations, wholly foreign-owned companies in China may pay dividends only out of their accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, these wholly foreign-owned companies are required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds, until the accumulative amount of such fund reaches 50% of its registered capital. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation.

Regulations on Offshore Investment by PRC Residents

Pursuant to the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Round Trip Investment via Overseas Special Purpose Companies and its subsequent amendments, supplements or implementation rules, or SAFE Circular 75, issued on October 21, 2005, a PRC resident (whether a natural person or legal persons) shall register with the local branch of the SAFE before it establishes or controls an overseas SPV, with assets or equity interests in a PRC company, for the purpose of overseas equity financing. On July 4, 2014, SAFE issued the SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Outbound Investment and Financing and Inbound Investment via Special Purpose Vehicles ("SPV"), or SAFE Circular 37, which has superseded SAFE Circular 75. According to SAFE Circular 37, the PRC domestic resident shall apply for SAFE registration for overseas investment before paying capital to SPV by using his, her or its legal assets whether overseas or domestic. The SPV is defined as "offshore enterprise directly established or indirectly controlled by the domestic residents (including domestic institutions and individuals) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of offshore investment and financing". In addition, in the event that the SPV undergoes changes of its basic information such as the individual shareholder, name, operation term, etc., or material events including increase or decrease by domestic individual shareholder in investment amount, equity transfer or swap, merge, spin-off, etc., the domestic resident shall timely complete the change of foreign exchange registration formality for offshore investment.

According to SAFE Circular 37, failure to make such registration or truthfully disclose actual controllers of the round-trip enterprises may subject PRC residents to fines up to RMB300,000 in case of domestic institutions or RMB50,000 in case of domestic individuals. If the registered or beneficial shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiary may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiary. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for violating applicable foreign exchange restrictions.

Regulations on Stock Incentive Plans

On December 25, 2006, the People's Bank of China promulgated the Administrative Measures of Foreign Exchange Matters for Individuals, setting forth the respective requirements for foreign exchange transactions by individuals (both PRC or non-PRC citizens) under either the current account or the capital account.

On February 15, 2012, SAFE issued the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company, or the Stock Incentive Plan Rules. The purpose of the Stock Incentive Plan Rules is to regulate foreign exchange administration of PRC domestic individuals who participate in employee stock holding plans and stock option plans of overseas listed companies. According to the Stock Incentive Plan Rules, if PRC "domestic individuals" (both PRC residents and non-PRC residents who reside in China for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) participate in any stock incentive plan of an overseas listed company, a PRC domestic qualified agent, which could be the PRC subsidiary of such overseas listed company, shall, among others things, file, on behalf of such individual, an application with SAFE to conduct the SAFE registration with respect to such stock incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with stock holding or stock option exercises. In addition, SAFE Circular 37 also provides certain requirements and procedures of foreign exchange registration in relation to equity incentive plan of SPV before listing. In this regard, if a non-listed SPV grants equity incentives to its directors, supervisors, senior officers and employees in its domestic subsidiaries, the relevant domestic individual residents may register with SAFE before exercising their rights.

The Stock Incentive Plan Rules and SAFE Circular 37 were promulgated only recently and many issues require further interpretation. If we or our PRC employees fail to comply with the Stock Incentive Plan Rules, we and our PRC employees may be subject to fines and other legal sanctions. In addition, the General Administration of Taxation has issued a few circulars concerning employee stock options. Under these circulars, our employees working in China who exercise stock options will be subject to PRC individual income tax. Our PRC subsidiary has obligations to file documents related to employee stock options with relevant tax authorities and withhold individual income taxes of those employees who exercise their stock options. If our employees fail to pay and we fail to withhold their income taxes, we may face sanctions imposed by tax authorities or other PRC government authorities.

Regulations on Privacy Protection and Network Security

Internet content providers, or ICPs, are prohibited from producing, copying, publishing or distributing information that is humiliating or defamatory to others or that infringes upon the lawful rights and interests of others. Depending on the nature of the violation, ICPs may face criminal charges or sanctions by PRC security authorities for such acts and may be ordered to suspend temporarily their services or have their licenses revoked.

Under the Several Provisions on Regulating the Market Order of Internet Information Services, issued by the MIIT on December 29, 2011, ICPs are also prohibited from collecting any user personal information or providing any such information to third parties without the consent of a user. ICPs must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information and may only collect such information necessary for its services. ICPs are also required to properly maintain the user personal information, and in case of any leak or likely leak of the user personal information, ICPs must take remedial measures immediately and report any material leak to the telecommunications regulatory authority.

In addition, the Decision on Strengthening Network Information Protection promulgated by the Standing Committee of the National People's Congress on December 28, 2012 emphasizes the need to protect electronic information that contains individual identification information and other private data. The decision requires ICPs to establish and publish policies regarding the collection and use of personal electronic information and to take necessary measures to ensure the security of the information and to prevent leakage, damage or loss. Furthermore, MIIT's Rules on Protection of Personal Information of Telecommunications and Internet Users promulgated on July 16, 2013 contain detailed requirements on the use and collection of personal information as well as the security measures to be taken by ICPs.

The PRC government retains the power and authority to order ICPs to provide an Internet user's personal information if such user posts any prohibited content or engages in any illegal activities through the Internet.

In addition, General Rule of Civil Law promulgated on March 15, 2017, to be effective on October 1, 2017, expressly provides that natural persons enjoy the right of privacy.

We will be subject to the ICP regulation and other privacy regulation if and when we begin to sell mutual fund products online.

Furthermore, the PRC Network Security Law, which took effect in June 2017, requires a network operator, including among others, the owners, administrator and service providers of network, to adopt technical measures and other necessary measures in accordance with applicable laws and regulations as well as compulsory national and industrial standards to safeguard the safety and stability of network operations, effectively respond to network security incidents, prevent illegal and criminal activities, and maintain the integrity, confidentiality and availability of network data. The Network Security Law emphasizes that any individuals and organizations that use networks must not endanger network security or use networks to engage in unlawful activities such as those endangering national security, economic order and the social order or infringing the reputation, privacy, intellectual property rights and other lawful rights and interests of others. The Network Security Law has also reaffirmed certain basic principles and requirements on personal information protection previously specified in other existing laws and regulations, including those described above. Any violation of the provisions and requirements under the Network Security Law may subject an internet service provider to warnings, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closedown of websites or even criminal liabilities.

On April 11, 2017, the Cyberspace Administration of China announced the Measures for the Security Assessment of Personal Information and Important Data to be Transmitted Abroad (consultation draft), or the Consultation Draft of Security Assessment Measures. The Consultation Draft of Security Assessment Measures requires network operators to conduct security assessments and obtain consents from owners of personal information prior to transmitting personal information and other important data abroad. Moreover, under the Consultation Draft of Security Assessment Measures, the network operators are required to apply to the relevant regulatory authorities for security assessments under several circumstances, including but not limited to: (i) if data to be transmitted abroad contains personal information of more than 500,000 users in aggregate; (ii) if the quantity of the data to be transmitted abroad is more than 1,000 gigabytes; (iii) if data to be transmitted abroad contains information regarding nuclear facilities, chemical biology, national defense or military projects, population and health, or relates to large-scale engineering activities, marine environment issues or sensitive geographic information; (iv) if data to be transmitted abroad contains network security information regarding system vulnerabilities or security protection of critical information infrastructure; (v) if key information infrastructure network operators transmit personal information and important data abroad; or (vi) if any other data to be transmitted abroad contains information that might affect national security or public interest and are required to be assessed as determined by the relevant regulatory authorities.

The Office of the Central Cyberspace Affairs Commission, the Ministry of Industry and Information Technology, the Ministry of Public Security, and the State Administration for Market Regulation jointly promulgated the Notice on Rectification of Illegal Collection of Personal Information on Application, or the Notice on Illegal Collection on January 23, 2019, which requires application operators to strictly comply with the PRC Network Security Law and strengthens the personal information protection. Application operators should, among others, (i) clearly state the authorized purpose, methods and scope of the collection and usage of personal information and obtain the consent of users for collecting and processing such users' personal information, and (ii) establish appropriate user information protection systems with remedial measures. On April 10, 2019, the Ministry of Public Security issued the Guidance of Security Protection of Internet Personal Information, which provides internet service providers more guidance regarding personal information protection. To further implement and interpret the Notice on Illegal Collection, the Measures on Identifying Illegality of Personal Information Collection Conducts on Application was promulgated on November 28, 2019.

Regulations on Tax

PRC Enterprise Income Tax

The PRC Enterprise Income Tax Law, which took effect in January 2008, and most recently amended on December 29, 2018, imposes a uniform enterprise income tax rate of 25% on all PRC resident enterprises, including foreign-invested enterprises, unless they qualify for certain exceptions. The enterprise income tax is calculated based on the PRC resident enterprise's global income as determined under PRC tax laws and accounting standards. If a non-resident enterprise sets up an organization or establishment in the PRC, it will be subject to enterprise income tax for the income derived from such organization or establishment in the PRC and for the income derived from outside the PRC but with an actual connection with such organization or establishment in the PRC.

PRC Value Added Tax

On November 19, 2017, PRC State Counsel promulgated the Decisions on Abolishing the Provisional Regulations of the PRC on Business Tax and issued the amendment to Interim Regulations of PRC Value Added Taxes, or the VAT Regulation, pursuant to which entities and individuals that sell goods or labor services of processing, repair or replacement, sell services, intangible assets, or immovables, or import goods within the territory of the PRC are taxpayers of VAT, and shall pay VAT. In March 2019, the Ministry of Finance, or the MOF, SAT and the General Administration of Customs jointly issued the Circular on Relevant Policies for Deepening the Value-Added Tax Reform, or the Circular 39, which became effective on April 1, 2019. The tax rate for VAT shall be, among others, (i) 13% for taxpayers engaged in sale of goods, services, lease of tangible movables or importation of goods, unless otherwise stipulated in VAT Regulation; (ii) 9% for taxpayers engaged in sale of transportation, postal, basic telecommunications, construction, lease of immovables, sale of immovable, transfer of land use rights, sale or importation of certain types of goods; (iii) 6% for taxpayers engaged in sale of services and intangible assets; and (iv) 3% and 5% for small-scale taxpayers using simple tax collection method, unless otherwise stipulated in VAT Regulation.

In 2017, MOF and SAT issued Notice on Issues Relating to VAT on Asset Management Products, or Circular 56, which became effective in January 2018. According to Circular 56, VAT taxable transactions in the operations of asset management products by their managers should temporarily use simple tax computation method and be levied at 3%. In order to be qualified for the 3% VAT rate, the asset management product managers are required to separate the audit of revenues and VAT taxable amount of the operations of assets management products business from other businesses. The management services provided by the managers as entrusted by the investors or by the trustee to the entrusted assets should still apply ordinary VAT rate in accordance with the relevant laws and regulations.

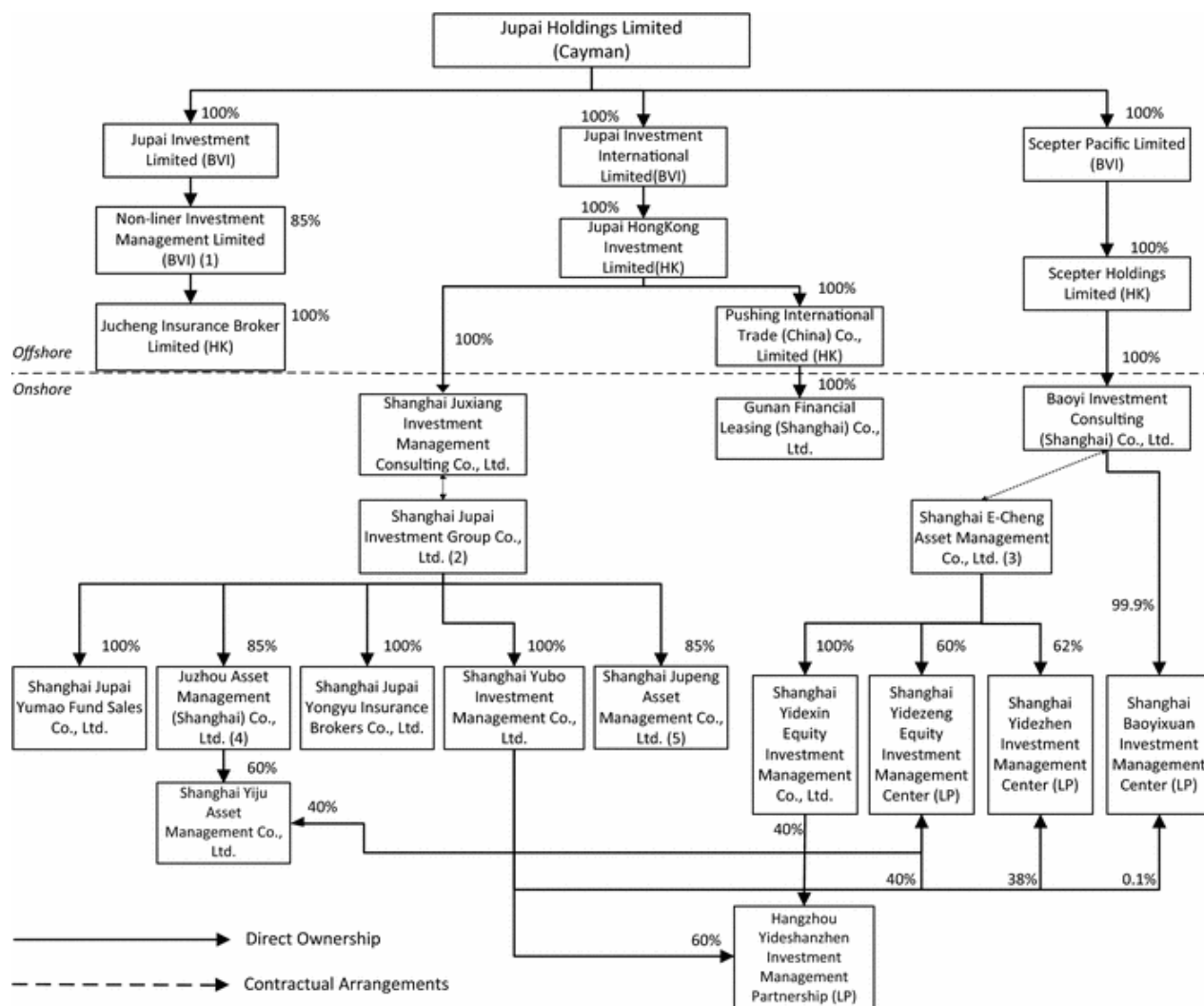
PRC Dividend Withholding Tax

Pursuant to the EIT Law and the Implementation Rules, dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign enterprise investors are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement.

For a discussion of applicable PRC tax regulations, also see "Item 5.A. Operating and Financial Review and Prospects—Operating Results—Taxation."

C. Organizational Structure

The following chart illustrates our company’s organizational structure, including our significant subsidiaries and other entities that are material to our business, as of March 31, 2020:



Notes:

- (1) The remaining 15% of the equity interest is owned by an unrelated party.
- (2) Shanghai Jupai is one of our VIEs. Mr. Jianda Ni, Dr. Weishi Yao, Mr. Keliang Li, Ms. Yacheng Shen and Ms. Yichi Zhang hold 67.7%, 10%, 8.3%, 8% and 6% of the equity interest in Shanghai Jupai, respectively.
- (3) Shanghai E-Cheng is one of our VIEs. Ms. Qimin Wu and Mr. Tianxiang Hu hold 70% and 30% of the equity interest in Shanghai E-Cheng. Ms. Qimin Wu is our employee.
- (4) The remaining 15% of the equity interest is owned by an unrelated party.
- (5) The remaining 15% of the equity interest is owned by an unrelated party.

Contractual Arrangement with Shanghai Jupai

In January 2014, we amended and restated the contractual arrangements that we previously entered into with Shanghai Jupai in September 2013. The following is a summary of the currently effective contractual arrangements by and among our wholly-owned subsidiary, Shanghai Juxiang, our VIE, Shanghai Jupai, and the shareholders of Shanghai Jupai.

Operating Agreement. Pursuant to the amended and restated operating agreement among Shanghai Juxiang, Shanghai Jupai and the shareholders of Shanghai Jupai dated January 8, 2014, Shanghai Jupai and the shareholders of Shanghai Jupai agreed not to enter into any transaction that could materially affect Shanghai Jupai’s assets, obligations, rights or operations without prior written consent from Shanghai Juxiang, including but not limited to the amendment of the articles of association of Shanghai Jupai. Shanghai Jupai and its shareholders agree to accept and follow our corporate policies provided by Shanghai Juxiang in connection with Shanghai Jupai’s daily operations, financial management and the employment and dismissal of Shanghai Jupai’s employees. Shanghai Jupai agreed that it should seek guarantee from Shanghai Juxiang first if any guarantee is needed for Shanghai Jupai’s performance of any contract or loan in the course of its business operation. The agreement shall be effective as long as Shanghai Jupai exists. None of Shanghai Jupai and its shareholders can terminate this agreement. Shanghai Juxiang may terminate the agreement by giving a 30-day prior written notice.

Call Option Agreement. Under the amended and restated call option agreement among Shanghai Juxiang, Shanghai Jupai and the shareholders of Shanghai Jupai dated January 8, 2014, each of the shareholders of Shanghai Jupai irrevocably granted to Shanghai Juxiang or its designee an option to purchase at any time, to the extent permitted under PRC law, all or a portion of his equity interests in Shanghai Jupai. Also, Shanghai Juxiang or its designee has the right to acquire any and all of its assets of Shanghai Jupai. Without Shanghai Juxiang's prior written consent, Shanghai Jupai's shareholders cannot transfer their equity interests in Shanghai Jupai, and Shanghai Jupai cannot transfer its assets. The acquisition price for the shares or assets will be the minimum amount of consideration permitted under the PRC law at the time of the exercise of the option. Shanghai Juxiang may terminate the agreement early, whereas none of Shanghai Jupai and its shareholders can terminate this agreement.

Equity Interest Pledge Agreement. Under the amended and restated equity pledge agreement among Shanghai Juxiang, Shanghai Jupai and the shareholders of Shanghai Jupai dated October 9, 2014, the shareholders pledged all of their equity interests in Shanghai Jupai to Shanghai Juxiang to guarantee Shanghai Jupai's performance of relevant obligations and indebtedness under the consulting services agreement. In addition, the shareholders of Shanghai Jupai have completed the registration of the equity pledge under the agreement with the competent local authority. If Shanghai Jupai breaches its obligation under the consulting services agreement, Shanghai Juxiang, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. This pledge will remain effective until all the guaranteed obligations are performed.

Voting Rights Proxy Agreement. Under the amended and restated voting rights proxy agreement among Shanghai Juxiang and the shareholders of Shanghai Jupai dated January 8, 2014, each shareholder of Shanghai Jupai irrevocably appointed Shanghai Juxiang as its attorney-in-fact to exercise on such shareholder's behalf any and all rights that such shareholder has in respect of his equity interests in Shanghai Jupai, including but not limited to the power to vote on its behalf on all matters of Shanghai Jupai requiring shareholder approval in accordance with the articles of association of Shanghai Jupai. The proxy agreement will remain in effect unless Shanghai Juxiang terminates the agreement by giving a 30-day prior written notice or gives its consent to the termination by Shanghai Jupai.

Consulting Services Agreement. Pursuant to the amended and restated consulting services agreement between Shanghai Jupai and Shanghai Juxiang dated January 8, 2014, Shanghai Juxiang has the exclusive right to provide consulting services to Shanghai Jupai relating to Shanghai Jupai's business, including but not limited to business consulting services, human resources development, and business development. Shanghai Juxiang exclusively owns any intellectual property rights arising from the performance of this agreement. Shanghai Juxiang has the right to determine the service fees based on Shanghai Jupai's actual operation on a quarterly basis. This agreement will be effective as long as Shanghai Jupai exists. Shanghai Juxiang may terminate this agreement at any time by giving a prior written notice to Shanghai Jupai.

Amendment to Agreements. Pursuant to the Amendment to Agreements entered into by Shanghai Jupai, the shareholders of Shanghai Jupai and Shanghai Juxiang dated October 9, 2014, the Operating Agreement was amended, pursuant to which, the shareholders of Shanghai Jupai must appoint candidates recommended by Shanghai Juxiang as the director, general manager, CFO and other senior managers.

Equity Transfer and Joinder Agreements. Pursuant to the Equity Transfer Agreement between Hu Tian Xiang and Ni Jian Da dated July 15, 2018, Mr. Tianxiang Hu transferred all of his 67.7% equity interest in Shanghai Jupai to Mr. Jianda Ni. By entering into a series of joinder agreement with Shanghai Juxiang and Shanghai Jupai on July 15, 2018, Mr. Ni, as a shareholder Shanghai Jupai, agrees to undertake all rights, responsibilities and obligations of the shareholder of Shanghai Jupai prescribed under the operating agreement, call option agreement, equity interest pledge agreement and voting rights proxy agreement among Shanghai Juxiang, Shanghai Jupai and the shareholders of Shanghai Jupai as described above.

Contractual Arrangement with Shanghai E-Cheng

We entered into a series of contractual arrangements with Shanghai E-Cheng and its previous shareholders in May 2014. In March 2017, upon the completion of equity transfer of Shanghai E-Cheng, we terminated the previous contractual arrangements with its previous shareholders, and entered into another set of contractual arrangements with its new shareholders. The following is a summary of the currently effective contractual arrangements by and among Shanghai Baoyi, Shanghai E-Cheng, and the shareholders of Shanghai E-Cheng.

Exclusive Support Agreement. Pursuant to the exclusive support agreement between Shanghai Baoyi and Shanghai E-Cheng dated May 13, 2017, Shanghai Baoyi provides Shanghai E-Cheng with a series of consulting services on an exclusive basis and is entitled to receive related fees. This agreement will be effective as long as Shanghai E-Cheng exists. Shanghai Baoyi is entitled to terminate the agreement early if (i) the Shanghai E-Cheng breaches the agreement, and within 30 days upon written notice, fails to rectify its breach, take sufficient, effective and timely measures to eliminate the effects of breach, and compensate for any losses incurred by the breach; (ii) the applicable consolidated VIE is bankrupt or is subject to any liquidation procedures and such procedures are not revoked within seven days; or (iii) due to any event of force majeure, Shanghai E-Cheng's failure to perform its obligations under the agreement lasts for over 20 days. Except as provided in the preceding sentence, Shanghai Baoyi is entitled to terminate the agreement early at any time by sending a written notice 20 days in advance, for any reason. The agreement does not include a provision for early termination by Shanghai E-Cheng. Unless expressly provided by this agreement, without prior written consent of Shanghai Baoyi, Shanghai E-Cheng may not engage any third party to provide the services offered by Shanghai Baoyi under this agreement.

Loan Agreements. Pursuant to the loan agreement among Shanghai Baoyi and the shareholders of Shanghai E-Cheng dated March 13, 2017, Shanghai Baoyi made loans in an aggregate amount of RMB1.0 million to the shareholders of Shanghai E-Cheng solely for the incorporation and capitalization of Shanghai E-Cheng. Pursuant to the loan agreement, the shareholders must repay the loans one time upon the maturity date of the loan and Shanghai Baoyi has the right to use the loan to, or designate a third party to, buy all of the equity interests in Shanghai E-Cheng held by the shareholders. The loan is interest free and the term of the loan is (i) the expiration of 20 years from the date of the loan agreement, (ii) the expiration of Shanghai Baoyi's operation term or (iii) the expiration of Shanghai E-Cheng's operation term whichever is the earliest. Shanghai Baoyi can require the shareholders to and the shareholders may apply to repay all or a portion of the loan before the maturity date with a 30 days prior written notice. Under each of the circumstances, Shanghai Baoyi is entitled to, or designate a third party to, buy all or a portion of the shareholders' equity interests in Shanghai E-Cheng on a pro rata basis based on the amount of the repaid principal of the loan.

Exclusive Call Option Agreement. Under the exclusive call option agreement among Shanghai Baoyi, Shanghai E-Cheng and the its shareholders dated March 13, 2017, each of the shareholders of Shanghai E-Cheng irrevocably and unconditionally granted to Shanghai Baoyi or its designee an option to purchase at any time, to the extent permitted under PRC law, all or a portion of his equity interests in Shanghai E-Cheng. Also, Shanghai Baoyi or its designee has the right to acquire any and all of the assets of Shanghai E-Cheng. Without Shanghai Baoyi's prior written consent, Shanghai E-Cheng's shareholders cannot transfer their equity interests in Shanghai E-Cheng, and Shanghai E-Cheng cannot transfer its assets. The acquisition price for the shares or assets will be the corresponding capital contribution in Shanghai E-Cheng's registered capital or the corresponding assets' net booking value, or, if the minimum amount of consideration permitted under the PRC law is higher than the capital contribution or the net booking value, will be such minimum amount at the time of the exercise of the option. The agreement will not be terminated until after all of the equity interest and assets of Shanghai E-Cheng have been transferred to Shanghai Baoyi or its designee.

Equity Interest Pledge Agreement. Under the equity pledge agreement among Shanghai Baoyi, Shanghai E-Cheng and its shareholders dated March 13, 2017, the shareholders pledged all of their equity interests in Shanghai E-Cheng to Shanghai Baoyi to guarantee the performance of all the obligations of Shanghai E-Cheng and its shareholders under the loan agreement, exclusive option agreement, voting rights proxy agreement and the equity interest pledge agreement. If Shanghai E-Cheng or its shareholders breach any of their respective obligations under any of these agreements, Shanghai Baoyi, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. Upon the due registration, this pledge will remain effective until all the contractual obligations are performed and the guaranteed loan has been paid off.

Shareholder Voting Rights Proxy Agreement. Under the voting rights proxy agreement among Shanghai Baoyi, Shanghai E-Cheng and its shareholders dated March 13, 2017, each shareholder of Shanghai E-Cheng irrevocably appointed a nominee authorized by Shanghai Baoyi as its attorney-in-fact to exercise on such shareholder's behalf any and all rights that such shareholder has in respect of his equity interests in Shanghai E-Cheng, including but not limited to the power to vote on its behalf on all matters of Shanghai E-Cheng requiring shareholder approval in accordance with the articles of association of Shanghai E-Cheng. The initial term of the proxy agreement is 20 years and it may be automatically extended with a 30-day prior written notice given by Shanghai E-Cheng in a yearly basis.

In the opinion of our PRC counsel, Yuan Tai Law Offices, the contractual arrangements with respect to Shanghai Jupai and Shanghai E-Cheng are valid, binding and enforceable in accordance with their terms under current PRC laws. However, as advised by our PRC legal counsel, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules, including the laws and regulations governing the enforcement and performance of our contractual arrangement in the event of any imposition of statutory liens, bankruptcy and criminal proceedings. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to the above opinion of our PRC counsel. We have been further advised by our PRC legal counsel that if the PRC government finds that the agreements that establish the structure for operating our business do not comply with PRC government restrictions on foreign investment in our businesses, we could be subject to severe penalties, including being prohibited from continuing operations. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business and Industry—We may fail to obtain and maintain licenses and permits necessary to conduct our operations in China, and our business may be materially and adversely affected as a result of any changes in the laws and regulations governing the financial services industry in China” and “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.”

D. Property, Plant and Equipment

Our principal executive offices are located on premises comprising approximately 7,150 square meters in Shanghai, China. As of December 31, 2019, we have in aggregate 51 client centers in 43 cities in mainland China and Hong Kong. We lease most of our premises from unrelated third parties. Most of the lessors for the leased premises either has valid title to the property and each lessor has proper authorization from the title owner to sublease the property. Below is a summary of the term of our leases by cities and we may renew these leases when they expire or relocate upon equal or more favorable leasing terms:

| Property | Term | | | |
|-------------------|----------------------|--------------------------|-----------|---------------------------|
| Shanghai premises | <i>Starting from</i> | <i>November 1, 2017</i> | <i>to</i> | <i>October 21, 2019</i> |
| | <i>Expiring from</i> | <i>February 20, 2020</i> | <i>to</i> | <i>October 31, 2022</i> |
| Beijing premises | <i>Starting from</i> | <i>January 1, 2017</i> | <i>to</i> | <i>December 1, 2018</i> |
| | <i>Expiring from</i> | <i>December 31, 2019</i> | <i>to</i> | <i>November 30, 2021</i> |
| Hangzhou premises | <i>Starting from</i> | <i>April 5, 2018</i> | <i>to</i> | <i>October 1, 2019</i> |
| | <i>Expiring from</i> | <i>April 4, 2021</i> | <i>to</i> | <i>September 30, 2022</i> |
| Tianjin premises | <i>Starting from</i> | <i>July 1, 2018</i> | <i>to</i> | <i>July 1, 2019</i> |
| | <i>Expiring from</i> | <i>July 31, 2021</i> | <i>to</i> | <i>September 30, 2021</i> |

| Property | Term | | | |
|----------------------|----------------------|---------------------------|-----------|---------------------------|
| Dongguan premise | <i>Starting from</i> | <i>April 1, 2017</i> | <i>to</i> | <i>June 1, 2018</i> |
| | <i>Expiring from</i> | <i>March 31, 2020</i> | <i>to</i> | <i>May 30, 2021</i> |
| Hong Kong premise | <i>Starting from</i> | <i>January 16, 2018</i> | <i>to</i> | <i>September 1, 2018</i> |
| | <i>Expiring from</i> | <i>January 15, 2020</i> | <i>to</i> | <i>August 31, 2021</i> |
| Suzhou premises | | <i>March 1, 2018</i> | <i>to</i> | <i>February 28, 2021</i> |
| Xiamen premise | | <i>August 1, 2018</i> | <i>to</i> | <i>July 31, 2021</i> |
| Shenzhen premise | | <i>November, 2019</i> | <i>to</i> | <i>October 31, 2021</i> |
| Chengdu premise | | <i>November 1, 2018</i> | <i>to</i> | <i>October 31, 2021</i> |
| Chongqing premise | | <i>March 27, 2017</i> | <i>to</i> | <i>March 31, 2020</i> |
| Guangzhou premise | | <i>June 11, 2018</i> | <i>to</i> | <i>June 15, 2021</i> |
| Qingdao premise | | <i>January 31, 2019</i> | <i>to</i> | <i>January 30, 2022</i> |
| Ningbo premise | | <i>January 1, 2018</i> | <i>to</i> | <i>December 31, 2020</i> |
| Zhuhai premise | | <i>February 16, 2017</i> | <i>to</i> | <i>February 15, 2020</i> |
| Quanzhou premise | | <i>May 1, 2018</i> | <i>to</i> | <i>April 30, 2021</i> |
| Ji'nan premise | | <i>May 16, 2018</i> | <i>to</i> | <i>June 15, 2021</i> |
| Wuxi premise | | <i>December 9, 2018</i> | <i>to</i> | <i>December 8, 2021</i> |
| Nanjing premise | | <i>October 30, 2018</i> | <i>to</i> | <i>November 30, 2020</i> |
| Wuhan premise | | <i>February 16, 2017</i> | <i>to</i> | <i>December 9, 2021</i> |
| Nantong premise | | <i>June 1, 2019</i> | <i>to</i> | <i>May 31, 2020</i> |
| Changzhou premise | | <i>December 25, 2017</i> | <i>to</i> | <i>January 31, 2020</i> |
| Jiaxing premise | | <i>April 28, 2015</i> | <i>to</i> | <i>April 27, 2020</i> |
| Fuzhou premise | | <i>August 1, 2019</i> | <i>to</i> | <i>July 31, 2022</i> |
| Yiwu premise | | <i>February 1, 2018</i> | <i>to</i> | <i>January 31, 2021</i> |
| Taiyuan premise | | <i>May 15, 2018</i> | <i>to</i> | <i>May 14, 2021</i> |
| Wenzhou premise | | <i>April 1, 2019</i> | <i>to</i> | <i>March 31, 2021</i> |
| Xi'an premise | | <i>December 9, 2019</i> | <i>to</i> | <i>December 8, 2020</i> |
| Jiangyin premise | | <i>February 26, 2019</i> | <i>to</i> | <i>February 25, 2024</i> |
| Zhengzhou premise | | <i>March 1, 2019</i> | <i>to</i> | <i>February 28, 2022</i> |
| Hefei premise | | <i>September 8, 2018</i> | <i>to</i> | <i>January 17, 2020</i> |
| Zhoushan premise | | <i>November 10, 2018</i> | <i>to</i> | <i>November 19, 2021</i> |
| Dalian premise | | <i>April 16, 2019</i> | <i>to</i> | <i>September 30, 2021</i> |
| Changshu premise | | <i>July 20, 2019</i> | <i>to</i> | <i>July 19, 2020</i> |
| Zhangjiagang premise | | <i>July 1, 2019</i> | <i>to</i> | <i>June 30, 2021</i> |
| Shaoxing premise | | <i>October 25, 2019</i> | <i>to</i> | <i>October 24, 2022</i> |
| Kunming premise | | <i>March 29, 2019</i> | <i>to</i> | <i>March 28, 2021</i> |
| Yangzhou premise | | <i>April 16, 2017</i> | <i>to</i> | <i>May 15, 2020</i> |
| Yantai premise | | <i>September 20, 2017</i> | <i>to</i> | <i>October 19, 2020</i> |
| Huhhot premise | | <i>February 22, 2018</i> | <i>to</i> | <i>February 21, 2021</i> |
| Zhenjiang premise | | <i>July 1, 2018</i> | <i>to</i> | <i>June 30, 2021</i> |
| Putian premise | | <i>September 25, 2018</i> | <i>to</i> | <i>September 24, 2023</i> |
| Zhongshan premise | | <i>October 1, 2018</i> | <i>to</i> | <i>September 30, 2021</i> |

The lease agreements typically have terms of approximately one to five years that are renewable by the parties subject to early termination. We believe that we will be able to obtain adequate facilities, principally through leasing, to accommodate our future expansion plans.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this annual report on Form 20-F. This discussion may contain forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Item 3. Key Information—D. Risk Factors” or in other parts of this annual report on Form 20-F.

A. Operating Results

Overview

We are a leading third-party wealth management service provider focusing on distributing wealth management products and providing product advisory services to high-net-worth individuals in China. We provide our wealth management product advisory services mainly to China’s high-net-worth individuals who have investable assets in excess of RMB3.0 million or have an average annual income in excess of RMB500,000 for the past three years. In 2017, 2018 and 2019, the aggregate value of wealth management products we distributed to our clients reached RMB54.3 billion, RMB30.3 billion and RMB9.8 billion (US\$1.4 billion), respectively. Our established wealth management product advisory services operation is complemented by our asset management capabilities. The amount of assets under our sole or shared management reached RMB41.8 billion (US\$6.0 billion) as of December 31, 2019.

In connection with our wealth management product related services, we charge product providers, corporate borrowers or our clients one-time commissions calculated as a percentage of the wealth management products purchased by our clients. Where we act as the product provider for our self-developed products, we generate revenues from one-time commissions from the corporate borrowers and product provider. During the life cycle of some of the public market products, private equity fund products and certain fixed income products, we also charge product providers or corporate borrowers recurring service fees for our ongoing services, such as investment relationship maintenance and coordination and product reports distribution. In connection with our asset management services, we charge one-time commissions for fund formation services and recurring management fees for managing the fund as general partner, co-general partner or manager. These fees are typically computed as a percentage of the capital contribution in the funds. The recurring management fees also include performance fees or carried interest paid by funds that we manage or co-manage mostly upon maturity of the relevant funds. Prior to 2015, we derived substantially all of our revenues from one-time commissions received from distribution of fixed income products in connection with our wealth management product related services. As we grow our asset management capabilities and further diversify our product offerings, we derive an increasingly larger proportion of recurring management fees for our wealth management product related and asset management services beginning in 2013. Starting from 2016, we offered consulting services to some peer firms in the asset management industry and other companies seeking for equity investments. We charged those firms and companies service fees for our services, which are negotiated on a case-by-case basis depending on the nature and extent of our services. In 2017, 2018 and 2019, our one-time commissions and other service fees in combination accounted for 72.5%, 62.1% and 42.3% of our total net revenues, respectively; and our recurring service, and recurring management fees combined accounted for 27.5%, 37.9% and 57.7% of our total net revenues, respectively. We started to receive carried interest in the first quarter of 2015. Such carried interest, as part of our recurring service and management fees, amounted to RMB159.0 million (US\$22.8 million) and accounted for 20.2% of our total net revenues in 2019.

Our net revenues decreased from RMB1.7 billion in 2017 to RMB1.3 billion in 2018 and to RMB0.8 billion (US\$0.1 million) in 2019. We recorded a net income attributable to our shareholders of RMB409.5 million in 2017, a net loss attributable to our shareholders of RMB387.7 million in 2018, and a net loss attributable to our shareholders of RMB164.7 million (US\$23.7 million) in 2019.

Key Components of Our Results of Operations

Net Revenues

We derive net revenues mainly from the provision of wealth management product related services and asset management services. Prior to 2015, one-time commissions received from distribution of fixed income products in connection with our wealth management product related services accounted for substantially all of our revenues. In 2013, we started to provide asset management services. In 2016, we provided consulting services to some peer firms in the asset management industry and charged them consulting service fees determined on a case-by-case basis depending on the nature and extent of our services. We also categorize revenues into third-party revenues and related-party revenues. Our related-party revenues consist primarily of one-time commissions and recurring management fees paid by limited partnership funds where we serve as general partner or co-general partner or other funds where we serve as managers. The following table sets forth the principal components of our net revenues by amounts and percentages of our net revenues for the periods indicated:

| | Year Ended December 31, | | | | | | | |
|--|-------------------------|--------------|----------------------|--------------|--------------------|--------------------|--------------|--|
| | 2017 | | 2018 | | 2019 | | | |
| | RMB | % | RMB | % | RMB | US\$ | % | |
| Net revenues: | | | | | | | | |
| One-time commission | 1,038,703,144 | 60.8 | 737,482,046 | 55.7 | 318,853,996 | 45,800,511 | 40.5 | |
| Related party | 737,075,406 | 43.1 | 522,605,724 | 39.5 | 60,352,190 | 8,669,050 | 7.7 | |
| Third party | 301,627,738 | 17.7 | 214,876,322 | 16.2 | 258,501,806 | 37,131,461 | 32.8 | |
| Recurring service fee | 105,000,840 | 6.2 | 64,345,376 | 4.9 | 114,542,160 | 16,452,952 | 14.6 | |
| Related party | 10,042,890 | 0.6 | 1,252,314 | 0.1 | 1,424,854 | 204,667 | 0.2 | |
| Third party | 94,957,950 | 5.6 | 63,093,062 | 4.8 | 113,117,306 | 16,248,285 | 14.4 | |
| Recurring management fees ⁽¹⁾ | 363,651,247 | 21.3 | 435,522,503 | 33.0 | 338,646,568 | 48,643,536 | 43.1 | |
| Related party | 363,651,247 | 21.3 | 435,522,503 | 33.0 | 338,646,568 | 48,643,536 | 43.1 | |
| Third party | — | — | — | — | — | — | — | |
| Other service fee | 198,806,391 | 11.7 | 84,393,738 | 6.4 | 13,904,488 | 1,997,255 | 1.8 | |
| Related party | 117,307,566 | 6.9 | 28,209,606 | 2.1 | — | — | — | |
| Third party | 81,498,825 | 4.8 | 56,184,132 | 4.3 | 13,904,488 | 1,997,255 | 1.8 | |
| Net revenues | <u>1,706,161,622</u> | <u>100.0</u> | <u>1,321,743,663</u> | <u>100.0</u> | <u>785,947,212</u> | <u>112,894,253</u> | <u>100.0</u> | |

Note:

- (1) We recognized RMB61.9 million and RMB159.0 million (US\$22.8 million) carried interest as part of our recurring service and management fees in 2018 and 2019, respectively.

One-Time Commissions. We generate a majority of one-time commissions from our wealth management product related services where we charge product providers, corporate borrowers or our clients a commission calculated as a percentage of the wealth management products purchased by our clients. We also charge one-time commissions for fund formation as part of our asset management services. We have experienced consecutive declines from 2017 to 2018 and from 2018 to 2019, primarily due to decreases in the aggregate value of wealth management products we distributed. One-time commission as a percentage of our total net revenues remain above 40%.

Recurring Service Fees. During the life cycle of some private equity fund products, public market products and certain fixed income products, we charge product providers or corporate borrowers recurring service fees for our ongoing services. Our services typically include investor relationship maintenance and coordination and product reports distribution. Our recurring service fees are calculated as a percentage of the value of investments in the wealth management products purchased by our clients calculated at the time of establishment of the wealth management products. For certain products, recurring service fees may also include a variable performance fee contingent upon the performance of the underlying investment, which is not recognized until the contingent criteria are met. In 2017, 2018 and 2019 we recorded RMB13.8 million, RMB0.3 million and RMB2.1 million (US\$0.3 million) of such performance fees, respectively. From 2018 to 2019, recurring service fee increased as we provide on-going services to more product suppliers.

Recurring Management Fees. We generate recurring management fees from our asset management services in our capacity such as general partner, co-general partner or manager of a fund where we charge such fund recurring management fees computed as a percentage of the capital contribution in the fund. Our recurring management fees also include performance fees or carried interest paid by funds that we manage or co-manage when these funds mature to share profits of the underlying investment. The amount of recurring management fee revenues declined from 2018 to 2019 due to decreased value of AUM. The amount of assets under our sole or shared management slightly declined from RMB57.5 billion in 2017 to RMB56.8 billion in 2018 and to RMB41.8 billion (US\$6.0 million) in 2019. As a component of our recurring management fees, the amount of revenue from performance fees or carried interest was RMB81.7 million, RMB61.6 million and RMB156.9 million (US\$22.5 million) in 2017, 2018 and 2019, respectively.

Other Service Fees. Other service fee refers to revenue generated from consulting services provided to peers in asset management industry and other companies seeking for equity investments. Service fees are negotiated case by case, and are specified in agreements before service are provided. Revenue is recognized upon completion of the services and when it becomes probable that a significant impact in the amount of revenue will not occur. In the year ended December 31, 2019, we recorded other service fees of RMB13.9 million (US\$2.0 million).

While we expect that our one-time commissions and recurring management fees will continue to account for the majority of our net revenues, we expect to see a decline in revenues from one-time commissions due to a decrease in the aggregate value of wealth management products we distributed.

For sizable projects with demanding fund-raising timetables, we sometimes use third-party distribution channels in addition to our in-house sales force to expedite fund raising for the related projects. These third-party channels consist primarily of third-party wealth management service providers that operate on a smaller scale compared to us. We select them based on market reputation and our prior working experience with them. We pay channel fees to these third-party distribution channels based on the value of products distributed by them and our total revenues are net of these channel fees. In 2017, 2018 and 2019, we incurred channel fees in the amount of RMB320.9 million, RMB202.0 million and RMB19.1 million (US\$2.7million), respectively.

We monitor and strive to improve the following key business metrics to generate higher net revenues:

Number of Active Clients. Our core business is the provision of wealth management product advisory services to high-net-worth clients in China. Our active clients are those who, during any given period, purchased wealth management products that we distribute at least once during that period. Our ability to attract new clients and to encourage repeat purchases by existing clients depends on our ability to provide high-quality wealth management product advisory services and products. To achieve this, we constantly strive to increase the level of expertise of our wealth management product advisors, enrich our product selection, increase our market presence and carry out effective sales and marketing campaigns. We also strive to attract new clients by expanding our coverage network into new markets.

Average Transaction Value Per Client. Average transaction value per client for any given period refers to the simple average of the value of wealth management products distributed by us to each active client during that period. The average transaction value per client is related to the total amount of wealth management products we distribute, which is a function of the number of active clients and the average transaction value per client. An increase in the total amount of wealth management products we distribute may increase the one-time commissions and recurring fees we earn, which in turn drives our revenue growth. The average transaction value per client is also affected by our clients' amount of investable assets and the level of satisfaction of our clients with our wealth management product advisory services.

Our Product Mix. Our product mix affects our sources of revenues and the amount of revenues we are able to generate. We source a wide array of third-party wealth management products and also develop wealth management products in-house. These include four types of products: (i) fixed income products; (ii) private equity and venture capital fund products; (iii) public market products; and (iv) other products, such as insurance products and overseas investments. The table below sets forth the total value of different types of products that we distributed, both in absolute amount and as a percentage of the total value of all products distributed during the periods indicated:

| Product type | Year Ended December 31, | | | | | | |
|--|-------------------------|------------------|-----------------|------------------|-----------------|------------------|-------|
| | 2017 | | 2018 | | 2019 | | |
| | RMB in millions | % ⁽¹⁾ | RMB in millions | % ⁽¹⁾ | RMB in millions | US\$ in millions | |
| Fixed income products | 45,437 | 83.7 | 8,560 | 28.3 | 7,219 | 1,037 | 73.5 |
| Private equity and venture capital fund products | 6,375 | 11.7 | 19,038 | 62.9 | 1,526 | 219 | 15.5 |
| Public market products | 449 | 0.8 | 1,129 | 3.7 | 291 | 42 | 3.0 |
| Other products | 2,055 | 3.8 | 1,546 | 5.1 | 791 | 114 | 8.0 |
| All products | 54,316 | 100.0 | 30,273 | 100.0 | 9,827 | 1,412 | 100.0 |

(1) The sum of the following percentages do not necessarily equal 100% due to rounding.

The composition and amount of revenues generated from our wealth management product related services and, to a lesser extent, revenues generated from our asset management services are affected by the types of products we distribute. We earn one-time commission on all types of products that we distribute and charge recurring services fees on some of the private equity and venture capital fund products, public market products and certain fixed income products. We participate in the investment management of our self-developed products. To the extent that we distribute more of our self-developed products, our recurring management fees will also increase. We started to develop products in-house in 2013. In terms of value, approximately RMB48.8 billion, RMB28.2 billion and RMB9.2 billion (US\$1.3 billion) of the products that we distributed in 2017, 2018 and 2019, respectively, were either products developed and managed by us or third-party products that we helped design.

Prior to 2015, we derived substantially all of our revenues from one-time commissions received from distribution of fixed income products in connection with our wealth management product related services. From 2015 to 2017, the amount of fixed income products as a percentage of all products has remained high primarily due to their more manageable risk profile, which is preferred by many of our clients. In 2018, the absolute amount of private equity and venture capital fund products and its percentage of all products increased significantly as we strategically adjust the mix of products in response to the regulatory changes. As our clients prefer products with lower risk profile, we decided to provide fixed income products to them again due to their more manageable risk profile. We intend to continue to increase the percentage of our self-developed products in the future in order to increase the recurring management fees.

Amount of Assets Under Our Management. We provide asset management services in the capacity as general partner, co-general partner or manager to investment funds. The amount of our recurring management fees, including any potential performance fee or carried interest, is affected by the amount of assets under our management. We believe the amount of assets under our management will become a more important factor affecting our results of operations as we anticipate the percentage and absolute amount of revenues generated from recurring management fees to grow in the foreseeable future.

Our “assets under management” or “AUM” refers to the amount of capital contributions made by investors to the funds we manage, for which we are entitled to receive management fees. The amount of our AUM is recorded and carried based on the historical cost of the contributed assets instead of fair market value of assets for almost all our AUM. For assets denominated in currencies other than Renminbi, the AUM are translated into Renminbi upon their contribution, without interim value adjustments solely due to changes in foreign exchange rates. As a result, our management fees for almost all our AUM are calculated based on the historical cost balance of the AUM and where the AUM is denominated in currencies other than Renminbi, its historical cost balance is translated into Renminbi upon contribution. The table below sets forth the roll-forward of different types of our AUM, including the inflows (asset growth) and outflows (asset expiration or liquidation upon maturity) of the AUM during the periods indicated:

| Product type | 2018 | | As of December 31, | | 2019 | | % (1) |
|--|---------------------------|------------|---------------------------|----------------------------|---------------------------|----------------------------|------------|
| | Balance (RMB in millions) | % (1) | Inflows (RMB in millions) | Outflows (RMB in millions) | Balance (RMB in millions) | Balance (US\$ in millions) | |
| Fixed income products | 19,845.8 | 35.0 | 7,219.6 | (13,611.1) | 13,454.4 | 1,932.6 | 32.2 |
| Private equity and venture capital fund products | 34,033.0 | 60.0 | 1,525.5 | (9,264.5) | 26,294.0 | 3,776.9 | 62.9 |
| Public market products | 1,657.5 | 2.9 | 1.0 | (729.8) | 928.7 | 133.4 | 2.2 |
| Other products | 1,215.5 | 2.1 | 180.9 | (249.0) | 1,147.4 | 164.8 | 2.7 |
| All products | 56,751.9 | 100 | 8,927.0 | (23,854.4) | 41,824.5 | 6,007.7 | 100 |

(1) The sum of the following percentages does not necessarily equal 100% due to rounding.

2019 compared to 2018

The total amount of assets under management was RMB41.8 billion (US\$6.0 billion) as of December 31, 2019, a decrease of RMB14.9 billion (US\$2.1 billion), or 26.3%, from RMB56.8 billion as of December 31, 2018. The net decrease was due to:

Inflows of RMB8.9 billion (US\$1.3 billion) contributions related to:

- RMB7.2 billion (US\$1.0 billion) in fixed income products primarily due to RMB7.2 billion (US\$1.0 billion) raised for products with underlying assets in real estate;

- RMB1.5 billion (US\$0.2 billion) in private equity and venture capital fund products contributed by RMB1.0 billion (US\$0.1 billion) raised for products in real estate, and the remaining in various industries, such as consumer discretionary industry, healthcare, TMT (“Telecommunication, Media and Technology”) industry;

Outflows of RMB23.9 billion (US\$3.4 billion) attributable to:

- RMB13.6 billion (US\$2.0 billion) in fixed income products primarily due to RMB12.4 billion (US\$1.8 billion) liquidation of products with underlying assets in real estate upon maturity;
- RMB9.3 billion (US\$1.3 billion) in private equity and venture capital fund products primarily due to liquidation of products in real estate of RMB7.1 billion (US\$1.0 billion);
- RMB0.7 billion (US\$0.1 billion) in public market products primarily due to liquidation of products mainly related to private investments in public companies.

| Product type | 2017 | | As of December 31, | | 2018 | |
|--|------------------------------|------------------|------------------------------|-------------------------------|------------------------------|------------------|
| | Balance (RMB in millions) | % ⁽¹⁾ | Inflows (RMB in millions) | Outflows (RMB in millions) | Balance (RMB in millions) | % ⁽¹⁾ |
| Fixed income products | 35,557.9 | 61.8 | 8,508.1 | (24,220.1) | 19,845.8 | 35.0 |
| Private equity and venture capital fund products | 18,867.9 | 32.8 | 16,182.4 | (1,017.3) | 34,033.0 | 60.0 |
| Public market products | 2,372.0 | 4.1 | 1,128.7 | (1,843.2) | 1,657.5 | 2.9 |
| Other products | 734.4 | 1.3 | 1,545.4 | (1,064.4) | 1,215.5 | 2.1 |
| All products | 57,532.2 | 100.0 | 27,364.7 | (28,145.0) | 56,751.9 | 100.0 |

(1) The sum of the following percentages does not necessarily equal 100% due to rounding.

2018 compared to 2017

The total amount of assets under management was RMB56.8 billion as of December 31, 2018, a decrease of RMB0.8 billion, or 1.4%, from RMB57.5 billion as of December 31, 2017. The net decrease was due to:

Inflows of RMB27.4 billion contributions related to:

- RMB8.5 billion in fixed income products primarily due to RMB6.3 billion raised for products with underlying assets in real estate;
- RMB16.2 billion in private equity and venture capital fund products contributed by RMB15.0 billion raised for products in real estate, and the remaining in various industries, such as consumer discretionary industry, healthcare, TMT industry;

Outflows of RMB28.1 billion attributable to:

- RMB24.2 billion in fixed income products primarily due to RMB19.0 billion liquidation of products with underlying assets in real estate upon maturity;
- RMB1.8 billion in public market products primarily due to liquidation of products mainly related to private investments in public companies.

| Product type | 2016 | | As of December 31, | | 2017 | |
|--|------------------------------|------------------|------------------------------|-------------------------------|------------------------------|------------------|
| | Balance (RMB in millions) | % ⁽¹⁾ | Inflows (RMB in millions) | Outflows (RMB in millions) | Balance (RMB in millions) | % ⁽¹⁾ |
| Fixed income products | 18,161.1 | 50.3 | 40,211.9 | (22,815.1) | 35,557.9 | 61.8 |
| Private equity and venture capital fund products | 14,970.7 | 41.4 | 4,450.4 | (553.2) | 18,867.9 | 32.8 |
| Public market products | 2,980.3 | 8.2 | 831.2 | (1,439.5) | 2,372.0 | 4.1 |
| Other products | 29.2 | 0.1 | 715.4 | (10.2) | 734.4 | 1.3 |
| All products | 36,141.3 | 100.0 | 46,208.9 | (24,818.0) | 57,532.2 | 100.0 |

(1) The sum of the following percentages does not necessarily equal 100% due to rounding.

2017 compared to 2016

The total amount of assets under management was RMB57.5 billion as of December 31, 2017, an increase of RMB21.4 billion, or 59.2%, from RMB36.1 billion as of December 31, 2016. The net increase was due to:

Inflows of RMB46.2 billion contributions related to:

- RMB40.2 billion in fixed income products primarily due to RMB30.0 billion raised for products with underlying assets in real estate;
- RMB4.5 billion in private equity and venture capital fund products contributed by RMB3.4 billion raised for products in consumer discretionary industry, and the remaining in various industries, such as healthcare, TMT industry;

Outflows of RMB24.8 billion attributable to:

- RMB22.8 billion in fixed income products primarily due to RMB17.6 billion liquidation of products with underlying assets in real estate upon maturity;
- RMB1.4 billion in public market products primarily due to liquidation of products mainly related to private investments in public companies.

Fee Rates. Our one-time commissions are a function of the amount of products we distribute to our clients and our commission rate. Similarly, our recurring fees are a function of the amount of underlying assets and the applicable recurring fee rates. We refer to our commission rates and recurring fee rates collectively as our fee rates. Our net revenues are affected by our fee rates, which are based on individually negotiated service contracts with product providers or corporate borrowers or fund management agreements individually negotiated with each fund for which we provide asset management services. The fee rates for fixed income products that have similar repayment terms and structure, for instance, have remained stable over the years. The one-time commission rates we charge on fixed income products with a term of no more than six months typically range from 0.1% to 2% and these fee rates are the lowest among fixed income products we distribute. The one-time commission rates we charge on fixed income products with a term of three years or more typically range from 6% to 8% and these fee rates are the highest among the fixed income products we distribute. The risk profiles of each individual product are the main factor affecting the exact fee rates within the same category of products. The recurring service fee rates that we charge on fixed income products are within the range of 0.2% to 1.8% per year. The tenure of fixed income products typically ranges from 7 days to three years. The one-time commission rates we charge on equity related products, including PE, VC and public market fund products, typically range from 1% to 7%. The recurring service fee rates that we charge on equity related products are within the range of 0.2% to 3% annually. The tenure of equity related products typically ranges from half one year to ten years. We do not charge our counterparts fees at fixed rates for our consulting service to earn other service fee. Each cooperation's fee level is subject to deal-by-deal negotiation depending on the nature and extent of the relevant cooperation.

The table below sets forth the weighted average recurring fee rates (the annualized recurring management fee divided by period-end fee-earning assets under our management) of different types of products under our management during the periods indicated:

| Product type | Year Ended December 31, | | |
|--|-------------------------|-----------|-----------|
| | 2017 % | 2018 % | 2019 % |
| Fixed income products | 0.76 | 0.60 | 0.56 |
| Private equity and venture capital fund products | 0.85 | 0.71 | 0.62 |
| Public market products | 1.21 | 1.21 | 0.56 |
| Other products | 1.06 | 0.95 | 0.72 |
| All products | 0.81 | 0.65 | 0.60 |

Operating Costs and Expenses

Our financial condition and operating results are directly affected by our operating costs and expenses, which consist of cost of revenues, selling expenses and general and administrative expenses. Our operating costs and expenses are primarily affected by our staff size and rental expenditures.

Our staff decreased from 2,520 as of December 31, 2017 to 1,926 as of December 31, 2018 and further decreased to 911 as of December 31, 2019. As the industry experienced a difficult time due to the uncertain economic prospect, we strived to optimize our organizational structure and control the labor costs to improve the overall operational efficiency.

We had 72, 76 and 51 client centers as of December 31, 2017, 2018 and 2019, respectively. Our rental expenses in 2019 have also decreased in line with the decrease in the total office area of our client centers.

We expect to reduce our total operating costs and expenses in the near future to strengthen our competitiveness amid the uncertain industrial and macro-economic environment.

The following table sets forth the components of our operating costs and expenses, both in absolute amount and as a percentage of net revenues for the periods indicated:

| | Year Ended December 31, | | | | | | |
|---|-------------------------|-------|---------------|-------|--------------|-------------|-------|
| | 2017 | | 2018 | | 2019 | | |
| | RMB | % | RMB | % | RMB | US\$ | |
| Operating costs and expenses: | | | | | | | |
| Cost of revenues | 737,507,904 | 43.2 | 684,558,659 | 51.8 | 481,746,067 | 69,198,493 | 61.3 |
| Selling expenses | 282,171,751 | 16.5 | 303,170,575 | 22.9 | 206,777,405 | 29,701,716 | 26.3 |
| General and administrative and expenses | 204,052,576 | 12.0 | 274,782,664 | 20.8 | 265,527,496 | 38,140,638 | 33.8 |
| Impairment loss of goodwill | — | — | 267,917,575 | 20.3 | — | — | — |
| Other operating income — government subsidies | (41,138,443) | (2.4) | (48,742,897) | (3.7) | (31,429,802) | (4,514,609) | (4.0) |
| Total operating costs and expenses | 1,182,593,788 | 69.3 | 1,481,686,576 | 112.1 | 922,621,166 | 132,526,238 | 117.4 |

Cost of Revenues

Our cost of revenues consists of compensation to wealth management product advisors, product development team members and client managers and social welfare and share-based compensation.

Selling Expenses

Our selling expenses primarily include operating expenses attributable to general marketing and promotional activities, compensation of our marketing team, office rentals and office supplies.

General and Administrative Expenses

Our general and administrative expenses primarily include compensation of managerial and administrative staff, rental and other expenses of our headquarters and professional service fees.

Other Operating Income — Government Subsidies

Other operating income is cash subsidies received from local governments as incentives for registering and operating business in certain local districts, typically granted based on the amount of value-added tax and income tax payments we make in these local districts in a given period. These subsidies do not entail other obligations on our part and allow us full discretion in utilizing the funds, which we use for general corporate purposes. The local governments may decide to reduce, eliminate or cancel these subsidies at any time. See “Item 3. Key Information—D. Risk Factors—Risk Related to Doing Business in China—The discontinuation of any of the government incentives and preferential tax treatment currently available to us in China could adversely affect our financial condition and results of operations.”

Taxation

The Cayman Islands and the British Virgin Islands

Under the current laws of the Cayman Islands and the British Virgin Islands, we are not subject to tax on our income or capital gains. In addition, the Cayman Islands and the British Virgin Islands do not impose withholding tax on dividend payments.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our Hong Kong subsidiary is subject up to 16.5% progressive income tax on their taxable income generated from operations in Hong Kong. Under the Hong Kong tax laws, we are exempted from the Hong Kong income tax on our foreign-derived income. In addition, payments of dividends from our Hong Kong subsidiary to us are not subject to any Hong Kong withholding tax.

PRC

Our PRC subsidiary and the consolidated affiliated entities are companies incorporated under PRC law and, as such, are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Under the Law of the People's Republic of China on Enterprise Income Tax, or the EIT Law, which became effective on January 1, 2008 and most recently amended on December 29, 2018 and its amendment promulgated on February 24, 2017 and most recently amended on April 23, 2019, domestically-owned enterprises and foreign-invested enterprises are subject to a uniform tax rate of 25%. Additionally, in accordance with the EIT Law, dividends, which arise from profits of foreign-invested corporations earned after January 1, 2008, are subject to a 5% to 10% withholding income tax.

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with the U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect our reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of each fiscal period and the reported amounts of revenue and expenses during each fiscal period. We continually evaluate these judgments and estimates based on our own historical experience, knowledge and assessment of current business and other conditions, our expectations regarding the future based on available information and assumptions that we believe to be reasonable, which together form our basis for making judgments about matters that are not readily apparent from other sources. Since the use of estimates is an integral component of the financial reporting process, our actual results could differ from those estimates. Some of our accounting policies require a higher degree of judgment than others in their application.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Revenue Recognition

We derive revenue primarily from one-time commissions and recurring service fees paid by product providers for whom we distribute wealth management products, and recurring management fee and carried interest paid by funds we manage. Starting from the second half of 2016, we also began to earn other service fees for consulting services provided to other companies. There is no material impact of the adoption of ASC 606 on January 1, 2018 using the modified retrospective method to its consolidated financial statements.

Under the guidance of ASC 606, we are required to: (i) identify the contracts with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contracts, and (v) recognize revenue when the entity satisfies a performance obligation. Revenues are recorded, net of sales related taxes and surcharges.

We sometimes engage third party agents in promoting products and pay a channel fee accordingly, as such we recognize revenue on a net basis by deducting the channel fee we pay to the third party agents.

One-Time Commissions

We enter into one-time commission agreements with product providers or underlying corporate borrowers, which specifies the key terms and conditions of the arrangement. Such agreements do not include rights of return, credits or discounts, rebates, price protection or other similar privileges. Upon establishment of a wealth management product, we earn a one-time commission from product providers or underlying corporate borrowers, calculated as a percentage of the wealth management products purchased by our clients. We define the “establishment of a wealth management product” for our revenue recognition purpose as the time when both of the following two criteria are met: (i) our client has entered into a purchase or subscription contract with the relevant product provider and, if required, the client has transferred a deposit to an escrow account designated by the product provider, and (ii) the product provider has issued a formal notice to confirm the establishment of a wealth management product. After the contract is established, there are no significant judgments made when determining the one-time commission price.

Recurring Service Fees

Recurring service fee includes service fee and carried interest. It arises from on-going services provided to product providers after the distribution of wealth management product including investment relationship maintenance and coordination and product reports distribution. It is calculated as a percentage of the total value of investments in the wealth management products purchased by our clients, calculated at the establishment date of the wealth management product. As we provide these services throughout the contract term, revenue is recognized over the contract term, assuming all other revenue recognition criteria have been met. For certain products, recurring service fees may also include a performance-based fee based on the extent by which the fund’s investment performance exceeds a certain threshold. Such performance-based fees earned based on the performance of us are a form of variable consideration in our contracts with customers to provide investment management services. Recurring service agreements do not include rights of return, credits or discounts, rebates, price protection or other similar privileges.

Recurring Management Fees

Recurring management fee arises from the fund management services provided to funds we manage, including management fee and carried interest. Management fees are computed as a percentage of the capital contribution in a fund and are recognized as earned over the specified contract period. Carried interest represents preferential allocation of profits that are composed of our general partnership interest and fund managing interests in the limited partnership and contractual funds, and is a form of variable consideration and recognized as revenue typically at the end of the fund's contract term when the uncertainty associated with the variability is resolved. Management fee received in advance of the specified contract period and in the limited circumstances carried interest received before the end of the fund's contract term are recorded as deferred revenue.

Other Service Fees

Other service fee refers to revenue generated from consulting services provided to peers in asset management industry and other companies seeking for equity investment. Service fees are negotiated case by case, and are specified in agreements before services are provided. Revenue is recognized upon completion of the services and when it becomes probable that a significant reversal in the amount of revenue will not occur.

Contract modifications

Contract modifications occur when we and our customers agree to modify existing customer contracts to change the scope or price (or both) of the contract or when a customer terminates some, or all, of the existing services provided by us. When a contract modification occurs, it requires us to exercise judgment to determine if the modification should be accounted for as: (i) a separate contract, (ii) the termination of the original contract and creation of a new contract, or (iii) a cumulative catch up adjustment to the original contract. Further, contract modifications require the identification and evaluation of the performance obligations of the modified contract, including the allocation of revenue to the remaining performance obligations and the period of recognition for each identified performance obligation. In 2018, we modified certain contracts for changes in transaction price for the services that are not distinct from the existing contract. As such, these modifications are accounted for as if they were part of the existing contract, and therefore, the effect of the modification on the transaction price and our measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue on a cumulative catch-up basis in the period of modification. The amount of cumulative adjustment to revenue recorded in 2018 and 2019 as a result of contract modification was RMB122.7 million and nil respectively.

Transaction Price Allocation among Performance Obligations

We enter into contracts with product providers or underlying corporate borrowers to provide both wealth management marketing and recurring services or other services. We also provide wealth management marketing, recurring services and other services to funds that it serves as general partner/co-general partner or fund manager.

Each of the wealth management marketing service, recurring service, and other service represent a separate performance obligation. We allocate the total consideration among various performance obligations at inception of contracts based on their relative stand-alone selling price (“SSP”). We have observable SSP for its wealth management marketing services and other services for certain products as it provides such services separately to other similar customers. We have not sold its recurring services separately. We adopt either the adjusted market assessment approach or the residual approach when the SSP is not directly observable and is either highly variable or uncertain. Revenue for the respective performance obligation is recognized in the same manner as described above.

Contract Balances

We enter into contracts with customers, of which obligations are performed over a period. We record contract liabilities in deferred revenue when payments are received in advance of the performance obligations being satisfied. Certain contracts require that a portion of the payment be deferred until the end of the wealth management product’s life or other specified contingencies.

As of December 31, 2018 and 2019, total amount of deferred revenue are RMB154.9 million and RMB83.0 million (US\$11.9 million), respectively, of which RMB130.7 million and RMB 77.7 million (US\$11.2 million) estimated to be recognized within one year, RMB24.2 million and RMB 5.2 million (US\$0.8 million) over one year to two years.

Practical Expedience

We has used the following practical expedients as allowed under ASC 606:

We expense sales commissions as incurred when the amortization period is one year or less. Sales commission expenses are recorded within “Cost of Revenues” in the consolidated statements of operations.

We have also applied the practical expedient for certain revenue streams to exclude the value of remaining performance obligations for (i) contracts with an original expected term of one year or less or (ii) contracts for which we recognize revenue in proportion to the amount we have the right to invoice for services performed.

Investments in Affiliates

Affiliated companies are entities over which we do not control. Under the equity method, our share of the post-acquisition profits or losses of affiliated companies is recognized in the statements of operations and our shares of post-acquisition movements in other comprehensive income are recognized in other comprehensive income. An impairment loss is recorded when a loss in value of the investment that is other than temporary, which is recorded in loss from equity in affiliates. We consider, among other factors, general market conditions, government economic plans, business operation plan to determine whether an other-than-temporary impairment has occurred. We recorded impairment loss of nil, RMB104.1 million, and RMB2.7 million (US\$0.4 million) for the years ended December 31, 2017, 2018 and 2019, respectively. Please refer to Note 6 to Consolidated Financial Statements for our assessment on each investment in affiliates.

Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value assigned to the individual assets acquired and liabilities assumed. Goodwill is not depreciated or amortized but is tested for impairment on an annual basis as of December 31, and in between annual tests when an event occurs or circumstances change that could indicate that the asset might be impaired.

Prior to January 1, 2018, we performed a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, we compare the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, we perform Step 2 and compares the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. Starting from January 1, 2018, we early adopted ASU 2017-04. A reporting unit is identified as a component for which discrete financial information is available and is regularly reviewed by management. As we operate in a sole segment, which is value-added wealth management and asset management services, the management concluded that it had only one reporting unit, and therefore the goodwill impairment testing was performed on consolidation level. The impairment test was performed as of year-end or if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount by comparing the fair value of a reporting unit with its carrying value. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than the carrying value, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

Based on our impairment assessment review, we recorded goodwill impairment of nil, RMB267.9 million, and nil for the years ended December 31, 2017, 2018 and 2019, respectively, for the goodwill from acquisition of Scepter as the volatile market environment continued to negatively impact our operations and business outlook.

Accounts receivable and amounts due from related parties

Accounts receivable and amounts due from related parties mainly represent loan to related parties, amounts due from product providers, underlying corporate borrowers or funds managed by us and are recorded net of allowance for doubtful accounts. We consider many factors in assessing the collectability of our accounts receivable and amounts due from related parties, such as the age of the amounts due, the product providers or underlying corporate borrowers' payment history, creditworthiness, financial conditions of the product providers or underlying corporate borrowers and industry trend. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. We also make specific allowance if there is strong evidence indicating that the accounts receivable or amounts due from related parties are likely to be unrecoverable. We recorded allowance for doubtful accounts of RMB2.8 million, RMB60.4 million, and RMB59.2 million (US\$8.5 million) for the years ended December 31, 2017, 2018 and 2019, respectively.

Consolidation of Variable Interest Entity

As foreign-invested companies engaged in market survey are subject to stringent requirements compared with Chinese domestic enterprises under the current PRC laws and regulations, our PRC subsidiary, Shanghai Juxiang, and its subsidiaries, as foreign-invested companies, do not meet all such requirements and therefore none of them is permitted to engage in such business in China. Therefore, we elected to conduct such business in China through Shanghai Jupai, our variable interest entity, and its subsidiaries, which are PRC domestic companies beneficially owned by our founders. According to the Administration Measures on Securities Investment Fund Sales issued by the CSRC, last amended on February 17, 2013, and came into effect on June 1, 2013, to apply for a mutual fund sales license, the shareholders of the applicant shall meet with certain requirements, including, among others, to maintain a good track record for three consecutive financial years. According to the Draft Sales Agency Measure, the legal entity shareholders for an independent mutual fund sales agency who hold more than 5% shares shall have the minimum registered capital, capital contribution or net asset of RMB100.0 million, and shall have been profitable for the last three financial years with sound operation and internal control. In addition, there are financial condition requirements for controlling shareholder and actual controller. Shareholders who are foreign entities shall be financial institutions with financial assets management or financial investment advisory experience, and shall be in good standing. Our foreign entity shareholders do not meet the qualifications of foreign shareholders of an independent mutual fund sales agency. As a result, we entered into contractual arrangements between Shanghai Juxiang, our PRC subsidiary, and Shanghai Jupai, our PRC variable interest entity for the proposed sale of relevant mutual funds and asset management plans in China.

Since we do not have any equity interests in Shanghai Jupai, in order to exercise effective control over its operations, through Shanghai Juxiang, we have entered into a series of contractual arrangements with Shanghai Jupai and its shareholders, pursuant to which we are entitled to receive effectively all economic benefits generated from Shanghai Jupai. The call option agreements and voting rights proxy agreement provide us effective control over Shanghai Jupai and its subsidiaries, while the equity interest pledge agreement secure the equity owners' obligations under the relevant agreements. Because we have both the power to direct the activities of Shanghai Jupai that most significantly affect its economic performance and the right to receive substantially all of the benefits from Shanghai Jupai, we are deemed the primary beneficiary of Shanghai Jupai. Accordingly, we have consolidated the financial statements of Shanghai Jupai. The aforementioned contractual agreements are effective agreements between a parent and a consolidated subsidiary, neither of which is accounted for in the consolidated financial statements (i.e., a call option on subsidiary shares under the call option agreement or a guarantee of subsidiary performance under the equity interest pledge agreement) or are ultimately eliminated upon consolidation (i.e., service fees under the operating agreement and consulting service agreement).

Since we acquired Scepter Pacific in July 2015, Scepter Pacific, its subsidiaries, the VIE of Shanghai Baoyi and that VIE's subsidiaries have been included in our consolidated financial statements. Scepter Pacific is engaged in the asset management service business. Foreign-invested enterprises incorporated in China are not expressly prohibited from providing asset management services in China. However, according to local business practice, as a general partner of a fund, Scepter Pacific must invest into the fund as a general partner. Some investments of the fund managed by the Scepter Pacific are in the industries listed in the Negative List and as a result, none of the investors can be foreign-invested enterprises. Therefore, Scepter Pacific provides asset management services through its VIE and the VIE's subsidiaries. To provide Scepter Pacific effective control over, and the ability to receive substantially all of the economic benefits of, its VIE and its subsidiaries, Shanghai Baoyi entered into a series of contractual arrangements with Shanghai E-Cheng and the shareholders of Shanghai E-Cheng.

We believe that our contractual arrangements with our VIEs are in compliance with PRC law and are legally enforceable. However, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. The interests of the shareholders of our VIEs may diverge from that of our company, which may potentially increase the risk that they would seek to act contrary to the contractual terms.

We also make equity investments in entities that are considered VIEs and perform evaluation on an ongoing basis to determine whether we are the primary beneficiary of any of these investments. We have early adopted ASU 2015-02 "Amendments to the Consolidation Analysis" in the year ended December 31, 2015, which was subsequently modified by ASU 2016-17 Interests Held through Related Parties under Common Control". The new guidance among other things, (i) modifies the evaluation of whether limited partnerships and similar legal entities are VIEs, (ii) eliminated the presumption that a general partner should consolidate a limited partnership, and (iii) modifies the consolidation analysis of reporting entities that are involved with VIEs through fee arrangements and related party relationships. In adopting the new guidance, we re-evaluated the existing consolidated VIEs and non-consolidated VIEs and assessed that the adoption neither changes the conclusion of the consolidated VIEs and nor bring about new VIEs to be consolidated.

Income Taxes

Current income taxes are provided for in accordance with the relevant statutory tax laws and regulations.

We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

We recognize net deferred tax assets to the extent that we believe these assets are more likely than not to be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine that we deferred tax assets are realizable in the future in excess of our net recorded amount, we would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. According to ASU 2015-17, we recognized deferred tax assets and liabilities as non-current assets and liabilities.

As of December 31, 2019, operating loss carried forward amounted to RMB271.4 million (US\$39.0 million) for the PRC and HK income tax purposes. The loss carrying forward will begin to expire in 2020. Valuation allowance of RMB67.8 million (US\$9.7 million) was recorded as of December 31, 2019 for the entities that are not more likely than not to realize the net operating loss carry forwards and deferred tax assets.

Recently Issued and Adopted Accounting Standards

A list of recently issued accounting pronouncements that are relevant to us is included in “Summary of Principal Accounting Policies - (aa) Recently issued accounting pronouncements” of our audited consolidated financial statements included elsewhere in this annual report.

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated, both in absolute amounts and as percentages of our net revenues. This information should be read together with our consolidated financial statements and related notes included elsewhere in this annual report. The results of operations in any period are not necessarily indicative of the results that may be expected for any future period.

| | For the Years Ended December 31, | | | |
|--|----------------------------------|------------------------|----------------------|----------------------|
| | 2017 | 2018 | 2019 | |
| | RMB | RMB | RMB | US\$ |
| Revenues: | | | | |
| Third-party revenues | 479,917,547 | 335,246,612 | 387,870,253 | 55,714,076 |
| Related party revenues | 1,232,785,709 | 990,820,793 | 402,889,899 | 57,871,513 |
| Total revenues | 1,712,703,256 | 1,326,067,405 | 790,760,152 | 113,585,589 |
| Business taxes and related surcharges | (6,541,634) | (4,323,742) | (4,812,940) | (691,336) |
| Net revenues | 1,706,161,622 | 1,321,743,663 | 785,947,212 | 112,894,253 |
| Operating cost and expenses: | | | | |
| Cost of revenues | (737,507,904) | (684,558,659) | (481,746,067) | (69,198,493) |
| Selling expenses | (282,171,751) | (303,170,575) | (206,777,405) | (29,701,716) |
| General and administrative expenses | (204,052,576) | (274,782,664) | (265,527,496) | (38,140,638) |
| Impairment loss of goodwill | — | (267,917,575) | — | — |
| Other operating income — government subsidies | 41,138,443 | 48,742,897 | 31,429,802 | 4,514,609 |
| Total operating cost and expenses | (1,182,593,788) | (1,481,686,576) | (922,621,166) | (132,526,238) |
| Income (loss) from operations | 523,567,834 | (159,942,913) | (136,673,954) | (19,631,985) |
| Other income: | | | | |
| Interest income | 11,385,895 | 3,990,096 | 6,136,600 | 881,467 |
| Investment income (loss) | 10,012,216 | (292,384) | 12,627,142 | 1,813,775 |
| Gain from deconsolidation of subsidiaries | — | 561,528 | — | — |
| Exchange (loss) gain | (2,040,641) | 4,227,896 | 3,409,000 | 489,673 |
| Total other income | 19,357,470 | 8,487,136 | 22,172,742 | 3,184,915 |
| Income (loss) before taxes and loss from equity in affiliates | 542,925,304 | (151,455,777) | (114,501,212) | (16,447,070) |
| Income tax expense | (122,998,509) | (129,855,367) | (52,944,639) | (7,605,021) |
| Gain (loss) from equity in affiliates | 2,579,447 | (113,486,155) | (5,015,063) | (720,369) |
| Net income (loss) | 422,506,242 | (394,797,299) | (172,460,914) | (24,772,460) |
| Net (income) loss attributable to non-controlling interests | (13,014,063) | 7,053,281 | 7,774,839 | 1,116,786 |
| Net income (loss) attributable to ordinary shareholders | 409,492,179 | (387,744,018) | (164,686,075) | (23,655,674) |

2019 Compared to 2018

Net Revenues. Our net revenues decreased by 40.5% from RMB1.3 billion in 2018 to RMB0.8 billion (US\$0.1 billion) in 2019.

Our net revenues from one-time commissions decreased by 56.8% from RMB737.5 million in 2018 to RMB318.9 million (US\$45.8 million) in 2019, primarily attributable to a decrease in the aggregate value of wealth management products distributed.

Our net revenues from recurring service fees increased by 78.0% from RMB64.3 million in 2018 to RMB114.5 million (US\$16.5 million) in 2019 because we provided ongoing services to more products in 2019. As part of the recurring services fees, our recognized variable performance fees increased from RMB0.3 million in 2018 to RMB2.1 million (US\$0.3 million) in 2019.

Our net revenues from recurring management fees decreased by 22.2% from RMB435.5 million in 2018 to RMB338.6 million (US\$48.6 million) in 2019, which was primarily attributable to the decrease in the value of AUM in 2019 as compared with 2018. RMB61.6 million and RMB156.9 million (US\$22.5 million) carried interest was recognized as part of our recurring management fees in 2018 and 2019, respectively.

Starting from 2016, we began to earn other service fees from providing consulting services to peer firms in the asset management industry and other companies seeking for equity investments. In 2018 and 2019, we generated other services fees of RMB84.4 million and RMB13.9 million (US\$2.0 million), respectively.

Operating Costs and Expenses. Our total operating costs and expenses decreased by 37.7% from RMB1,481.7 million in 2018 to RMB922.6 million (US\$132.5 million) in 2019, primarily due to the decreases in cost of revenues and selling expenses.

- *Cost of Revenues.* Cost of revenues decreased by 29.6% from RMB684.6 million in 2018 to RMB481.7 million (US\$69.2 million) in 2019, primarily due to a reduction in performance-based compensation as a result of a decline in the aggregate value of wealth management products distributed and the cost control measures we adopted in 2019.
- *Selling Expenses.* Our selling expenses decreased by 31.8% from RMB303.2 million in 2018 to RMB206.8 million (US\$29.7 million) in 2019, primarily due to a decrease in marketing and promotion expenses.
- *General and Administrative Expenses.* Our general and administrative expenses decreased by 3.4% from RMB274.8 million in 2018 to RMB265.5 million (US\$38.1 million) in 2019, due to the cost control measures we adopted in 2019.
- *Other Operating Income — Government Subsidies.* Other operating income decreased by 35.5% from RMB48.7 million in 2018 to RMB31.4 million (US\$4.5 million) in 2019.

Other Income and Expenses. Our total other income increased from RMB8.5 million in 2018 to RMB22.2 million (US\$3.2 million) in 2019, primarily due to an increase of RMB12.9 million in investment income.

Loss from Equity in Affiliates. Our loss from equity in affiliates decreased from RMB113.5 million in 2018 to RMB5.0 million (US\$0.7 million) in 2019, which was mainly due to a decrease of impairment of investment in affiliates from RMB104.1 million in 2018 to RMB2.7 million (US\$0.4 million) in 2019.

Income Tax Expense. Our income tax expense decreased by 59.2% from RMB129.9 million in 2018 to RMB52.9 million (US\$7.6 million) in 2019, mainly due to a decrease in taxable income.

Net Loss. As a result of the above, we recorded a net loss of RMB172.5 million (US\$24.8 million) in 2019, as compared to a net loss of RMB394.8 million in 2018.

2018 Compared to 2017

Net Revenues. Our net revenues decreased by 22.5% from RMB1.7 billion in 2017 to RMB1.3 billion in 2018.

Our net revenues from one-time commissions decreased by 29.0% from RMB1,038.7 million in 2017 to RMB737.5 million in 2018, primarily attributable to a decrease in the aggregate value of wealth management products distributed.

Our net revenues from recurring service fees decreased by 38.7% from RMB105.0 million in 2017 to RMB64.3 million in 2018 because we provided ongoing services to fewer products in 2018. As part of the recurring services fees, our recognized variable performance fees decreased from RMB13.8 million in 2017 to RMB0.3 million in 2018.

Our net revenues from recurring management fees increased from RMB363.7 million in 2017 to RMB435.5 million in 2018, which was primarily attributable to the increase in the amount of moving average value of AUM in 2018 as compared with 2017. RMB81.7 million and RMB61.6 million carried interest was recognized as part of our recurring management fees in 2017 and 2018, respectively.

Starting from 2016, we began to earn other service fees from providing consulting services to peer firms in the asset management industry and other companies seeking for equity investments. In 2017 and 2018, we generated other services fees of RMB198.8 million and RMB84.4 million, respectively.

Operating Costs and Expenses. Our total operating costs and expenses increased by 25.3% from RMB1,182.6 million in 2017 to RMB1,481.7 million in 2018, as a result of an increase in our selling expenses and an increase in general and administrative expenses.

- *Cost of Revenues.* Cost of revenues decreased by 7.2% from RMB737.5 million in 2017 to RMB684.6 million in 2018, primarily due to a reduction in performance-based compensation as a result of a decline in the aggregate value of wealth management products distributed.
- *Selling Expenses.* Our selling expenses increased by 7.4% from RMB282.2 million in 2017 to RMB303.2 million in 2018, primarily due to an increase in marketing expenses.
- *General and Administrative Expenses.* Our general and administrative expenses increased by 34.7% from RMB204.1 million in 2017 to RMB274.8 million in 2018, mainly due to allowance for doubtful accounts of RMB59.2 million and the increase of payroll expenses in 2018.
- *Impairment loss of goodwill.* We recorded impairment loss of goodwill of RMB267.9 million in 2018, which was in connection with our acquisition of Scepter in 2015.
- *Other Operating Income — Government Subsidies.* Other operating income increased by 18.5% from RMB41.1 million in 2017 to RMB48.7 million in 2018.

Other Income and Expenses. Our total other income decreased substantially from RMB19.4 million in 2017 to RMB8.5 million in 2018 primarily due to a decrease of RMB7.4million in interest income.

Gain (Loss) from Equity in Affiliates. We recorded loss from equity in affiliates of RMB113.5 million in 2018, which was mainly due to impairment of investment in affiliates of RMB104.1 million.

Income Tax Expense. Our income tax expense increased by 5.6% from RMB123.0 million in 2017 to RMB129.9 million in 2018, mainly due to RMB84.1 million valuation allowance recorded as deferred tax assets in 2018.

Net Income (Loss). As a result of the above, we recorded a net loss of RMB394.8 million in 2018, as compared to a net income of RMB422.5 million in 2017.

B. *Liquidity and Capital Resources*

Prior to the completion of our initial public offering, we financed our operations primarily through cash generated from our operating activities and the proceeds from the private placement of our preferred shares. Our principal uses of cash for the years ended December 31, 2017, 2018 and 2019 were for operating, financing and investing activities. As of December 31, 2019, we had RMB0.7 billion (US\$0.1 billion) in cash, cash equivalents and restricted cash. Approximately 85.1% of our cash, cash equivalent and restricted cash as of December 31, 2019 was held in China, more than 59.1% of which was held by our VIEs and their respective subsidiaries denominated in Renminbi. As of December 31, 2019, we did not have any outstanding bank loans. We believe that our current cash and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs, including our cash needs for at least the next 12 months. We may, however, need additional capital in the future due to unanticipated business conditions or other future developments, including any investments or acquisitions we may decide to pursue. If, in the future, our existing cash is insufficient to meet our requirements, we may sell additional equity securities, debt securities or borrow from banks.

Although we consolidate the results of our consolidated entities, we only have access to the assets or earnings of our consolidated entities through our contractual arrangements with our VIEs. See “Item 4. Information of the Company—A. History and Development of the Company.” For restrictions and limitations on liquidity and capital resources as a result of our corporate structure, see “—Holding Company Structure.” In addition, we would need to accrue and pay withholding taxes if we were to distribute funds from our subsidiaries in China to our offshore subsidiaries. We do not intend to repatriate such funds in the foreseeable future, as we plan to use existing cash balance in China for general corporate purposes.

Under PRC laws and regulations, we are permitted to provide funding to our PRC subsidiary only through loans or capital contributions and to our consolidated entities only through loans, subject to applicable government registration and approval requirements. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries or VIEs when needed. See “Item 3. Key Information—D. Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to, and direct investment in, PRC entities by offshore holding companies and governmental control of currency conversion may restrict or prevent us from using the proceeds of our initial public offering to make loans to our PRC subsidiaries and consolidated entities or to make additional capital contributions to our PRC subsidiaries, which may materially and adversely affect our liquidity and our ability to fund and expand our business.” Notwithstanding the foregoing, our PRC subsidiaries may use their own retained earnings (as opposed to Renminbi converted from foreign currency denominated capital) to provide financial support to our VIEs either through entrustment loans or direct loans to its shareholders in compliance with applicable laws and regulations, who then contribute the loans to the VIEs through contractual arrangements as capital injection similar to the shareholder loan structure as under the VIE structure with respect to Shanghai E-Cheng. See “Item 4. Information on the Company—C. Organizational Structure.”

The following table sets forth a summary of our cash flows for the periods indicated:

| | For the Years Ended December 31, | | | |
|--|----------------------------------|---------------|---------------|--------------|
| | 2017 | 2018 | 2019 | |
| | RMB | RMB | RMB | US\$ |
| Summary of Statement of Cash Flow Data | | | | |
| Net cash provided by (used in) operating activities | 617,527,056 | (67,721,633) | (213,255,822) | (30,632,282) |
| Net cash provided by (used in) investing activities | (74,041,982) | (40,881,690) | (365,663,454) | (52,524,267) |
| Net cash (used in) provided by financing activities | (121,147,657) | (121,429,521) | 29,636 | 4,257 |
| Effect of exchange rate changes | (17,726,303) | 4,820,616 | (11,369,704) | (1,633,158) |
| Net increase (decrease) in cash, cash equivalent and restricted cash | 404,611,114 | (225,212,228) | (590,259,344) | (84,785,450) |
| Cash, cash equivalents and restricted cash — beginning of the year | 1,123,166,156 | 1,527,777,270 | 1,302,565,042 | 187,101,761 |
| Cash, cash equivalents and restricted cash — end of the year | 1,527,777,270 | 1,302,565,042 | 712,305,698 | 102,316,311 |

Operating Activities

Net cash used in operating activities in 2019 was RMB213.3 million (US\$30.6 million), primarily attributable to a net loss of RMB172.5 million (US\$24.8 million) and a net decrease of RMB134.9 million (US\$19.3 million) due to change in working capital, partially offset by non-cash items of RMB94.1 million (US\$13.5 million). The change in working capital was primarily attributable to a decrease in income tax payable of RMB144.7 million (US\$20.8 million) and a decline of RMB71.6 million (US\$10.3 million) in deferred revenue in aggregate, partially offset by an increase of RMB96.2 million (US\$13.8 million) in deferred tax assets.

Net cash used in operating activities in 2018 was RMB67.7 million, primarily attributable to a net loss of RMB394.8 million and a net decrease of RMB168.4 million due to change in working capital, partially offset by non-cash items of RMB495.5 million. The non-cash items increased significantly compared to prior years, which is mainly due to goodwill impairment of RMB267.9 million and loss from equity in affiliates of RMB113.5 million in 2018. The change in working capital was primarily attributable to a decrease in deferred revenue of RMB104.1 million, a decrease in payroll payable of RMB96.1 million and partially offset by an increase in income tax payable of RMB48.7 million. The decrease in deferred revenue was primarily due to lower inflows of AUM in 2018. The decrease in payroll payable was mainly due to less bonus accrued in 2018.

Net cash provided by operating activities in 2017 was RMB617.5 million, primarily attributable to a net income of RMB422.5 million, non-cash items of RMB64.4 million, and a net increase of RMB130.6 million due to change in working capital. The net increase due to change in working capital was primarily attributable to an increase in payroll accrual and welfare expenses of RMB110.9 million, a decrease in accounts receivables and other receivables in aggregate of RMB47.5 million, an increase in income tax payable and other tax payable in aggregate of RMB40.2 million, and an increase in other current liabilities of RMB45.4 million, partially set off by an increase in amounts due from related parties of RMB105.0 million.

Investing Activities

Net cash used in investing activities in 2019 was RMB365.7 million (US\$52.5 million). Our investments consist primarily of purchases of property, plant, equipment, loan to related parties and investments, which, in the aggregate, accounted for cash out-flow of RMB472.2 million (US\$67.8 million), partially offset by proceeds from investments and loan collection of RMB106.5 million (US\$15.3 million).

Net cash used in investing activities in 2018 was RMB40.9 million. Our investments consist primarily of purchases of property, plant, equipment, loan to related parties and investments in affiliates, which, in the aggregate, accounted for cash out-flow of RMB891.2 million, partially offset by proceeds from investments and loan collection of RMB850.3 million.

Net cash used in investing activities in 2017 was RMB74.0 million. Our investments consist primarily of purchases of property, plant, equipment, investment in held-to-maturity investment and investments in affiliates, which, in the aggregate, accounted for cash out-flow of RMB573.8 million, partially offset by proceeds from investments of RMB499.8 million.

Financing Activities

Net cash provided by financing activities in 2019 was RMB29.6 thousand (US\$4.3 thousand), primarily attributable to the option exercise.

Net cash provided by financing activities in 2018 was RMB121.4 million, primarily attributable to the dividend paid by us.

Net cash used in financing activities in 2017 was RMB121.1 million, primarily attributable to the dividend paid by us.

Capital Expenditures

Our capital expenditures were RMB39.1 million, RMB9.3 million and RMB13.2 million (US\$1.9 million) in 2017, 2018 and 2019, respectively. We currently do not have any commitment for capital expenditures or other cash requirements other than those in our ordinary course of business.

Holding Company Structure

Jupai is a holding company with no material operations of its own. We conduct our operations primarily through our wholly owned subsidiaries and consolidated entities in China. As a result, our ability to pay dividends depends upon dividends paid by our wholly owned subsidiaries. If our wholly owned subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our wholly owned subsidiaries are permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC law, our wholly owned PRC subsidiaries and each of our consolidated entities is required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of its registered capital. Although the statutory reserves can be used, among other ways, to increase the registered capital and eliminate future losses in excess of retained earnings of the respective companies, the reserve funds are not distributable as cash dividends except in the event of liquidation. Remittance of dividends by a wholly foreign-owned company out of China is subject to examination by the banks designated by the SAFE. We currently plan to reinvest all earnings from our PRC subsidiaries to their business developments and do not plan to request dividend distributions from them.

C. Research and Development, Patents and Licenses, Etc.

See “Item 4. Information On the Company—B. Business Overview—Intellectual Property.”

D. Trend Information

Other than as disclosed elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events since January 1, 2020 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that caused the disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Off-balance Sheet Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. In addition, we have not entered into any derivative contracts that are indexed to our own shares and classified as equity, or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. Moreover, we do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or research and development services with us.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2019:

| | Total | Less than 1 year | Payment Due by Period | | |
|--|--------------------|-------------------|-----------------------|----------------|-------------------|
| | | | 1-3 years | 3-5 years | More than 5 years |
| | | | (RMB) | | |
| Operating leases | 68,535,512 | 36,892,048 | 31,104,742 | 538,722 | — |
| Other long term liabilities ⁽¹⁾ | 53,546,000 | 53,546,000 | — | — | — |
| Total | 122,081,512 | 90,438,048 | 31,104,742 | 538,722 | — |

(1) Represents our obligations to provide capital injections to certain equity method investees.

For additional information, please see the notes to our consolidated financial statements included elsewhere in this annual report.

G. *Safe Harbor*

See “Forward-Looking Statements” on page 3 of this annual report.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. *Directors and Senior Management*

The following table sets forth information regarding our executive officers and directors as of the date of this annual report.

| Name | Age | Position/Title |
|--------------|------------|--|
| Jianda Ni | 57 | Chairman of the Board of Directors and Chief Executive Officer |
| Xin Zhou | 52 | Director |
| Guoping Yang | 64 | Independent Director |
| Bang Zhang | 52 | Independent Director |
| Hongchao Zhu | 60 | Independent Director |
| Min Liu | 46 | Chief Financial Officer |
| Linda Wong | 56 | Chief Operating Officer |

Mr. Jianda Ni has served as our chairman of the board since April 2015, and as our chief executive officer since May 2017 and previously from April 2015 to February 2017. Prior to joining our company, he served as the Chairman of Shanghai Industrial Holdings Limited, or SIHL, from July 2010, an executive director of SIHL from February 2014 and an executive director of Shanghai Industrial Investment (Holdings) Co., Ltd. from November 2013. Prior to July 2010, he was a deputy chief executive officer of SIHL. In the past, Mr. Ni also served as a director and president of Shanghai Urban Development and the general manager of Shanghai Xuhui Real Estate Management Co., Ltd., the deputy general manager of Shanghai Urban Development and the general manager of the real estate department of China Huayuan Group Ltd. Mr. Ni received a bachelor’s degree from Shanghai University and a master’s degree in business administration from La Trobe University of Australia.

Mr. Xin Zhou has served as our director since July 2015. Mr. Zhou previously served as our director from May 2014 to April 2015. Mr. Zhou has over 25 years of experience in China’s real estate industry. Mr. Zhou served as E-House’s chief executive officer from 2003 to 2009, and has been serving as E-House’s chief executive officer again since April 2012. Mr. Zhou has served as executive chairman of Leju Holdings Limited (NYSE: LEJU), a subsidiary of E-House and a NYSE-listed company, since its inception. Mr. Zhou has been the executive director and chairman of E-House (China) Enterprise Holdings Limited (SEHK: 2048), an affiliate of E-House, since February 2010. Mr. Zhou also served as co-chairman and chief executive officer of E-House’s subsidiary, China Real Estate Information Corporation, from 2009 to April 2012. Mr. Zhou currently serves as vice chairman of China Real Estate Association, director of The Nature Conservancy China, vice chairman of China Real Estate Developers and Investors Association and chairman of Real Estate Service Committee of China Real Estate Association. He is also a rotating chairman of Shanghai Entrepreneur Association. Mr. Zhou received his bachelor’s degree from Shanghai Industrial University in China.

Mr. Guoping Yang has served as our independent director since July 2015. Mr. Yang has served as the chairman of the board and the general manager of Dazhong Transportation (Group) Co., Ltd. and the chairman of the board of Shanghai Dazhong Public Utilities (Group) Co., Ltd. From October 1988. Mr. Yang has also served as the chairman of the board of Shanghai Jiao Da Onlly Co., Ltd from May 2011 and Shanghai Dazhong Gas Co., Ltd. from September 2001. He was the vice-chairman of the board from May 2012 to May 2015 and an independent director from May 2014 at Shenzhen Capital Group Co., Ltd. Mr. Yang is a director at Shanghai Jiaoyun Group Co., Ltd., Nanjing Public Utilities Development Co., Ltd. and Shanghai Songz Automobile Air Conditioning Co., Ltd., and an independent director at Shanghai Shentong Metro Group Co., Ltd. and Bright Real Estate Group Co., Ltd. Mr. Yang received his master's degree in business administration from Shanghai Jiao Tong University in 1997.

Mr. Bang Zhang has served as our independent director since July 2015. Mr. Zhang has served as an independent director of ChinaCache International Holdings Limited (Nasdaq: CCIH) since August 2017 and an independent director of E-House (China) Enterprise Holdings Limited (SEHK: 2048) since July 2018. He has served as the chief corporate officer at Octave Institute from 2018. He had served as the chief financial officer at DG Group from 2016 to 2018 and the chief financial officer at Golden Jaguar from 2013 to 2015. Prior to that, Mr. Zhang was the chief financial officer and a senior vice president at Mecox Lane Limited (NASDAQ: MCOX) from 2009 to 2013. He held various management positions at McDonald's China from 1994 to 2009. From 1983 to 1993, he worked at Jiangsu Suzhou Textile Ornament Corporation, Suzhou Capsugel Ltd. and Heinz UFE Ltd. Mr. Zhang holds the Chartered Global Management Accountant qualification and is a fellow member of Chartered Institution of Management Accountants. Mr. Zhang received his master's degree in business administration from Jinan University in 2001.

Mr. Hongchao Zhu has served as our independent director since July 2015. Mr. Zhu has served as an independent director of E-House (China) Holdings Limited since August 2007. Mr. Zhu is a partner of Shanghai United Law Firm and has been practicing with Shanghai United Law Firm since 1986. Mr. Zhu is now an arbitrator of China International Economic and Trade Arbitration Commission, Shanghai International Arbitration Center and Shanghai Arbitration Commission. Mr. Zhu is one of the vice presidents of Procedural Law Research Association of Shanghai Law Society. Mr. Zhu is also a mediator of Shanghai Commercial Mediation Center. Mr. Zhu received his master's and bachelor's degrees in law from Fudan University in China.

Ms. *Min Liu* has been our chief financial officer since September 2014. Ms. Liu served as our director from May 2014 to July 2015. Prior to joining our company, Ms. Liu was a head of Shanghai region at the department of Consumer Bank China in DBS Bank from February 2010 to March 2014. From September 2008 to February 2010, Ms. Liu served as a relationship manager at Credit Suisse, Singapore Branch. Ms. Liu received a bachelor's degree in accounting from Shanghai LiXin Accounting College in 1997 and a master's degree in business administration from Shanghai Tongji University and École Nationale des Ponts et Chaussées in France in 2005.

Ms. *Linda Wong* has been our chief operating officer since January 2019. Prior to becoming our chief operating officer, Ms. Wong served as our independent director since July 2015. Ms. Wong has over 25 years of experience in the banking business. In the recent five years, Ms. Wong primarily worked as the management and consultant of internet finance companies. Ms. Wong has served as the CEO and consultant at Neo Internet Financial Services (Shenzhen) since 2017. Prior to that, she served as the CEO in charge of the internet finance business at Evergrande Group from September 2015 to June 30, 2016. From July 2012 to August 2015, she served as the chairman and CEO of PingAn Pay, a subsidiary of PingAn Insurance Group. Prior to that, Ms. Wong held leadership positions with DBS, ABN AMRO, Citibank and Standard Chartered Bank. Ms. Wong holds an International Investment Advisory Certificate. She received her bachelor's degree in computing science and statistics from University of Guelph, Canada and a diploma in business management from Henley on Thames, UK in 1999.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Under these agreements, each of our executive officers is employed for a specified time period. We may terminate employment for cause, at any time, without advance notice or remuneration, for certain acts of the executive officer, such as conviction or plea of guilty to a felony or any crime involving moral turpitude, negligent or dishonest acts to our detriment, or misconduct or a failure to perform agreed duties. We may also terminate an executive officer's employment without cause upon 60-day advance written notice. In such case of termination by us, we will provide severance payments to the executive officer as expressly required by applicable law of the jurisdiction where the executive officer is based. The executive officer may resign at any time with a one-month advance written notice.

Each executive officer has agreed to hold, both during and after the termination or expiry of his or her employment agreement, in strict confidence and not to use, except as required in the performance of his or her duties in connection with the employment or pursuant to applicable law, any of our confidential information or trade secrets, any confidential information or trade secrets of our clients or prospective clients, or the confidential or proprietary information of any third party received by us and for which we have confidential obligations. The executive officers have also agreed to disclose in confidence to us all inventions, designs and trade secrets which they conceive, develop or reduce to practice during the executive officer's employment with us and to assign all right, title and interest in them to us, and assist us in obtaining and enforcing patents, copyrights and other legal rights for these inventions, designs and trade secrets.

In addition, each executive officer has agreed to be bound by non-competition and non-solicitation restrictions during the term of his or her employment and typically for one year following the last date of employment. Specifically, each executive officer has agreed not to (i) approach our suppliers, clients, customers or contacts or other persons or entities introduced to the executive officer in his or her capacity as a representative of us for the purpose of doing business with such persons or entities that will harm our business relationships with these persons or entities; (ii) assume employment with or provide services to any of our competitors, or engage, whether as principal, partner, licensor or otherwise, any of our competitors, without our express consent; or (iii) seek directly or indirectly, to solicit the services of any of our employees who is employed by us on or after the date of the executive officer's termination, or in the year preceding such termination, without our express consent.

We have entered into indemnification agreements with each of our directors and executive officers. Under these agreements, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being a director or officer of our company.

B. Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2019, we paid an aggregate of approximately RMB12.3 million (US\$1.8 million) in cash to our executive officers, and approximately RMB0.9 million (US\$0.1 million) to our non-executive directors. We have not set aside or accrued any amount to provide pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiaries and consolidated entities are required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund.

Share Incentive Plan

Our Share Incentive Plan permits the grant of three types of awards: options, restricted shares and restricted share units. The maximum number of our shares that may be issued pursuant to all awards under the plan is 26,938,020 ordinary shares, subject to automatic increases of 5% of the then total outstanding shares on an as-converted fully diluted basis on each of the third, sixth and ninth anniversaries of July 1, 2014.

As of March 31, 2020, options to acquire a total of 15,642,600 ordinary shares and 8,928,548 restricted shares have been granted and options to acquire 8,993,283 ordinary shares and 633,744 restricted shares are outstanding under our Share Incentive Plan, including the outstanding options grants made by Scepter Pacific that we assumed upon our acquisition of Scepter Pacific. The following paragraphs summarize the terms of the Share Incentive Plan:

Plan Administration. Our board of directors, or a committee designated by our board or directors, will administer the plan. The committee or the full board of directors, as appropriate, will determine the provisions and terms and conditions of each option grant.

Award Agreements. Options and other awards granted under the plan are evidenced by an award agreement that sets forth the terms, conditions and limitations for each grant. In addition, the award agreement may also provide that securities granted are subject to a 180-day lock-up period following the effective date of a registration statement filed by us under the Securities Act, if so requested by us or any representative of the underwriters in connection with any registration of the offering of any of our securities. The exercise price of granted options may be amended or adjusted in the absolute discretion of our board of directors, or a committee designated by our board of directors, without the approval of our shareholders or the recipients of the options.

Eligibility. We may grant awards to employees, directors and consultants of our company or any of our related entities, which include our subsidiaries or any entities in which we hold a substantial ownership interest.

Acceleration of Awards upon Corporate Transactions. The outstanding awards will terminate and accelerate upon occurrence of a change-of-control corporate transaction where the successor entity does not assume our outstanding awards under the plan. In such event, each outstanding award will become fully vested and immediately exercisable, and the transfer restrictions on the awards will be released and the repurchase or forfeiture rights will terminate immediately before the date of the change-of-control transaction provided that the grantee's continuous service with us shall not be terminated before that date.

Term of the Options. The term of each option grant shall be stated in the award agreement, provided that the term shall not exceed 10 years from the date of the grant.

Vesting Schedule. In general, our board of directors, or a committee designated by our board of directors, determines, or the award agreement specifies, the vesting schedule.

Transfer Restrictions. Awards may not be transferred in any manner by the recipient other than by will or the laws of succession and incentive share options may be exercised during the lifetime of the optionee only by the optionee.

Termination of the Plan. Unless terminated earlier, the plan will terminate automatically in 2024. Our board of directors has the authority to amend or terminate the plan subject to shareholder approval to the extent necessary to comply with applicable law. However, no such action may impair the rights of any award recipient unless agreed by the recipient.

The following table summarizes, as of March 31, 2020, the options and restricted shares granted under our Share Incentive Plan to several of our directors and executive officers, excluding awards that were forfeited or cancelled after the relevant grant dates.

| Name | Ordinary Shares Underlying Options /Restricted Shares Awarded | | Exercise Price (US\$/Share) | Date of Grant | Date of Expiration |
|--------------|--|------|--------------------------------|------------------|-----------------------|
| Jianda Ni | * | US\$ | 1.00 | 21-Apr-15 | 1-Apr-25 |
| Jianda Ni | * | | — | 26-Aug-15 | 25-Aug-25 |
| Xin Zhou | * | US\$ | 0.66 | 16-Jul-15 | 7-Aug-24 |
| Min Liu | * | US\$ | 0.48 | 1-Jul-14 | 30-Jun-24 |
| Min Liu | * | | — | 27-Feb-17 | 26-Feb-27 |
| Bang Zhang | * | | — | 26-Aug-15 | 25-Aug-25 |
| Guoping Yang | * | | — | 26-Aug-15 | 25-Aug-25 |
| Hongchao Zhu | * | | — | 26-Aug-15 | 25-Aug-25 |
| Hongchao Zhu | * | US\$ | 0.66 | 16-Jul-15 | 7-Aug-24 |
| Linda Wong | * | | — | 26-Aug-15 | 25-Aug-25 |
| Linda Wong | * | | — | 04-Jan-19 | 04-Jan-29 |
| Total | 5,397,084 | | | | |

* Less than 1% of our total outstanding share capital.

As of March 31, 2020, other employees as a group held options/restricted shares to purchase 4,229,943 ordinary shares of our company, with the exercise prices ranging from nil to US\$1.1 per ordinary share.

C. *Board Practices*

Our board of directors consists of five directors. A director is not required to hold any shares in our company to qualify to serve as a director. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company shall declare the nature of his interest at a meeting of the directors. A general notice given to the directors by any director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration. The directors may exercise all the powers of our company to borrow money, and to mortgage or charge our undertaking, property and uncalled capital or any part thereof, and to issue debentures, debenture stock or other securities whenever money is borrowed or as security for any debt, liability or obligation of our company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of service.

Committees of the Board of Directors

We have three committees under the board of directors: an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of the three committees. Each committee's members and functions are described below.

Audit Committee. Our audit committee currently consists of Bang Zhang, Hongchao Zhu and Guoping Yang. Bang Zhang is the chairperson of our audit committee. We have determined that Bang Zhang, Hongchao Zhu and Guoping Yang satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the NYSE and Rule 10A-3 under the Securities Exchange Act of 1934. The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- appointing the independent auditors and pre-approving all auditing and non-auditing services permitted to be performed by the independent auditors;
- reviewing with the independent auditors any audit problems or difficulties and management’s response;
- discussing the annual audited financial statements with management and the independent auditors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposures;
- reviewing and approving all proposed related party transactions;
- meeting separately and periodically with management and the independent auditors; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Compensation Committee. Our compensation committee consists of Guoping Yang, Xin Zhou and Hongchao Zhu. Guoping Yang is the chairperson of our compensation committee. We have determined that Guoping Yang and Hongchao Zhu satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the NYSE. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated. The compensation committee is responsible for, among other things:

- reviewing and approving, or recommending to the board for its approval, the compensation for our chief executive officer and other executive officers;
- reviewing and recommending to the board for determination with respect to the compensation of our non-employee directors;
- reviewing periodically and approving any incentive compensation or equity plans, programs or similar arrangements; and
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person’s independence from management.

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee consists of Hongchao Zhu and Guoping Yang. Hongchao Zhu is the chairperson of our nominating and corporate governance committee. Hongchao Zhu and Guoping Yang satisfy the “independence” requirements of Section 303A of the Corporate Governance Rules of the NYSE. The nominating and corporate governance committee assists the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- selecting and recommending to the board nominees for election by the shareholders or appointment by the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and advising the board periodically with regards to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to the board on all matters of corporate governance and on any remedial action to be taken.

Duties of Directors

Under Cayman Islands law, our directors own fiduciary duties to act honestly, in good faith and with a view to our best interests. Our directors also owe to our company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time, and the class rights vested thereunder in the holders of the shares. Our company has the right to seek damages if a duty owed by our directors is breached.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders’ annual and extraordinary general meetings;
- declaring dividends and distributions;
- appointing officers and determining the term of office of the officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares in our company, including the registration of such shares in our share register.

Terms of Directors and Officers

Our officers are elected by and serve at the discretion of our board of directors. Our directors are not subject to a term of office and hold office until such time as they resign by notice in writing to our company, or are removed from office by ordinary resolution of our shareholders. A director will also be removed from office if, among other things, the director (i) dies, becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind; or (iii) is removed from office pursuant to any other provision of our memorandum and articles of association.

D. Employees

We had 2,520, 1,926 and 911 employees as of December 31, 2017, 2018 and 2019, respectively. The following table sets forth the number of our employees by function as of December 31, 2019:

| Functional Area | Number of Employees | %⁽¹⁾ of Total |
|--|----------------------------|---------------------------------|
| Wealth Management | 609 | 67% |
| Product Sourcing, Monitoring and Development | 154 | 17% |
| Marketing | 27 | 3% |
| Management and Administration | 121 | 13% |
| Total | 911 | 100% |

(1) The sum of the following percentages does not necessarily equal 100% due to rounding.

As required by PRC regulations, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension, unemployment insurance, childbirth insurance, work-related injury insurance, medical insurance and housing insurance. We are required under PRC law to contribute to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by local governments from time to time.

We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes. We strive to promote our service-oriented company culture and provide regular in-house education and training sessions regarding the products we distribute and our services to our employees, including the management team and employees in our various service sectors, to help them better service our clients.

E. Share Ownership

The following table sets forth information with respect to the beneficial ownership of our ordinary shares as of March 31, 2020 by:

- each of our directors and executive officers; and
- each person known to us to own beneficially more than 5% of our total outstanding shares.

The calculations in the table below are based on 202,285,906 ordinary shares outstanding as of March 31, 2020, excluding 8,626,458 ordinary shares issued to our depository bank for bulk issuance of ADSs reserved under our Share Incentive Plan.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person. Ordinary shares held by a shareholder are determined in accordance with our register of members.

| | Ordinary Shares Beneficially Owned | |
|--|------------------------------------|------------|
| | Number | Percentage |
| Directors and Executive Officers:** | | |
| Jianda Ni ⁽¹⁾ | 26,596,794 | 13.1% |
| Xin Zhou ⁽²⁾ | 43,884,591 | 21.7% |
| Guoping Yang ⁽³⁾ | * | *% |
| Bang Zhang ⁽⁴⁾ | * | *% |
| Hongchao Zhu ⁽⁵⁾ | * | *% |
| Min Liu | 3,314,928 | 1.6% |
| Linda Wong | * | *% |
| All Directors and Executive Officers as a Group | 74,906,517 | 36.6% |
| Principal Shareholders: | | |
| E-House (China) Holdings Limited ⁽²⁾⁽⁶⁾ | 43,809,591 | 21.7% |
| Tianxiang Hu ⁽⁷⁾ | 32,773,912 | 15.9% |
| SINA Corporation ⁽⁸⁾ | 21,798,340 | 10.8% |
| UBS ⁽⁹⁾ | 19,941,030 | 9.9% |
| High-Gold Worldwide Limited ⁽¹⁾⁽¹⁰⁾ | 19,853,538 | 9.8% |

Notes:

- † For each person and group included in this column, percentage ownership is calculated by dividing the number of ordinary shares beneficially owned by such person or group by the sum of the total number of ordinary shares outstanding, which is 202,285,906 and the number of ordinary shares such person or group has the right to acquire upon exercise of the share options or warrants within 60 days of March 31, 2020.
- * Less than 1% of our total outstanding ordinary shares.
- ** Except where otherwise disclosed in the footnotes below, the business address of all the directors and officers is Global Creative Center, T2, 15/F, No 166 Ming Hong Road, Minhang District, Shanghai, People's Republic of China.
- (1) Represents (i) 19,853,538 ordinary shares held by High-Gold Worldwide Limited, a British Virgin Islands company wholly owned and controlled by Mr. Jianda Ni, as reported in a Schedule 13D/A jointly filed by Mr. Jianda Ni, High-Gold Worldwide Limited, Fortune Altas Holdings Limited and Eaglepass Asia Limited on September 26, 2019, (ii) 4,232,856 ordinary shares held by Eaglepass Asia Limited, a British Virgin Islands company wholly owned and controlled by Mr. Jianda Ni, as reported in a Schedule 13D/A jointly filed by Mr. Jianda Ni, High-Gold Worldwide Limited, Fortune Altas Holdings Limited, and Eaglepass Asia Limited on September 26, 2019, (iii) 750,000 ordinary shares held by Eaglepass Asia Limited based on its additional purchase after the filing of aforementioned Schedule 13D/A on September 26, 2019, (iv) 760,400 ordinary shares held by Mr. Ni, and (v) 1,000,000 ordinary shares that were issuable upon exercise of options exercisable within 60 days after March 31, 2020.
- (2) Represents (i) 75,000 ordinary shares issuable to Mr. Xin Zhou upon exercise of options shares within 60 days after March 31, 2020, and (ii) 43,809,591 ordinary shares held by E-House (China) Holdings Limited, which is a wholly owned subsidiary of E-House Holdings Ltd. as reported in a Schedule 13D/A filed by Mr. Xin Zhou and E-House Holdings Ltd. on March 26, 2018. As of March 23, 2018, Mr. Xin Zhou beneficially owned 100% of the shares of E-House Holdings and is the sole director of E-House Holdings. Pursuant to Section 13(d) of the Act and the rules promulgated thereunder, Mr. Zhou may be deemed to beneficially own all of the ordinary shares of the Issuer indirectly held by E-House Holdings Ltd. through its wholly-owned subsidiaries. The business address of Mr. Zhou is 11/F, Yinli Building, No. 383 Guangyan Road, Shanghai, People's Republic of China.
- (3) The business address of Mr. Guoping Yang is 22/F, 1515 Zhongshan Road West, Shanghai, People's Republic of China.
- (4) The business address of Mr. Bang Zhang is 7/F, 3162 Yan'an Road West, Shanghai, People's Republic of China.
- (5) The business address of Mr. Hongchao Zhu is 17/F, Bund Center, 222 East Yan'an Road, Shanghai, 200002, China.
- (6) Represents 43,809,591 ordinary shares held by E-House (China) Holdings Limited, which is a wholly owned subsidiary of E-House Holdings Ltd. as reported in a Schedule 13D/A filed by Mr. Xin Zhou and E-House Holdings Ltd. on March 26, 2018. The business address of E-House (China) Holdings Limited is 11/F, Yinli Building, No. 383 Guangyan Road, Shanghai, People's Republic of China.
- (7) Represents (i) 27,740,074 ordinary shares held by Mr. Tianxiang Hu, as reported in a Schedule 13G/A filed by Mr. Hu on February 14, 2017, (ii) 138,393 ADSs held by Mr. Tianxiang Hu, and (iii) 4,203,480 ordinary shares that were issuable upon exercise of options exercisable within 60 days after March 31, 2020.
- (8) Represents 21,798,340 ordinary shares held by SINA Corporation as last reported in a Schedule 13G filed by SINA Corporation and SINA Hong Kong Limited on February 5, 2016. The business address of SINA Corporation is 20F Ideal Plaza, No. 58 Bei Si Huan Xi Road, Beijing, 100080, China.
- (9) Represents 19,941,030 ordinary shares held by UBS Asset Management Americas Inc as last reported in a Schedule 13F-HR filed by UBS on February 14, 2020. The business address of UBS Asset Management Americas Inc is One North Wacker Drive, Chicago IL 60606, US.
- (10) Represents 19,853,538 ordinary shares held by High-Gold Worldwide Limited, a British Virgin Islands company wholly owned and controlled by Mr. Jianda Ni, as reported in a Schedule 13D/A jointly filed by Mr. Jianda Ni, High-Gold Worldwide Limited, Fortune Altas Holdings Limited, and Eaglepass Asia Limited on September 26, 2019. The business address of High-Gold Worldwide Limited is Global Creative Center, T2, 15/F, No 166 Ming Hong Road, Minhang District, Shanghai, People's Republic of China.

None of our existing shareholders have different voting rights from other shareholders. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

As of March 31, 2020, we had 202,285,906 ordinary shares outstanding, excluding 8,626,458 ordinary shares issued to our depository bank for bulk issuance of ADSs reserved under our Share Incentive Plan. To our knowledge, we had only one record shareholder in the United States. JPMorgan Chase Bank, N.A., which is the depository of our ADS program, held approximately 54% of our total outstanding ordinary shares. The number of beneficial owners of our ADSs in the United States is likely to be much larger than the number of record holders of our ordinary shares in the United States.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

Please refer to “Item 6. Directors, Senior Management and Employees—E. Share Ownership.”

B. Related Party Transactions

Contractual Arrangements with Our Variable Interest Entity and Its Shareholders

For a description of our contractual arrangements with Shanghai Jupai, Shanghai E-Cheng and their respective shareholders, see “Item 4. Information on the Company—C. Organizational Structure.”

Shareholders Agreements

In connection with our series B financing, we entered into an investors’ rights agreement with our shareholders and relevant parties therein in May 2014. Pursuant to the investors’ rights agreement, holders of our registrable shares are entitled to registration rights, including demand registration rights, Form F-3 registration rights and piggyback registration rights.

Employment Agreements and Indemnification Agreements

See “Item 6. Directors, Senior Management and Employees—A. Directors and Senior Management—Employment Agreements and Indemnification Agreements.”

Share Incentive Plan

See “Item 6. Directors, Senior Management and Employees—B. Compensation of Directors and Executive Officers—Share Incentive Plan.”

Revenues from Related Parties

We provided management services to 36 funds in 2019. In 2019, we generated revenues from one-time commission fee in a total amount of RMB60.7 million (US\$8.7 million), and recurring management fee in a total amount of RMB340.7 million (US\$48.9 million) (including carried interest of RMB156.9 million (US\$22.5 million)). As of December 31, 2019, we had RMB65.9 million (US\$9.5 million) unpaid service fees due from these funds and had RMB47.0 million (US\$6.7 million) prepaid services fees from these funds recorded as deferred revenues.

Amount due to Related Parties

As of December 31, 2019, we had RMB19.4 million (US\$2.8 million) due to related parties, which mainly represents investment proceeds that we collect on behalf of certain funds managed by us.

Amount due from Related Parties

As of December 31, 2019, we had RMB324.3 million (US\$46.6 million) due from related parties, which mainly consists of funds managed by us, loans to related parties and loans to a non-controlling interests shareholder of us.

C. Interests of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal and Administrative Proceedings

We are subject to legal proceedings, investigations and claims incidental to the conduct of our business from time to time. We are not currently a party to, nor are we aware of, any legal proceeding, investigation or claim which, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition, results of operations, liquidity or cash flows.

Dividend Policy

On March 12, 2018, we declared cash dividends in an aggregate amount of approximately US\$20.0 million (being US\$0.1 per ordinary share) to our shareholders. Holders of our ADSs were entitled to cash dividend of US\$0.6 per ADS. The cash dividend was paid in May 2018.

Currently we have no definitive plan to declare and pay any dividends on our shares or ADSs in the foreseeable future. We currently intend to retain all of our available funds and any future earnings to operate and expand our business. We are a holding company incorporated in the Cayman Islands. PRC regulations may restrict the abilities of our PRC subsidiaries to pay dividend to us. We rely on dividends from our subsidiaries in China. Current PRC regulations permit our subsidiaries to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our subsidiaries in China is required to set aside a certain amount of its accumulated after-tax profits each year, if any, to fund certain statutory reserves. These reserves may not be distributed as cash dividends. Further, if our subsidiaries in China incur debt on their own behalf, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us.

Our board of directors has discretion on whether to distribute dividends, subject to our memorandum and articles of association and certain restrictions under Cayman Islands law, namely that our company may only pay dividends out of profits or share premium account, and provided always that in no circumstances may a dividend be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business. Our board of directors intends on paying dividends only to the extent cash is available in the offshore entities. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant.

B. Significant Changes

We have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offering and Listing Details

Market Price Information for our American Depositary Shares

Our ADSs, each representing six of our ordinary shares, have been listed on the NYSE since July 16, 2015. Our ADSs trade under the symbol “JP.”

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs, each representing six of our ordinary shares, have been listed on the NYSE since July 16, 2015 under the symbol “JP.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

The following are summaries of material provisions of our fourth amended and restated memorandum and articles of association, as well as the Companies Law (2020 Revision) insofar as they relate to the material terms of our ordinary shares.

Registered Office and Objects

Our registered office in the Cayman Islands is located at the offices of Maples Corporate Services Limited at PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands. The objects for which our company is established are unrestricted and we have full power and authority to carry out any object not prohibited by the Companies Law (2020 Revision) or as the same may be revised from time to time, or any other law of the Cayman Islands.

Board of Directors

See “Item 6. Directors, Senior Management and Employees—C. Board Practices—Board of Directors.”

Ordinary Shares

Objects of Our Company. Under our currently effective memorandum and articles of association, the objects of our company are unrestricted and we have the full power and authority to carry out any object not prohibited by the law of the Cayman Islands.

Ordinary Shares. Our ordinary shares are issued in registered form and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our share premium account, and provided further that a dividend may not be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights. Voting at any shareholders’ meeting is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one or more shareholders who together hold not less than 10% of the voting share capital of our company present in person or by proxy.

A quorum required for a meeting of shareholders consists of one or more shareholders present and holding not less than a majority of all voting share capital of our company in issue. Shareholders may be present in person or by proxy or, if the shareholder is a legal entity, by its duly authorized representative. Shareholders' meetings may be convened by our board of directors on its own initiative or upon a request to the directors by shareholders holding not less than ten percent of the issued share capital of our company that carries the right to vote at general meetings. Advance notice of at least seven calendar days is required for the convening of our annual general shareholders' meeting and any other general shareholders' meeting.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast at a meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Law and our currently effective memorandum and articles of association. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution.

Transfer of Ordinary Shares. Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- a fee of such maximum sum as the NYSE may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice requirement of the NYSE, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year.

Liquidation. On a winding up of our company, if the assets available for distribution among our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus will be distributed among our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them. We are a “limited liability” company registered under the Companies Law, and under the Companies Law, the liability of our members is limited to the amount, if any, unpaid on the shares respectively held by them. Our memorandum of association contains a declaration that the liability of our members is so limited.

Calls on Shares and Forfeiture of Shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Ordinary Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our memorandum and articles of association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company’s profits or out of the proceeds of a fresh issue of or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. The rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series) may be varied or abrogated with the consent in writing of the holders of not less than two-thirds of the issued shares of that class or series or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class or series. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking in priority thereto or *pari passu* with such existing class of shares.

Issuance of Additional Shares. Our currently effective memorandum and articles of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares, without the need for any further approval or authorization from our shareholders.

Our currently effective memorandum and articles of association also authorizes our board of directors, without the need for any further approval or authorization from our shareholders, to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preferred shares without the need for any further approval or authorization from, or other action by, our shareholders to the extent of available authorized but unissued shares. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Inspection of Books and Records. Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See “Where You Can Find Additional Information.”

Anti-Takeover Provisions. Some provisions of our currently effective memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

General Meetings of Shareholders and Shareholder Proposals. Our shareholders’ general meetings may be held in such place within or outside the Cayman Islands as our board of directors considers appropriate.

As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders' annual general meetings. Our currently effective memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting.

Shareholders' annual general meetings and any other general meetings of our shareholders may be convened by a majority of our board of directors. Our board of directors shall give not less than seven calendar days' written notice of a shareholders' meeting to those persons whose names appear as members in our register of members on the date the notice is given (or on any other date determined by our directors to be the record date for such meeting) and who are entitled to vote at the meeting.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our currently effective memorandum and articles of association allow our shareholders holding not less than ten percent of the issued share capital of our company that carries the right to vote at general meetings, to requisition an extraordinary general meeting of our shareholders, in which case our directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our currently effective memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Exempted Company. We are an exempted company incorporated with limited liability under the Companies Law. The Companies Law distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

Register of Members. Under Cayman Islands law, we must keep a register of members and there should be entered therein:

- the names and addresses of the members, together with a statement of the shares held by each member, which statement shall confirm (i) the amount paid or agreed to be considered as paid, on the shares of each member, (ii) the number and category of shares held by each member and (iii) whether each relevant category of shares held by a member carries voting rights under the articles of association, and if so, whether such voting rights are conditional;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members is deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Cayman Islands Grand Court for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

C. Material Contracts

We have not entered into any material contracts other than in the ordinary course of business and other than those described in “Item 4. Information on the Company” or elsewhere in this annual report on Form 20-F.

D. Exchange Controls

See “Item 4. Information on the Company—B. Business Overview—Regulation—Regulations on Foreign Currency Exchange.”

E. Taxation

The following summary of the material Cayman Islands, People's Republic of China and United States federal income tax consequences of an investment in our ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of March 31, 2020, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in our ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not a party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

People's Republic of China Taxation

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of China with a "de facto management body" within China is considered a resident enterprise and will be subject to the enterprise income tax at the rate of 25% on its global income. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation's general position on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in China; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and (iv) at least 50% of voting board members or senior executives habitually reside in China.

We believe that Jupai Holdings Limited is not a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body".

However, if the PRC tax authorities determine that Jupai Holdings Limited is a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are non-resident enterprises, including the holders of our ADSs. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax on dividends or gains obtained by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends or gains, it would generally apply at a rate of 20% unless a reduced rate is available under an applicable tax treaty. However, it is also unclear whether non-PRC shareholders of Jupai Holdings Limited would be able to claim the benefits of any tax treaties between their country of tax residence and China in the event that Jupai Holdings Limited is treated as a PRC resident enterprise.

Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our subsidiaries established in Hong Kong are subject up to 16.5% progressive income tax on their taxable income generated from operations in Hong Kong. Under the Hong Kong tax laws, we are exempt from the Hong Kong income tax on our foreign-derived income. In addition, payments of dividends from our Hong Kong subsidiaries to us are not subject to any Hong Kong withholding tax.

United States Federal Income Taxation

The following discussion is a summary of United States federal income tax considerations relating to the ownership and disposition of our ADSs or ordinary shares by a U.S. Holder (as defined below) that holds our ADSs as “capital assets” (generally, property held for investment) under the United States Internal Revenue Code of 1986, as amended, or the Code. This discussion is based upon existing United States federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. No ruling has been sought from the Internal Revenue Service, or the IRS, with respect to any United States federal income tax consequences described below, and there can be no assurance that the IRS or a court will not take a contrary position. This discussion does not discuss all aspects of United States federal income taxation that may be important to particular investors in light of their individual investment circumstances, including investors subject to special tax rules (including for example, banks and other financial institutions, insurance companies, pension plans, cooperatives, regulated investment companies, real estate investment trusts, broker-dealers, traders in securities that elect mark-to-market treatment, certain former U.S. citizens or long-term residents, tax-exempt organizations (including private foundations), persons liable for alternative minimum tax, partnerships or other entities taxable as partnerships for U.S. federal income tax purposes, or persons holding their ADSs or ordinary shares through such entities, holders who are not U.S. Holders, holders who own (directly, indirectly or constructively) 10% or more of our stock (by vote or value), holders who acquire their ADSs or ordinary shares pursuant to any employee share option or otherwise as compensation, investors that will hold their ADSs or ordinary shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for United States federal income tax purposes, investors required to accelerate the recognition of any item of gross income with respect to our ADSs or ordinary shares as a result of such income being recognized on an applicable financial statement, or investors that have a functional currency other than the United States dollar, all of whom may be subject to tax rules that differ significantly from those discussed below). This discussion, moreover, does not address the U.S. federal estate and gift tax or alternative minimum tax consequences of the acquisition or ownership of our ADSs or ordinary shares or the Medicare tax on net investment income. Each U.S. Holder is urged to consult its tax advisor regarding the United States federal, state, local and non-United States income and other tax considerations applicable to the ownership and disposition of our ADSs or ordinary shares.

General

For purposes of this discussion, a “U.S. Holder” is a beneficial owner of our ADSs or ordinary shares that is, for United States federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for United States federal income tax purposes) created in, or organized under the law of, the United States or any state thereof or the District of Columbia, (iii) an estate the income of which is includible in gross income for United States federal income tax purposes regardless of its source, or (iv) a trust (A) the administration of which is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust or (B) that has otherwise validly elected to be treated as a United States person under the Code.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) is a beneficial owner of our ADSs or ordinary shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. Partnerships holding our ADSs or ordinary shares and their partners are urged to consult their tax advisors regarding an investment in our ADSs or ordinary shares.

For United States federal income tax purposes, it is generally expected that a U.S. Holder of ADSs will be treated as the beneficial owner of the underlying shares represented by the ADSs. The remainder of this discussion assumes that a U.S. Holder of our ADSs will be treated in this manner. Accordingly, deposits or withdrawals of ordinary shares for ADSs will generally not be subject to United States federal income tax.

Passive Foreign Investment Company Considerations

A non-United States corporation, such as our company, will be classified as a PFIC, for United States federal income tax purposes for any taxable year, if either (i) 75% or more of its gross income for such year consists of certain types of “passive” income or (ii) 50% or more of the fair market value of its assets (generally determined on the basis of a quarterly average) during such year produce or are held for the production of passive income. For this purpose, cash and assets readily convertible into cash are categorized as a passive asset and the company’s goodwill and other unbooked intangibles associated with active business activities may generally be classified as active assets. Passive income generally includes, among other things, dividends, interest, rents, royalties, and gains from the disposition of passive assets. We will be treated as owning a proportionate share of the assets and earning a proportionate share of the income of any other corporation in which we own, directly or indirectly, 25% or more (by value) of the stock.

Based on the market price of our ADSs and the composition of assets (in particular, the retention of a large amount of cash), we believe that we were a PFIC for United States federal income tax purposes for the taxable year ended December 31, 2019, and we will likely be classified as a PFIC for our current taxable year ending December 31, 2020 unless the market price of our ADSs increases and /or we invest a substantial amount of the cash and other passive assets we hold in assets that produce or are held for the production of non-passive income. If we are classified as a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares.

If we are a PFIC for any year during which a U.S. Holder holds our ADSs or ordinary shares, we generally would continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares even if we cease to meet the threshold requirements for PFIC status, unless a U.S. Holder makes a taxable “deemed sale” election that may allow the U.S. Holder to eliminate the continuing PFIC status under certain circumstances.

The United States federal income tax rules that apply if we are treated as a PFIC are generally discussed below under “Passive Foreign Investment Company Rules.”

Dividends

Subject to the discussion below under “Passive Foreign Investment Company Rules,” any cash distributions (including the amount of any PRC tax withheld) paid on our ADSs or ordinary shares out of our current or accumulated earnings and profits, as determined under United States federal income tax principles, will generally be includible in the gross income of a U.S. Holder as dividend income on the day actually or constructively received by the U.S. Holder, in the case of ordinary shares, or by the depository, in the case of ADSs. Because we do not intend to determine our earnings and profits on the basis of United States federal income tax principles, any distribution we pay will generally be treated as a “dividend” for United States federal income tax purposes. A non-corporate U.S. Holder will be subject to tax on dividend income from a “qualified foreign corporation” at a lower applicable capital gains rate rather than the marginal tax rates generally applicable to ordinary income provided that certain holding period requirements are met. A non-United States corporation (other than a corporation that is classified as a PFIC for the taxable year in which the dividend is paid or the preceding taxable year) will generally be considered to be a qualified foreign corporation (i) if it is eligible for the benefits of a comprehensive tax treaty with the United States which the Secretary of Treasury of the United States determines is satisfactory for purposes of this provision and which includes an exchange of information program, or (ii) with respect to any dividend it pays on stock (or ADSs in respect of such stock) which is readily tradable on an established securities market in the United States. Our ADSs are listed on the NYSE, which is an established securities market in the United States and our ADSs are readily tradable. Thus, we believe that dividends we pay on our ADSs meet the conditions required for the reduced tax rates. Since we do not expect that our ordinary shares will be listed on an established securities market, it is unclear whether dividends that we pay on our ordinary shares that are not represented by ADSs will meet the conditions required for the reduced tax rate. There can be no assurance that our ADSs will continue to be considered readily tradable on an established securities market in later years. Furthermore, as mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2019, and we will very likely be classified as a PFIC for our current taxable year ending December 31, 2020. U.S. Holders are urged to consult their tax advisors regarding the availability of the reduced tax rate on dividends with respect to our ADSs or ordinary shares in their particular circumstances. Dividends received on our ADSs or ordinary shares will not be eligible for the dividends received deduction allowed to corporations.

In the event that we are deemed to be a PRC resident enterprise under the PRC Enterprise Income Tax Law, a U.S. Holder may be subject to PRC withholding taxes on dividends paid on our ADSs or ordinary shares. We may, however, be eligible for the benefits of the United States-PRC income tax treaty. If we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by the ADSs, would be eligible for the reduced rates of taxation described in the preceding paragraph.

Dividends will generally be treated as income from foreign sources for United States foreign tax credit purposes and will generally constitute passive category income. Depending on the U.S. Holder's individual facts and circumstances, a U.S. Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit not in excess of any applicable treaty rate in respect of any foreign withholding taxes imposed on dividends received on our ADSs or ordinary shares. A U.S. Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction, for United States federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes. The rules governing the foreign tax credit are complex and their outcome depends in large part on the U.S. Holder's individual facts and circumstances. Accordingly, U.S. Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances.

Sale or Other Disposition of ADSs or Ordinary Shares

Subject to the discussion below under "Passive Foreign Investment Company Rules," a U.S. Holder will generally recognize capital gain or loss upon the sale or other disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder's adjusted tax basis in such ADSs or ordinary shares. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year and will generally be United States source gain or loss for United States foreign tax credit purposes. Long-term capital gains of non-corporate taxpayers are currently eligible for reduced rates taxation. In the event that gain from the disposition of the ADSs or ordinary shares is subject to tax in China, such gain may be treated as PRC source gain under the United States-PRC income tax treaty. The deductibility of a capital loss may be subject to limitations. U.S. Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

As mentioned above, we believe that we were a PFIC for the taxable year ended December 31, 2019, and we will likely be classified as a PFIC for our current taxable year ending December 31, 2020. If we are classified as a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares, and unless the U.S. Holder makes a mark-to-market election (as described below), the U.S. Holder will generally be subject to special tax rules that have a penalizing effect, regardless of whether we remain a PFIC, on (i) any excess distribution that we make to the U.S. Holder (which generally means any distribution paid during a taxable year to a U.S. Holder that is greater than 125 percent of the average annual distributions paid in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for the ADSs or ordinary shares), and (ii) any gain realized on the sale or other disposition, including a pledge, of ADSs or ordinary shares. Under the PFIC rules:

- the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the ADSs or ordinary shares;
- the amount allocated to the current taxable year and any taxable years in the U.S. Holder's holding period prior to the first taxable year in which we are classified as a PFIC (each, a "pre-PFIC year"), will be taxable as ordinary income;
- the amount allocated to each prior taxable year, other than a pre-PFIC year, will be subject to tax at the highest tax rate in effect for individuals or corporations, as appropriate, for that year; and
- the interest charge generally applicable to underpayments of tax will be imposed on the tax attributable to each prior taxable year, other than a pre-PFIC year.

If we are a PFIC for any taxable year during which a U.S. Holder holds our ADSs or ordinary shares and any of our subsidiaries is also a PFIC, such U.S. Holder would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. U.S. Holders are urged to consult their tax advisors regarding the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a U.S. Holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to such stock, provided that such stock is "regularly traded" within the meaning of applicable United States Treasury regulations on a national securities exchange that is registered with the SEC. For those purposes, our ADSs, but not our ordinary shares, are listed on the NYSE, which is an established securities exchange in the United States. We anticipate that our ADSs should qualify as being regularly traded, but no assurances may be given in this regard. If a U.S. Holder makes this election, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs and (ii) deduct as an ordinary loss the excess, if any, of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. The U.S. Holder's adjusted tax basis in the ADSs would be adjusted to reflect any income or loss resulting from the mark-to-market election. If a U.S. Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the holder will not be required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a U.S. Holder makes a mark-to-market election, any gain such U.S. Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election. Because a mark-to-market election technically cannot be made for any lower-tier PFICs that we may own, a U.S. Holder may continue to be subject to the PFIC rules with respect to such U.S. Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for United States federal income tax purposes.

We do not intend to provide information necessary for U.S. Holders to make qualified electing fund elections which, if available, would result in tax treatment different from (and generally less adverse than) the general tax treatment for PFICs described above.

If a U.S. Holder owns our ADSs or ordinary shares during any taxable year that we are a PFIC, the holder must generally file an annual IRS Form 8621 or such other form as is required by the United States Treasury Department. Each U.S. Holder is urged to consult its tax advisor concerning the United States federal income tax consequences of purchasing, holding and disposing ADSs or ordinary shares if we are or become treated as a PFIC, including the possibility of making a mark-to-market election, the “deemed sale” and “deemed dividend” elections and the unavailability of the election to treat us as a qualified electing fund.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F no later than four months after the close of each fiscal year. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549.

The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

We will furnish JPMorgan Chase Bank, N.A., the depository of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depository will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depository from us.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We generated interest income of approximately RMB11.4 million, RMB4.0 million and RMB6.1 million (US\$0.9 million) in 2017, 2018 and 2019, respectively. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income may fall short of expectations due to changes in market interest rates.

We had cash, cash equivalents and restricted cash of RMB712.3 million (US\$102.3 million) as of December 31, 2019, and interest income of RMB6.1 million (US\$0.9 million) for the year ended December 31, 2019 primarily derived from our cash, cash equivalents and restricted cash.

Foreign Exchange Risk

Substantially all of our revenues and expenses are denominated in RMB. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk. Although our exposure to foreign exchange risks should be limited in general, the value of your investment in our ADSs will be affected by the exchange rate between U.S. dollar and Renminbi because the value of our business is effectively denominated in RMB, while our ADSs will be traded in U.S. dollars.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the People's Bank of China. The Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between Renminbi and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the RMB amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

Inflation

To date, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2017, 2018 and 2019 were increases of 1.8%, 1.9% and 4.5%, respectively. Although we have not been materially affected by inflation in the past, we can provide no assurance that we will not be affected by higher rates of inflation in China in the future.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, US\$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

- a fee of US\$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of up to US\$0.05 per ADS for any cash distribution made pursuant to the deposit agreement;

- a fee of up to US\$0.05 per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- a fee for the reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of its agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the US\$0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;
- in connection with the conversion of foreign currency into U.S. dollars, JPMorgan Chase Bank, N.A. shall deduct out of such foreign currency the fees, expenses and other charges charged by it and/or its agent (which may be a division, branch or affiliate) so appointed in connection with such conversion; and
- fees of any division, branch or affiliate of the depositary utilized by the depositary to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement.

JPMorgan Chase Bank, N.A. and/or its agent may act as principal for such conversion of foreign currency.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

Fees and Other Payments Made by the Depositary to Us

The depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program upon such terms and conditions as we and the depositary may agree from time to time. The depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the depositary may agree from time to time.

PART II.

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information—B. Memorandum and Articles of Association—Ordinary Shares” for a description of the rights of securities holders, which remain unchanged.

Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1, as amended (File Number 333-204950), in relation to our initial public offering, which became effective on July 15, 2015. We received net proceeds of approximately RMB270.2 million from our initial public offering. For the period from July 15, 2015 to December 31, 2019, we used these net proceeds as follows:

- Approximately RMB6.5 million to set up new client centers and expand our coverage network, including hiring additional wealth management product advisors and client managers;
- Approximately RMB3.3 million to fund capital expenditures in new office buildings, infrastructure and enhanced information technology system for operational needs; and
- Approximately RMB260.4 million for general corporate purposes, including funding potential acquisitions of complementary business.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our chief executive officer and our chief financial officer, we carried out an evaluation of the effectiveness of our disclosure controls and procedures, which is defined in Rules 13a-15(e) of the Exchange Act, as of December 31, 2019. Based upon that evaluation, our management, with the participation of our chief executive officer and chief financial officer, has concluded that, as of the end of the period covered by this annual report, our disclosure controls and procedures were effective in ensuring that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of our company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with U.S. GAAP, and that receipts and expenditures of our company are being made only in accordance with authorizations of our management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of the unauthorized acquisition, use or disposition of our company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risks that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and related rules as promulgated by the Securities and Exchange Commission, our management including our Chief Executive Officer and Chief Financial Officer assessed the effectiveness of internal control over financial reporting as of December 31, 2019 using the criteria set forth in the report "Internal Control—Integrated Framework (2013)" published by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2019.

Changes in Internal Control

Other than described above, there were no changes in our internal controls over financial reporting that occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Bang Zhang, who is a member of our audit committee and independent directors (under the standards set forth in Section 303A of the Corporate Governance Rules of the NYSE and Rule 10A-3 under the Securities Exchange Act of 1934), is audit committee financial expert.

ITEM 16B. CODE OF ETHICS

Our board of directors adopted a code of business conduct and ethics that applies to our directors, officers and employees in July 2015. We have posted a copy of our code of business conduct and ethics on our website at <http://ir.jpinvestment.com>.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Deloitte Touche Tohmatsu Certified Public Accountants LLP and B F Borgers CPA PC. Audit fees for B F Borgers CPA PC is RMB2.6 million in 2019. We did not pay any other fees to our auditors during the periods indicated below.

| | For the Years Ended December 31, | |
|---------------------------|---|-------------|
| | 2018 | 2019 |
| | (in thousands of RMB) | |
| Audit fees ⁽¹⁾ | 6,818 | 6,036 |
| Other service fee | — | — |

(1) “Audit fees” means the aggregate fees billed for professional services rendered by our principal auditors for the audit of our annual financial statements and the review of our comparative interim financial statements.

The policy of our audit committee is to pre-approve all audit and other service provided by Deloitte Touche Tohmatsu Certified Public Accountants LLP as described above, other than those for de minimis services which are approved by the Audit Committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

None.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On February 26, 2020, our board of directors authorized a share repurchase program whereby our company was authorized to repurchase its own ordinary shares in the form of ADSs with an aggregate value of up to US\$10 million during the next 24-month period (the “Share Repurchase Program”). The share repurchases may be effected on the open market at prevailing market prices, depending on a number of factors, including, but not limited to, share price, trading volume and general market conditions, along with our company’s working capital requirements, general business conditions, as well as other factors. The share repurchases will be carried out in a manner in compliance with Rule 10b-18 and/or Rule 10b5-1 under the U.S. Securities Exchange Act of 1934, as amended, so as to qualify for the safe harbor provided therein.

The following table summarizes the details of the repurchases made in accordance with the Share Repurchase Program as of April 20, 2020.

| Period | Total number of ADSs purchased | Average price paid per ADS | Total number of ADSs purchased as part of the publicly announced plan | Approximate dollar value of ADSs that may yet be purchased under the plan |
|---------------|---------------------------------------|-----------------------------------|--|--|
| March 2020 | 85,993 | \$ 1.0139 | 85,993 | \$ 9,912,810.63 |
| April 2020 | 162,299 | \$ 1.0410 | 162,299 | \$ 9,743,852.34 |
| Total | 248,292 | — | 248,292 | — |

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

We engaged Deloitte Touche Tohmatsu Certified Public Accountants LLP, or Deloitte, in the audit of our consolidated financial statements for the fiscal years ended December 31 between 2012 and 2018.

Deloitte’s reports on the financial statements for the years ended December 31 between 2012 and 2018 have contained no adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles. During Deloitte’s engagement and up to the interim period before auditor change, there had been no disagreements between Deloitte and us on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, and there had been no “reportable events” as defined under Item 16F(a)(1)(v) of Form 20-F that would require disclosure.

We provided a copy of this disclosure to Deloitte and requested that Deloitte furnish us with a letter addressed to the SEC stating whether it agrees with the statements made above, and if not, stating the respects in which it does not agree. A copy of Deloitte’s letter dated April 24, 2020 is attached herewith as Exhibit 16.1.

On February 14, 2020, we decided to engage B F Borgers CPA PC or Borgers, as our independent auditor to audit our consolidated financial statements for the year ended December 31, 2019. The change of independent auditor was approved by our board of directors and our audit committee.

During our two most recent fiscal years, and any subsequent interim period prior to the engagement of Borgers on February 14, 2020, neither we nor any person on our behalf consulted with Borgers regarding either (i) the application of accounting principles to a specific completed or contemplated transaction, or the type of audit opinion that might be rendered on our financial statements and no written or oral advice was provided by Borgers was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue, or (ii) any matter that was the subject of a disagreement or reportable event as defined in the Form 20-F.

ITEM 16G. CORPORATE GOVERNANCE

Section 303A.08 of the NYSE Listing Company Manual requires a NYSE-listed company to obtain its shareholders’ approval when an equity compensation arrangement is established or materially amended. Section 303A.00 of the NYSE Listing Company Manual permits a foreign private issuer like our company to follow home country practice in certain corporate governance matters. Pursuant to board approval obtained on December 21, 2015, we approved an amendment to our 2014 Plan. Our Cayman Islands counsel has provided a letter to NYSE dated December 28, 2015 certifying that under Cayman Islands law, we are not required to obtain shareholders’ approval for the adoption of or revision to an equity incentive plan. NYSE has acknowledged the receipt of such letter and our home country practice with respect to approval for the amendment of our 2014 Plan. In February 2016, we adopted the Share Incentive Plan without seeking shareholders’ approval. We have also elected to follow home country practice in lieu of the requirements of the NYSE Listing Company Manual that each of our compensation committee and nominating and corporate governance committee of the board be composed of independent directors.

Other than the home country practices described above, we are not aware of any significant ways in which our corporate governance practices differ from those followed by U.S. domestic companies under the NYSE Rules.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III.**ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of Jupai Holdings Limited are included at the end of this annual report.

ITEM 19. EXHIBITS

| Exhibit Number | Description of Document |
|-----------------------|--|
| 1.1 | The Fourth Amended and Restated Memorandum and Articles of Association of the Registrant, effective July 21, 2015 (incorporated herein by reference to Exhibit 3.2 to the Form F-1/A filed on July 7, 2015 (File No.333-204950)) |
| 2.1 | Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3) (incorporated herein by reference to Exhibit 4.3 to the Form F-1/A filed on July 7, 2015 (File No.333-204950)) |
| 2.2 | Registrant's Specimen Certificate for Ordinary Shares (incorporated herein by reference to Exhibit 4.2 to the Form F-1/A filed on July 7, 2015 (File No.333-204950)) |
| 2.3 | Form of Deposit Agreement, among the Registrant, the depository and holder of the American Depositary Receipts (incorporated herein by reference to Exhibit 4.3 to the Form F-1/A filed on July 7, 2015 (File No.333-204950)) |
| 2.4 | Investor's Rights Agreement by and among the Registrant and its subsidiaries, Shanghai Jupai, the ordinary shareholders and the preferred shareholders of the Registrant and other parties therein, dated as of May 22, 2014 (incorporated herein by reference to Exhibit 4.4 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 2.5 | Right of First Refusal and Co-Sale Agreement by and among the Registrant and its subsidiaries, Shanghai Jupai, the ordinary shareholders and the preferred shareholders of the Registrant and other parties therein, dated as of May 22, 2014 (incorporated herein by reference to Exhibit 4.10 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 2.6 | Share Purchase Agreement by and among the Registrant, Jupai Holding Inc., Mr. Tianxiang Hu and E-House (China) Real Estate Asset Management Ltd., dated as of August 22, 2014 (incorporated herein by reference to Exhibit 4.11 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 2.7* | Description of Securities |
| 4.1 | Share Incentive Plan (incorporated herein by reference to Exhibit 10.1 to Form S-8 filed on March 4, 2016 (File No.333-209924)) |
| 4.2 | Form of Indemnification Agreement between the Registrant and its directors and executive officers (incorporated herein by reference to Exhibit 10.2 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |

| <u>Exhibit Number</u> | <u>Description of Document</u> |
|-----------------------|--|
| 4.3 | Form of Employment Agreement between the Registrant and its executive officers (incorporated herein by reference to Exhibit 10.3 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 4.4 | Amended and Restated Operating Agreement by and among Shanghai Juxiang, Shanghai Jupai and its shareholders, dated January 8, 2014 (incorporated herein by reference to Exhibit 10.4 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 4.5 | Amended and Restated Consulting Services Agreement by and between Shanghai Juxiang and Shanghai Jupai, dated January 8, 2014 (incorporated herein by reference to Exhibit 10.5 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 4.6 | Amended and Restated Call Option Agreement by and among Shanghai Juxiang, Shanghai Jupai and each of its shareholders, dated January 8, 2014 (incorporated herein by reference to Exhibit 10.6 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 4.7 | Amended and Restated Voting Rights Proxy agreement by and among Shanghai Juxiang and each shareholder of Shanghai Jupai, dated January 8, 2014 (incorporated herein by reference to Exhibit 10.7 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 4.8 | Amended and Restated Equity Pledge Agreement by and among Shanghai Juxiang, Shanghai Jupai and each of its shareholders, dated October 9, 2014 (incorporated herein by reference to Exhibit 10.8 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 4.9 | Amendment to Agreements by and among Shanghai Juxiang, Shanghai Jupai and each of its shareholders, dated October 9, 2014 (incorporated herein by reference to Exhibit 10.9 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 4.10 | English translation of Exclusive Support Agreement by and between Shanghai Baoyi and Shanghai E-Cheng, dated May 14, 2014 (incorporated herein by reference to Exhibit 10.10 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 4.11 | English translation of Loan Agreement by and among Shanghai Baoyi, Shanghai E-Cheng, Zuyu Ding and Weijie Ma, dated April 28, 2014 (incorporated herein by reference to Exhibit 10.11 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 4.12 | English translation of Exclusive Call Option Agreement by and among Shanghai Baoyi, Shanghai E-Cheng, Zuyu Ding and Weijie Ma, dated May 4, 2014 (incorporated herein by reference to Exhibit 10.12 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 4.13 | English translation of Shareholder Voting Rights Proxy Agreement by and among Shanghai Baoyi, Zuyu Ding and Weijie Ma, dated May 4, 2014 (incorporated herein by reference to Exhibit 10.13 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 4.14 | English translation of Equity Pledge Agreement by and among Shanghai Baoyi, Shanghai E-Cheng, Zuyu Ding and Weijie Ma, dated May 4, 2014 (incorporated herein by reference to Exhibit 10.14 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |
| 4.15 | Share Purchase Agreement, by and among the Registrant, Scepter Pacific Limited, E-House (China) Capital Investment Management Ltd. and Reckon Capital Limited, dated April 3, 2015 (incorporated herein by reference to Exhibit 10.15 to the Form F-1 filed on June 15, 2015 (File No.333-204950)) |

Table of Contents

| <u>Exhibit Number</u> | <u>Description of Document</u> |
|-----------------------|--|
| 4.16 | <u>Share Subscription Agreement, between Julius Baer Investment Ltd. and the Registrant, dated as of December 28, 2015 (incorporated herein by reference to Exhibit 4.16 to the Form 20-F filed on April 22, 2016 (File No.001-37485))</u> |
| 4.17 | <u>Subscription Agreement, by and between the Registrant and SINA Hong Kong Limited, dated as of December 30, 2015 (incorporated herein by reference to Exhibit 4.17 to the Form 20-F filed on April 22, 2016 (File No.001-37485))</u> |
| 4.18 | <u>English translation of Termination Agreement by and among Shanghai Baoyi, Shanghai E-Cheng, Zuyu Ding and Weijie Ma, dated March 13, 2017 (incorporated herein by reference to Exhibit 4.18 to the Form 20-F filed on April 12, 2018 (File No.001-37485))</u> |
| 4.19 | <u>English translation of Loan Agreement by and among Shanghai Baoyi, Qimin Wu and Tianxiang Hu, dated March 13, 2017 (incorporated herein by reference to Exhibit 4.19 to the Form 20-F filed on April 12, 2018 (File No.001-37485))</u> |
| 4.20 | <u>English translation of Exclusive Call Option Agreement by and among Shanghai Baoyi, Shanghai E-Cheng, Qimin Wu and Tianxiang Hu, dated March 13, 2017 (incorporated herein by reference to Exhibit 4.20 to the Form 20-F filed on April 12, 2018 (File No.001-37485))</u> |
| 4.21 | <u>English translation of Shareholder Voting Rights Proxy Agreement by and among Shanghai Baoyi, Qimin Wu and Tianxiang Hu, dated March 13, 2017 (incorporated herein by reference to Exhibit 4.21 to the Form 20-F filed on April 12, 2018 (File No.001-37485))</u> |
| 4.22 | <u>English translation of Equity Pledge Agreement by and among Shanghai Baoyi, Shanghai E-Cheng, Qimin Wu and Tianxiang Hu, dated March 13, 2017 (incorporated herein by reference to Exhibit 4.22 to the Form 20-F filed on April 12, 2018 (File No.001-37485))</u> |
| 4.23 | <u>Equity Transfer Agreement between Hu Tian Xiang and Ni Jian Da dated July 15, 2018 (incorporated herein by reference to Exhibit 4.23 to the Form 20-F filed on April 26, 2019 (File No.001-37485))</u> |
| 4.24 | <u>Joinder Agreement in relation to Operating Agreement entered into by Shanghai Juxiang, Shanghai Jupai and Ni Jian Da dated July 15, 2018 (incorporated herein by reference to Exhibit 4.24 to the Form 20-F filed on April 26, 2019 (File No.001-37485))</u> |
| 4.25 | <u>Joinder Agreement in relation to Call Option Agreement entered into by Shanghai Juxiang, Shanghai Jupai and Ni Jian Da dated July 15, 2018 (incorporated herein by reference to Exhibit 4.25 to the Form 20-F filed on April 26, 2019 (File No.001-37485))</u> |
| 4.26 | <u>Joinder Agreement in relation to Equity Pledge Agreement entered into by Shanghai Juxiang, Shanghai Jupai and Ni Jian Da dated July 15, 2018 (incorporated herein by reference to Exhibit 4.26 to the Form 20-F filed on April 26, 2019 (File No.001-37485))</u> |
| 4.27 | <u>Joinder Agreement in relation to Voting Rights Proxy Agreement entered into by Shanghai Juxiang, Shanghai Jupai and Ni Jian Da dated July 15, 2018 (incorporated herein by reference to Exhibit 4.27 to the Form 20-F filed on April 26, 2019 (File No.001-37485))</u> |
| 8.1* | <u>List of significant subsidiaries and consolidated entities</u> |
| 11.1 | <u>Code of Business Conduct and Ethics of the Registrant (incorporated herein by reference to Exhibit 99.1 to the Form F-1 filed on June 15, 2015 (File No.333-204950))</u> |

[Table of Contents](#)

| Exhibit Number | Description of Document |
|-----------------------|---|
| 12.1* | CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 12.2* | CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 |
| 13.1** | CEO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 13.2** | CFO Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 15.1* | Consent of Yuan Tai Law Offices |
| 15.2* | Consent of B F Borgers CPA PC |
| 15.3* | Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP |
| 16.1* | Letter from Deloitte Touche Tohmatsu Certified Public Accountants LLP to the Securities and Exchange Commission, dated April 24, 2020 |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Scheme Document |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |

* Filed with this Annual Report on Form 20-F.

** Furnished with this Annual Report on Form 20-F.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

JUPAI HOLDINGS LIMITED

By: /s/ Jianda Ni

Name: Jianda Ni

Title: Chairman of the Board of

Directors and Chief Executive Officer

Date: April 24, 2020

Jupai Holdings Limited

Index to Consolidated Financial Statements

For the Years Ended December 31, 2017, 2018 and 2019

| | |
|---|-----------|
| Report of Independent Registered Public Accounting Firm | F-2 — 3 |
| Consolidated Balance Sheets as of December 31, 2018 and 2019 | F-4 |
| Consolidated Statements of Operations for the Years Ended December 31, 2017, 2018 and 2019 | F-5 |
| Consolidated Statements of Comprehensive Income (Loss) for the Years Ended December 31, 2017, 2018 and 2019 | F-6 |
| Consolidated Statements of Changes in Equity for the Years Ended December 31, 2017, 2018 and 2019 | F-7 |
| Consolidated Statements of Cash Flows for the Years Ended December 31, 2017, 2018 and 2019 | F-8 — 9 |
| Notes to Consolidated Financial Statements | F-10 — 38 |
| Additional Information — Financial Statement Schedule I | F-39 — 42 |

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of

Jupai Holdings Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Jupai Holdings Limited, its subsidiaries, variable interest entities and subsidiaries of variable interest entities (the “Group”) as of December 31, 2018, the related consolidated statements of operations, comprehensive income, changes in shareholders’ equity, and cash flows, for each of the two years in the period ended December 31, 2018, and the related notes and the financial statements schedule included in Schedule I (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on the Group’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China

April 26, 2019

We began serving as the Company’s auditor in 2014. In 2019 we became the predecessor auditor.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the board of directors of Jupai Holdings Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Jupai Holdings Limited (the “Company”) as of December 31, 2019, the related consolidated statements of operations, comprehensive income (loss), changes in shareholders’ equity, and cash flows, for the year ended December 31, 2019, and the related notes and the financial statement schedule I (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for the year ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ B F Borgers CPA PC

We have served as the Company’s auditor since 2020.

Lakewood, Colorado

April 24, 2020

Jupai Holdings Limited

Consolidated Balance Sheets

(In RMB except for share data)

| | As of December 31, | | |
|---|----------------------|----------------------|--------------------|
| | 2018 | 2019 | 2019 |
| | RMB | RMB | USD |
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | 1,298,565,042 | 711,205,698 | 102,158,306 |
| Restricted cash | 4,000,000 | 1,100,000 | 158,005 |
| Short-term investments | 4,723,612 | — | — |
| Accounts receivable (net of allowance for doubtful accounts of 19,654,430 and RMB26,102,138 as of December 31, 2018 and 2019, respectively) | 39,633,035 | — | — |
| Other receivables (net of allowance for doubtful accounts of RMB40,782 and RMB2,080,597 as of December 31, 2018 and 2019, respectively) | 20,493,145 | 14,125,535 | 2,029,006 |
| Amounts due from related parties (net of allowance for doubtful accounts of RMB43,516,516 and RMB96,307,907 as of December 31, 2018 and 2019, respectively) | 199,331,694 | 95,193,003 | 13,673,619 |
| Other current assets | 15,320,791 | 4,984,541 | 715,985 |
| Total current assets | 1,582,067,319 | 826,608,777 | 118,734,921 |
| Long-term investments | 58,950,000 | 228,950,000 | 32,886,610 |
| Intangible assets, net | 58,124,608 | 38,250,479 | 5,494,338 |
| Goodwill | 297,031 | — | — |
| Amounts due from related parties — non-current | 48,626,353 | 229,117,743 | 32,910,705 |
| Investment in affiliates | 67,262,431 | 107,541,000 | 15,447,298 |
| Property and equipment, net | 36,267,042 | 27,834,760 | 3,998,213 |
| Other non-current assets | 27,914,021 | 17,886,020 | 2,569,166 |
| Right-of-use assets | — | 68,950,101 | 9,904,062 |
| Deferred tax assets | 100,985,228 | 4,608,063 | 661,907 |
| Total Assets | 1,980,494,033 | 1,549,746,943 | 222,607,220 |
| Liabilities and Equity | | | |
| Current liabilities: | | | |
| Accrued payroll and welfare expenses (including accrued payroll and welfare expense of the consolidated VIEs and VIEs' subsidiaries without recourse to Jupai Holdings Limited of RMB37,608,320 and RMB28,055,363 as of December 31, 2018 and 2019, respectively) | 116,653,658 | 58,318,063 | 8,376,866 |
| Income tax payable (including income tax payable of the consolidated VIEs and VIEs' subsidiaries without recourse to Jupai Holdings Limited of RMB34,282,285 and RMB19,815,543 as of December 31, 2018 and 2019, respectively) | 227,537,993 | 82,800,208 | 11,893,506 |
| Other tax payable (including other tax payable of the consolidated VIEs and VIEs' subsidiaries without recourse to Jupai Holdings Limited of RMB12,123,866 and RMB-16,501,066 as of December 31, 2018 and 2019, respectively) | 43,009,523 | 695,081 | 99,842 |
| Amounts due to related parties — current (including amounts due to related parties-current of the consolidated VIEs and VIEs' subsidiaries without recourse to Jupai Holdings Limited of RMB11,082,834 and RMB10,963,967 as of December 31, 2018 and 2019, respectively) | 31,105,111 | 19,439,664 | 2,792,333 |
| Deferred revenue from related parties (including deferred revenue from related parties of the consolidated VIEs and VIEs' subsidiaries without recourse to Jupai Holdings Limited of RMB100,033,490 and RMB28,056,641 as of December 31, 2018 and 2019, respectively) | 111,720,785 | 42,053,959 | 6,040,673 |
| Deferred revenue (including deferred revenue of the consolidated VIEs and VIEs' subsidiaries without recourse to Jupai Holdings Limited of RMB5,406,737 and RMB17,211,666 as of December 31, 2018 and 2019, respectively) | 18,949,097 | 35,674,503 | 5,124,322 |
| Other current liabilities (including other current liabilities of the consolidated VIEs and VIEs' subsidiaries without recourse to Jupai Holdings Limited of RMB12,882,315 and RMB13,940,969 as of December 31, 2018 and 2019, respectively) | 39,929,945 | 78,201,072 | 11,232,881 |
| Total current liabilities | 588,906,112 | 317,182,550 | 45,560,423 |
| Deferred revenue — non-current from related parties (including deferred revenue from related parties of the consolidated VIEs and VIEs' subsidiaries without recourse to Jupai Holdings Limited of RMB20,766,792 and RMB4,774,671 as of December 31, 2018 and 2019, respectively) | 22,096,306 | 4,917,845 | 706,404 |
| Deferred revenue — non-current (including deferred revenue of the consolidated VIEs and VIEs' subsidiaries without recourse to Jupai Holdings Limited of RMB1,849,843 and RMB311,651 as of December 31, 2018 and 2019, respectively) | 2,144,593 | 311,651 | 44,766 |
| Operating Lease Liabilities — non-current (including operating lease liabilities of the consolidated VIEs and VIEs' subsidiaries without recourse to Jupai Holdings Limited of nil and RMB642,309 as of December 31, 2018 and 2019, respectively) | — | 28,518,789 | 4,096,468 |
| Deferred tax liabilities (including deferred tax liabilities of the consolidated VIEs and VIEs' subsidiaries without recourse to Jupai Holdings Limited of nil as of December 31, 2018 and 2019, respectively) | 198,187 | — | — |
| Total Liabilities | 613,345,198 | 350,930,835 | 50,408,061 |
| Commitments and Contingencies (Note 18) | | | |
| Shareholders' Equity: | | | |
| Ordinary Shares (USD0.0005 par value; 1,000,000,000 and 1,000,000,000 shares authorized, 201,479,446 and 201,737,272 shares issued and outstanding, as of December 31, 2018 and 2019, respectively) | 631,715 | 632,601 | 90,867 |
| Additional paid-in capital | 1,138,107,676 | 1,150,352,309 | 165,237,770 |
| Retained earnings | 147,118,546 | (17,567,529) | (2,523,418) |
| Accumulated other comprehensive income | 53,153,406 | 54,141,670 | 7,776,965 |
| Total Jupai shareholders' equity | 1,339,011,343 | 1,187,559,051 | 170,582,184 |
| Noncontrolling interests | 28,137,492 | 11,257,057 | 1,616,975 |
| Total Equity | 1,367,148,835 | 1,198,816,108 | 172,199,159 |
| Total Liabilities and Equity | 1,980,494,033 | 1,549,746,943 | 222,607,220 |

Jupai Holdings Limited

Consolidated Statements of Operations

(In RMB except for share data)

| | Years Ended December 31, | | | |
|---|--------------------------|-----------------|---------------|---------------|
| | 2017 | 2018 | 2019 | 2019 |
| | RMB | RMB | RMB | USD |
| Revenues | | | | |
| Third party revenues | 479,917,547 | 335,246,612 | 387,870,253 | 55,714,076 |
| Related party revenues | 1,232,785,709 | 990,820,793 | 402,889,899 | 57,871,513 |
| Total revenues | 1,712,703,256 | 1,326,067,405 | 790,760,152 | 113,585,589 |
| Business taxes and related surcharges | (6,541,634) | (4,323,742) | (4,812,940) | (691,336) |
| Net revenues | 1,706,161,622 | 1,321,743,663 | 785,947,212 | 112,894,253 |
| Operating cost and expenses: | | | | |
| Cost of revenues | (737,507,904) | (684,558,659) | (481,746,067) | (69,198,493) |
| Selling expenses | (282,171,751) | (303,170,575) | (206,777,405) | (29,701,716) |
| General and administrative expenses | (204,052,576) | (274,782,664) | (265,527,496) | (38,140,638) |
| Impairment loss of goodwill | — | (267,917,575) | — | — |
| Other operating income | 41,138,443 | 48,742,897 | 31,429,802 | 4,514,609 |
| Total operating cost and expenses | (1,182,593,788) | (1,481,686,576) | (922,621,166) | (132,526,238) |
| Income (loss) from operations | 523,567,834 | (159,942,913) | (136,673,954) | (19,631,985) |
| Interest income | 11,385,895 | 3,990,096 | 6,136,600 | 881,467 |
| Investment income (loss) | 10,012,216 | (292,384) | 12,627,142 | 1,813,775 |
| Gain from deconsolidation of a subsidiary | — | 561,528 | — | — |
| Exchange (loss) gain | (2,040,641) | 4,227,896 | 3,409,000 | 489,673 |
| Income (loss) before taxes and gain from equity in affiliates | 542,925,304 | (151,455,777) | (114,501,212) | (16,447,070) |
| Income tax expense | (122,998,509) | (129,855,367) | (52,944,639) | (7,605,021) |
| Gain (loss) from equity in affiliates | 2,579,447 | (113,486,155) | (5,015,063) | (720,369) |
| Net income (loss) | 422,506,242 | (394,797,299) | (172,460,914) | (24,772,460) |
| Net (income) loss attributable to noncontrolling interests | (13,014,063) | 7,053,281 | 7,774,839 | 1,116,786 |
| Net income (loss) attributable to ordinary shareholders | 409,492,179 | (387,744,018) | (164,686,075) | (23,655,674) |
| Net income (loss) per share: | | | | |
| Basic | 2.09 | (1.93) | (0.82) | (0.12) |
| Diluted | 1.99 | (1.93) | (0.82) | (0.12) |
| Weighted average number of shares used in computation: | | | | |
| Basic | 195,467,414 | 200,480,910 | 201,695,899 | 201,695,899 |
| Diluted | 205,671,904 | 200,480,910 | 201,695,899 | 201,695,899 |

Jupai Holdings Limited**Consolidated Statements of Comprehensive Income (Loss)****(In RMB)**

| | Years Ended December 31, | | | |
|---|--------------------------|---------------|---------------|--------------|
| | 2017 | 2018 | 2019 | 2019 |
| | RMB | RMB | RMB | USD |
| Net income (loss) | 422,506,242 | (394,797,299) | (172,460,914) | (24,772,460) |
| Other comprehensive (loss) income, net of tax of nil: | | | | |
| Change in cumulative foreign currency translation adjustment | (36,377,776) | 12,501,586 | (3,245,903) | (466,245) |
| Other comprehensive (loss) income | (36,377,776) | 12,501,586 | (3,245,903) | (466,245) |
| Comprehensive income (loss) | 386,128,466 | (382,295,713) | (175,706,817) | (25,238,705) |
| Less: comprehensive income (loss) attributable to noncontrolling interest | 13,037,401 | (6,934,658) | (7,748,689) | (1,113,029) |
| Comprehensive income (loss) attributable to ordinary shareholders | 373,091,065 | (375,361,055) | (167,958,128) | (24,125,676) |

Jupai Holdings Limited
Consolidated Statements of Changes in Shareholders' Equity
(In RMB except for share data)

| | Ordinary shares | | Additional paid-in capital | Retained earnings | Accumulated other comprehensive income | Total Jupai shareholders' equity | Noncontrolling interests | Total shareholders' equity |
|---|------------------|---------|----------------------------|-------------------|--|----------------------------------|--------------------------|----------------------------|
| | Number of Shares | RMB | RMB | RMB | RMB | RMB | RMB | RMB |
| Balance at January 1, 2017 | 193,720,706 | 606,170 | 1,059,906,023 | 362,922,123 | 77,171,557 | 1,500,605,873 | 47,664,877 | 1,548,270,750 |
| Net income | — | — | — | 409,492,179 | — | 409,492,179 | 13,014,063 | 422,506,242 |
| Share-based compensation | — | — | 30,455,939 | — | — | 30,455,939 | — | 30,455,939 |
| Option exercised | 3,427,569 | 11,413 | 11,667,134 | — | — | 11,678,547 | — | 11,678,547 |
| Restricted shares vested | 995,464 | 3,370 | (3,370) | — | — | — | — | — |
| Dividend distribution | — | — | — | (111,196,228) | — | (111,196,228) | (5,992,000) | (117,188,228) |
| Purchase of subsidiary shares from noncontrolling interests | — | — | 14,716,560 | — | — | 14,716,560 | (20,194,033) | (5,477,473) |
| Foreign currency translation adjustment | — | — | — | — | (36,401,114) | (36,401,114) | 23,338 | (36,377,776) |
| Balance at December 31, 2017 | 198,143,739 | 620,953 | 1,116,742,286 | 661,218,074 | 40,770,443 | 1,819,351,756 | 34,516,245 | 1,853,868,001 |
| Net loss | — | — | — | (387,744,018) | — | (387,744,018) | (7,053,281) | (394,797,299) |
| Share-based compensation | — | — | 18,108,942 | — | — | 18,108,942 | — | 18,108,942 |
| Option exercised | 886,362 | 2,816 | 3,264,394 | — | — | 3,267,210 | — | 3,267,210 |
| Restricted shares vested | 2,449,345 | 7,946 | (7,946) | — | — | — | — | — |
| Dividend distribution | — | — | — | (126,355,510) | — | (126,355,510) | — | (126,355,510) |
| Capital contribution by noncontrolling interest shareholder | — | — | — | — | — | — | 1,858,779 | 1,858,779 |
| Deconsolidation of a subsidiary | — | — | — | — | — | — | (1,302,874) | (1,302,874) |
| Foreign currency translation adjustment | — | — | — | — | 12,382,963 | 12,382,963 | 118,623 | 12,501,586 |
| Balance at December 31, 2018 | 201,479,446 | 631,715 | 1,138,107,676 | 147,118,546 | 53,153,406 | 1,339,011,343 | 28,137,492 | 1,367,148,835 |
| Net loss | — | — | — | (164,686,075) | — | (164,686,075) | (7,774,839) | (172,460,914) |
| Share-based compensation | — | — | 9,583,596 | — | — | 9,583,596 | — | 9,583,596 |
| Option exercised | 9,200 | 32 | 29,604 | — | — | 29,636 | — | 29,636 |
| Restricted shares vested | 248,626 | 854 | (854) | — | — | — | — | — |
| Deconsolidation of a subsidiary | — | — | 2,632,287 | — | 4,260,317 | 6,892,604 | (9,131,746) | (2,239,142) |
| Foreign currency translation adjustment | — | — | — | — | (3,272,053) | (3,272,053) | 26,150 | (3,245,903) |
| Balance at December 31, 2019 | 201,737,272 | 632,601 | 1,150,352,309 | (17,567,529) | 54,141,670 | 1,187,559,051 | 11,257,057 | 1,198,816,108 |

Jupai Holdings Limited

Consolidated Statements of Cash Flows

(In RMB)

| | Years Ended December 31, | | | |
|--|--------------------------|---------------|---------------|--------------|
| | 2017 | 2018 | 2019 | 2019 |
| | RMB | RMB | RMB | USD |
| Cash flows from operating activities: | | | | |
| Net income (loss) | 422,506,242 | (394,797,299) | (172,460,914) | (24,772,460) |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 32,572,171 | 36,289,554 | 26,101,844 | 3,749,295 |
| Allowance for doubtful accounts | 3,997,417 | 59,214,311 | 61,278,914 | 8,802,165 |
| Impairment loss of goodwill | — | 267,917,575 | — | — |
| (Income) loss from equity in affiliates | (2,579,447) | 113,486,155 | 5,015,063 | 720,369 |
| Gain from disposal of subsidiaries and investment in affiliates | — | (1,051,867) | (12,559,048) | (1,803,994) |
| Loss on investment in equity securities | — | 1,500,000 | 4,723,612 | 678,504 |
| Share-based compensation | 30,455,939 | 18,108,942 | 9,583,596 | 1,376,597 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | (1,400,646) | (6,713,876) | 32,449,697 | 4,661,107 |
| Other receivables | 48,869,539 | 9,749,600 | (2,975,011) | (427,334) |
| Other assets | (16,663,128) | (10,359,399) | 16,497,858 | 2,369,770 |
| Short-term investments — trading securities | 5,210,000 | — | — | — |
| Amounts due from related parties | (104,991,509) | 26,800,336 | 51,449,973 | 7,390,326 |
| Accrued payroll and welfare expenses | 110,854,278 | (96,064,627) | (58,269,184) | (8,369,845) |
| Income tax payable | 41,092,965 | 48,663,004 | (144,737,787) | (20,790,282) |
| Other tax payable | (864,098) | (15,124,159) | (42,314,442) | (6,078,089) |
| Deferred revenue | (17,576,440) | (3,439,970) | 14,892,464 | 2,139,169 |
| Uncertain tax position | (5,938,816) | — | — | — |
| Return on investment in affiliates | 1,364,431 | — | — | — |
| Other current liabilities | 45,400,912 | 12,567,773 | (11,592,885) | (1,665,214) |
| Deferred revenue from related parties | 37,406,237 | (100,647,014) | (86,520,421) | (12,427,881) |
| Deferred taxes | (12,188,991) | (33,820,672) | 96,180,849 | 13,815,515 |
| Net cash provided by (used in) operating activities | 617,527,056 | (67,721,633) | (213,255,822) | (30,632,282) |
| Cash flows from investing activities: | | | | |
| Purchase of property and equipment and intangible assets | (39,065,784) | (9,308,534) | (13,203,815) | (1,896,609) |
| Purchase of held-to-maturity investments | (173,745,612) | — | — | — |
| Collection of held-to-maturity investments | 185,342,000 | 3,680,000 | — | — |
| Purchase of long-term investments | (3,000,000) | — | (200,000,000) | (28,728,202) |
| Proceeds of long-term investments | 8,200,000 | 4,800,000 | 34,200,000 | 4,912,523 |
| Purchase of available-for-sale investments | (3,000,000) | — | — | — |
| Proceeds from available-for-sale investments | 3,000,000 | — | — | — |
| Payment for investment in affiliates | (20,714,800) | (215,900,000) | (58,759,800) | (8,440,317) |
| Proceeds from disposal of investment in affiliates | 3,225,000 | 218,678,718 | 13,172,739 | 1,892,146 |
| Origination of short-term loan | (300,000,000) | (3,000,000) | — | — |
| Collection of short-term loan | 300,000,000 | — | 4,000,000 | 574,564 |
| Acquisition of subsidiaries, net of cash payment | — | — | (200,000) | (28,728) |
| Long term prepayment | (1,157,786) | — | — | — |
| Proceeds from disposal of subsidiary, net of cash disposed | — | 218,171 | 33,999,151 | 4,883,672 |
| (Payment) collection of advanced payment for acquisition | (125,000) | 125,000 | — | — |
| Loan to related parties | (33,000,000) | (661,167,166) | (200,000,000) | (28,728,202) |
| Collection of loan to related parties | — | 622,850,900 | 21,128,271 | 3,034,886 |
| Loan to noncontrolling interest shareholder | — | (1,858,779) | — | — |
| Net cash used in investing activities | (74,041,982) | (40,881,690) | (365,663,454) | (52,524,267) |
| Cash flows from financing activities: | | | | |
| Capital contribution from noncontrolling interest shareholder | — | 1,858,779 | — | — |
| Dividend paid to Jupai shareholders | (111,196,228) | (126,355,510) | — | — |
| Dividend paid to noncontrolling interest shareholder | (16,152,503) | — | — | — |
| Purchase of noncontrolling interest shareholder | (5,477,473) | — | — | — |
| Prepayment of purchase of noncontrolling interests | — | (200,000) | — | — |
| Proceeds from option exercise | 11,678,547 | 3,267,210 | 29,636 | 4,257 |
| Net cash (used in) provided by financing activities | (121,147,657) | (121,429,521) | 29,636 | 4,257 |
| Effect of exchange rate changes | (17,726,303) | 4,820,616 | (11,369,704) | (1,633,158) |
| Net increase (decrease) in cash, cash equivalents and restricted cash | 404,611,114 | (225,212,228) | (590,259,344) | (84,785,450) |
| Cash, cash equivalents and restricted cash—beginning of the year | 1,123,166,156 | 1,527,777,270 | 1,302,565,042 | 187,101,761 |
| Cash, cash equivalents and restricted cash—end of the year | 1,527,777,270 | 1,302,565,042 | 712,305,698 | 102,316,311 |
| Supplemental disclosure of cash flow information: | | | | |
| Cash paid for income taxes | 100,033,351 | 115,362,823 | 101,501,575 | 14,579,789 |
| Non-cash investing and financing activities: | | | | |
| Disposal of a subsidiary included in other receivables | 2,000,000 | 3,000,000 | — | — |
| Disposal of an investment included in other receivables | 2,000,000 | 2,000,000 | — | — |
| Purchase of subsidiary shares from noncontrolling interests by settlement of the loan to noncontrolling interest shareholder | 3,297,719 | — | — | — |

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets:

| | Years Ended December 31, | | | |
|--|--------------------------|---------------|-------------|-------------|
| | 2017 RMB | 2018 RMB | 2019 RMB | 2019 USD |
| Cash and cash equivalents | 1,527,777,270 | 1,298,565,042 | 711,205,698 | 102,158,306 |
| Restricted cash | — | 4,000,000 | 1,100,000 | 158,005 |
| Cash, cash equivalents and restricted cash | 1,527,777,270 | 1,302,565,042 | 712,305,698 | 102,316,311 |

Jupai Holdings Limited**Notes to Consolidated Financial Statements****For the Years Ended December 31, 2017, 2018 and 2019****(In RMB, except for share and per share data, unless otherwise stated)****1. Organization and Principal Activities**

Jupai Holdings Limited (the “Company”), formerly Jupai Investment Group, was incorporated on August 13, 2012 in the Cayman Islands. The Company, through its subsidiaries and consolidated variable interest entity, Shanghai Jupai Investment Group Co., Ltd. (“Shanghai Jupai” or “the VIE”) and the VIE’s subsidiaries (collectively, the “Group”), provides wealth management and asset management services to the high net worth individuals in the People’s Republic of China (“PRC”). The Group began offering services in 2010 through Shanghai Jupai, which was founded in the PRC on July 28, 2010.

In July 2015, the Company completed its initial public offering (“IPO”) on NYSE, and acquired 100% equity interest in Scepter Pacific Limited (“Scepter”), from E-House Investment and Reckon Capital Limited upon closing of the Company’s IPO, in exchange for 32,481,552 of the Company’s ordinary shares. The aggregate transaction value of this acquisition was approximately USD56.4 million. Scepter is a holding company incorporated in BVI, and provides asset management services in China through a consolidated VIE, Shanghai E-Cheng Asset Management Co. Ltd. (“Shanghai E-Cheng”) in PRC (see Note 2)

In January 2016, the Group issued to Julius Baer Investment Ltd. (“Julius Baer”) and SINA Hong Kong Limited (“SINA”) 9,591,000 and 2,880,000 ordinary shares, respectively, representing approximately 4.99% and 1.5% of the Group’s total outstanding share capital, respectively, at USD1.83 per share, in a private placement. The aggregate transaction value of this private placement was approximately USD22.9 million.

The Company’s significant subsidiaries as of December 31, 2019 include the following:

| | <u>Date of Incorporation/Acquisition</u> | <u>Place of Incorporation</u> | <u>Percentage of Ownership</u> |
|---|--|-------------------------------|--------------------------------|
| Shanghai Juxiang Investment Management Consulting Co., Ltd. (“Shanghai Juxiang”) | July 16, 2013 | PRC | 100% |
| Baoyi Investment Consulting (Shanghai) Co., Ltd. (“Shanghai Baoyi”) | July 16, 2015 | PRC | 100% |
| Jupai HongKong Investment Limited (“Jupai Hong Kong”) | August 21, 2012 | Hong Kong | 100% |
| Shanghai Baoyixuan Investment Management Center (Limited Partnership) (“Baoyixuan”) | December 24, 2015 | PRC | 100% |

Shanghai Jupai’s significant subsidiaries as of December 31, 2019 include the following:

| | <u>Date of Incorporation/acquisition</u> | <u>Place of Incorporation</u> | <u>Percentage of Ownership</u> |
|---|--|-------------------------------|--------------------------------|
| Juzhou Asset Management (Shanghai) Co., Ltd. (“Juzhou”) | May 17, 2013 | PRC | 85% |
| Shanghai Jupeng Asset Management Co., Ltd. (“Jupeng”) | June 8, 2015 | PRC | 85% |
| Shanghai Jupai Yumao Fund Sales Co., Ltd. (“Yumao”) | Feb 26, 2014 | PRC | 100% |
| Shanghai Yubo Investment Management Co., Ltd. (“Yubo”) | July 16, 2015 | PRC | 100% |

Shanghai E-Cheng’s significant subsidiaries as of December 31, 2019 include the following:

| | <u>Date of Acquisition</u> | <u>Place of Incorporation</u> | <u>Percentage of Ownership</u> |
|---|----------------------------|-------------------------------|--------------------------------|
| Shanghai Yidezhen Investment Management Center (Limited Partnership) (“Yidezhen”) | July 16, 2015 | PRC | 100% |

2. Summary of Principal Accounting Policies

(a) Basis of Presentation

The consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

(b) Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, the VIEs and VIEs’ subsidiaries for which the Company is the ultimate primary beneficiary. All transactions and balances among the Company, its subsidiaries, the VIEs and VIEs’ subsidiaries have been eliminated upon consolidation.

A subsidiary is an entity in which the Company, directly or indirectly, controls more than one half of the voting power or has the power to: govern the financial and operating policies; appoint or remove the majority of the members of the board of directors; cast a majority of votes at the meeting of the board of directors.

U.S. GAAP provides guidance on the identification of VIE and financial reporting for entities over which control is achieved through means other than voting interests. The Group evaluates each of its investments to determine whether or not the investee is a VIE and, if so, whether the Group is the primary beneficiary of such VIE. In determining whether the Group is the primary beneficiary, the Group considers if the Group (1) has power to direct the activities that most significantly affects the economic performance of the VIE, and (2) receives the economic benefits of the VIE that could be significant to the VIE. If deemed the primary beneficiary, the Group consolidates the VIE.

Although PRC laws and regulations do not prohibit foreign-invested enterprises from obtaining such license, in practice, the supervisory authority, at its discretion, generally does not issue such license to a foreign-invested third-party mutual fund sales company. Therefore, the Company decided to conduct such business in China through Shanghai Jupai and its subsidiaries which are PRC domestic companies. Since the Company does not have any equity interests in Shanghai Jupai, in order to exercise effective control over its operations, the Company, through its wholly owned subsidiary Shanghai Juxiang, entered into a series of contractual arrangements, or Control Documents with Shanghai Jupai and its shareholders (“Jupai VIE”), pursuant to which the Company is entitled to receive effectively all economic benefits generated from Shanghai Jupai shareholders’ equity interests in it.

Since the Company acquired Scepter in July 2015, Scepter, its subsidiaries, Shanghai E-Cheng and Shanghai E-Cheng’s subsidiaries were included in the consolidated financial statements. Scepter is engaged in asset management service business. Foreign-invested enterprises incorporated in the PRC are not expressly prohibited from providing asset management services in PRC. However, according to local business practice, as a general partner of a fund, Scepter must invest as a limited partner before the fund is established. Some investments of the fund managed by the Scepter are in the foreign-invested enterprise prohibited, or not encouraged industries, which requires all investors not to be foreign-invested enterprises. Therefore Scepter provides asset management services through its VIE entities. To provide Scepter effective control over and the ability to receive substantially all of the economic benefits of its VIE and its subsidiaries, Scepter’s wholly owned subsidiary Shanghai Baoyi, entered into a series of contractual arrangements with Shanghai E-Cheng, the “VIE” and its respective shareholders, respectively. (Hereafter, the VIE structure under Scepter is called “Scepter VIE”).

The agreements of Jupai VIE and Scepter VIE that provide the Company effective control over the VIE include:

(i) Voting Rights Proxy Agreement

- (1) Jupai VIE: Each shareholder of Shanghai Jupai has executed a power of attorney to grant Shanghai Juxiang the power of attorney to act on his or her behalf on all matters pertaining to Shanghai Jupai and to exercise all of his or her rights as a shareholder of the Shanghai Jupai, including but not limited to convene, attend and vote at shareholders' meetings, designate and appoint directors and senior management members. The proxy agreement will remain in effect unless Shanghai Juxiang terminates the agreement by giving a 30-day prior written notice or gives its consent to the termination by Shanghai Jupai.
- (2) Scepter VIE: Each of the shareholders of Shanghai E-Cheng irrevocably granted any person designated by Shanghai Baoyi the power to exercise all voting rights to which he will be entitled to as shareholder of Shanghai E-Cheng at that time, including the right to declare dividends, appoint and elect board members and senior management members and other voting rights.

Each shareholder voting right proxy agreement has a term of twenty years, unless it is early terminated by all parties in writing or pursuant to provision of this agreement. The term of the agreement will be automatically extended for one year upon the expiration, if Shanghai Baoyi gives the other Parties written notice requiring the extension thereof and the same mechanism will apply subsequently upon the expiration of each extended term.

(ii) Call Option Agreement

- (1) Jupai VIE: The shareholders of Shanghai Jupai granted Shanghai Juxiang or its designated representative(s) an irrevocable and exclusive option to purchase their equity interests or assets in Shanghai Jupai when and to the extent permitted by PRC law. Shanghai Juxiang or its designated representative(s) has sole discretion as to when to exercise such options, either in part or in full. Without Shanghai Juxiang's written consent, the shareholders of Shanghai Jupai shall not transfer, donate, pledge, or otherwise dispose any equity interests of Shanghai Jupai in any way. The acquisition price for the shares or assets will be the minimum amount of consideration permitted under the PRC law at the time when the option is exercised. The agreement can be early terminated by Shanghai Juxiang, but not by Shanghai Jupai or its shareholders.
- (2) Scepter VIE: Each of shareholders of Shanghai E-Cheng has entered into an Exclusive Call Option Agreement with Baoyi. Pursuant to these agreements, each of the shareholders of Shanghai E-Cheng has granted an irrevocable and unconditional option to Shanghai Baoyi or its designees to acquire all or part of such shareholder's equity interests in Shanghai E-Cheng at its sole discretion, to the extent as permitted by PRC laws and regulations then in effect. The consideration for such acquisition of all equity interests in Shanghai E-Cheng will be equal to the registered capital of Shanghai E-Cheng, and if PRC law requires the consideration to be greater than the registered capital, the consideration will be the minimum amount as permitted by PRC law. In addition, Shanghai E-Cheng irrevocably and unconditionally granted Baoyi an exclusive option to purchase, to the extent permitted under the PRC law, all or part of the assets of Shanghai E-Cheng. The exercise price for purchasing the assets of Shanghai E-Cheng will be equal to its respective book values, and if PRC law requires the price to be greater than the book value, the price will be the minimum amount as permitted by PRC law. The call option may be exercised by Shanghai Baoyi or its designees.

The agreements that transfer economic benefits to the Company include:

- (i) Consulting Services Agreement, Operating Agreement and Exclusive Support Agreement
 - (1) Jupai VIE: Shanghai Jupai engages Shanghai Juxiang as its exclusive technical and operational consultant and under which Shanghai Juxiang agrees to assist in arranging the financial support necessary to conduct Shanghai Jupai's operational activities. Shanghai Jupai shall not seek or accept similar services from other providers without the prior written approval of Shanghai Juxiang. The agreements will be effective as long as Shanghai Jupai exists. Shanghai Juxiang may terminate this agreement at any time by giving a prior written notice to Shanghai Jupai.
 - (2) Scepter VIE: Pursuant to an Exclusive Support Agreement between Shanghai Baoyi and Shanghai E-Cheng, Shanghai Baoyi provides Shanghai E-Cheng with a series of consultancy services on an exclusive basis and is entitled to receive related fees. The term of this Exclusive Support Agreement will expire upon dissolution of Shanghai E-Cheng. Unless expressly provided by this agreement, without prior written consent of Shanghai Baoyi, Shanghai E-Cheng may not engage any third party to provide the services offered by Shanghai Baoyi under this agreement.
- (ii) Equity Interest Pledge Agreement
 - (1) Jupai VIE: The shareholders of Shanghai Jupai pledged all of their equity interests in Shanghai Jupai to Shanghai Juxiang as collateral to secure their obligations under the above agreement. If the shareholders of Shanghai Jupai or Shanghai Jupai breach their respective contractual obligations, Shanghai Juxiang, as pledgee, will be entitled to certain rights, including the right to dispose the pledged equity interests. Pursuant to the agreement, the shareholders of Shanghai Jupai shall not transfer, assign or otherwise create any new encumbrance on their respective equity interest in Shanghai Jupai without prior written consent of Shanghai Juxiang. This pledge will remain effective until all the guaranteed obligations are performed. Mr. Ni's equity interest in Shanghai Jupai in favor of Shanghai Juxiang is still under the process of registration with the local branch of regulatory authorities in Shanghai and has not been completed yet.
 - (2) Scepter VIE: Each of the shareholders of Shanghai E-Cheng has also entered into an equity pledge agreement with Shanghai Baoyi. Pursuant to which these shareholders pledged their respective equity interest in Shanghai E-Cheng to guarantee the performance of the obligations of Shanghai E-Cheng. If Shanghai E-Cheng or its shareholders breach any of their respective obligations under any of these agreements, Shanghai Baoyi, as pledgee, will be entitled to certain rights, including the right to sell the pledged equity interests. Pursuant to the equity pledge agreement, each shareholder of Shanghai E-Cheng cannot transfer, sell, pledge, dispose of or otherwise create any new encumbrance on their respective equity interest in Shanghai E-Cheng without prior written consent of Shanghai Baoyi. The equity pledge right enjoyed by Shanghai Baoyi will expire when shareholders of Shanghai E-Cheng have fully performed their respective obligations under the above agreements. The shareholders of Shanghai E-Cheng are in the process of applying with the local branch of SAIC in Shanghai for registration of their equity interest pledge.
- (iii) Loan Agreement for Scepter VIE. Under the Loan Agreement among the shareholders of Shanghai E-Cheng and Shanghai Baoyi, Shanghai Baoyi granted an interest-free loan to the shareholders of Shanghai E-Cheng, solely for their purchase of the equity interests of Shanghai E-Cheng. The loan is interest free and the term of the loan is (i) the expiration of 20 years from the date of the loan agreement, (ii) the expiration of Shanghai Baoyi's operation term or (iii) the expiration of Shanghai E-Cheng's operation term whichever is the earliest.

Under the above agreements, the shareholders of Shanghai Jupai/Shanghai E-Cheng irrevocably granted Shanghai Juxiang/Shanghai Baoyi the power to exercise all voting rights to which they were entitled. In addition, Shanghai Juxiang/Shanghai Baoyi have the option to acquire all of the equity interests in Shanghai Jupai/Shanghai E-Cheng, to the extent permitted by the then-effective PRC laws and regulations, for nominal consideration. Finally, Shanghai Juxiang/Shanghai Baoyi is entitled to receive service fees for certain services to be provided to Shanghai Jupai/Shanghai E-Cheng.

The Call Option Agreement and Voting Rights Proxy Agreement provide the Company effective control over the VIEs and their subsidiaries, while the Equity Interest Pledge Agreements secure the obligations of the shareholders of Shanghai Jupai and Shanghai E-Cheng under the relevant agreements. Because the Company, through Shanghai Juxiang and Shanghai Baoyi, has (i) the power to direct the activities of Shanghai Jupai and Shanghai E-Cheng that most significantly affect the entities' economic performance and (ii) the right to receive substantially all of the benefits from Shanghai Jupai and Shanghai E-Cheng, the Company is deemed the primary beneficiary of Shanghai Jupai and Shanghai E-Cheng. Accordingly, the Company has consolidated the Shanghai Jupai and Shanghai E-Cheng's financial results of operations, assets and liabilities, and cash flows in the Company's consolidated financial statements.

The Company believes that the contractual arrangements with the VIEs are in compliance with PRC law and are legally enforceable. However, the contractual arrangements are subject to risks and uncertainties, including:

- Shanghai Jupai and Shanghai E-Cheng and their shareholders may have or develop interests that conflict with the Group's interests, which may lead them to pursue opportunities in violation of the aforementioned contractual arrangements.
- Shanghai Jupai and Shanghai E-Cheng and their shareholders could fail to obtain the proper operating licenses or fail to comply with other regulatory requirements. As a result, the PRC government could impose fines, new requirements or other penalties on the VIEs or the Group, mandate a change in ownership structure or operations for the VIEs or the Group, restrict the VIEs or the Group's use of financing sources or otherwise restrict the VIEs or the Group's ability to conduct business.
- The aforementioned contractual agreements may be unenforceable or difficult to enforce. The equity interests under the Equity Interest Pledge Agreements have been registered by the shareholders of Shanghai Jupai and Shanghai E-Cheng with the relevant office of the administration of industry and commerce, however, the VIEs or the Group may fail to meet other requirements. Even if the contractual agreements are enforceable, they may be difficult to enforce given the uncertainties in the PRC legal system.
- The PRC government may declare the aforementioned contractual arrangements invalid. They may modify the relevant regulations, have a different interpretation of such regulations, or otherwise determine that the Group or the VIEs have failed to comply with the legal obligations required to effectuate such contractual arrangements.

As of December 31, 2019, the Group had variable interests in various investment funds and contractual funds that are VIEs but determined that it was not the primary beneficiary and, therefore, was not consolidating the VIEs. The maximum potential financial statement loss the Group could incur if the investment funds and contractual funds were to default on all of their obligations is (i) the loss of value of the interests in such investments that the Group holds, including equity investments recorded in investment in affiliates and long-term investment in the consolidated balance sheet, and (ii) any one-time commissions, management fee and other service fees receivables recorded in amounts due from related parties. The following table summarizes the Company's maximum exposure to loss associated with identified nonconsolidated VIEs in which it holds variable interests as of December 31, 2018 and 2019, respectively.

| | As of December 31, | | |
|---|--------------------|------------|------------|
| | 2018 | 2019 | 2019 |
| | RMB | RMB | USD |
| Amounts due from related parties | 136,028 | — | — |
| Investments | 37,183,493 | 83,514,067 | 11,996,045 |
| Maximum exposure to loss in non-consolidated VIEs | 37,319,521 | 83,514,067 | 11,996,045 |

The following amounts and balances of Shanghai Jupai and Shanghai E-Cheng and their subsidiaries were included in the Group's consolidated financial statements after the elimination of intercompany balances and transactions:

| | As of December 31, | | |
|--|--------------------|--------------------|-------------------|
| | 2018 RMB | 2019 RMB | 2019 USD |
| Cash and cash equivalents | 524,988,367 | 356,891,990 | 51,264,327 |
| Restricted cash | 4,000,000 | 1,100,000 | 158,005 |
| Short-term investments | 4,723,612 | — | — |
| Accounts receivable | 1,385,145 | — | — |
| Other receivables | 9,393,606 | 5,803,135 | 833,568 |
| Amounts due from related parties, net of allowance for doubtful accounts of RMB33,684,333 and RMB60,490,862 as of December 31, 2018 and 2019, respectively | 62,802,168 | 22,231,830 | 3,193,403 |
| Other current assets | 4,144,131 | 6,327,517 | 908,891 |
| Long-term investments | 48,950,000 | 18,950,000 | 2,721,997 |
| Investment in affiliates | 46,276,520 | 86,468,304 | 12,420,395 |
| Property and equipment, net | 1,610,045 | 971,091 | 139,488 |
| Intangible assets, net | 24,460,706 | 22,623,254 | 3,249,627 |
| Other non-current assets | 1,070,978 | 5,755,331 | 826,702 |
| Right-of-use assets | — | 1,393,451 | 200,157 |
| Deferred tax assets | 66,400,516 | 4,608,063 | 661,907 |
| Total assets | 800,205,794 | 533,123,966 | 76,578,467 |
| Accrued payroll and welfare expenses | 37,608,320 | 28,055,363 | 4,029,901 |
| Income tax payable | 34,282,285 | 19,815,543 | 2,846,325 |
| Other tax payable | 12,123,866 | (16,501,066) | (2,370,230) |
| Amounts due to related parties-current | 11,082,834 | 10,963,967 | 1,574,875 |
| Deferred revenue — current from related parties | 100,033,490 | 28,056,641 | 4,030,084 |
| Deferred revenue — current | 5,406,737 | 17,211,666 | 2,472,301 |
| Other current liabilities | 12,882,315 | 13,940,969 | 2,002,495 |
| Deferred revenue — non-current from related parties | 20,766,792 | 4,774,671 | 685,839 |
| Deferred revenue — non-current | 1,849,843 | 311,651 | 44,766 |
| Operating Lease Liabilities — non-current | — | 642,309 | 92,262 |
| Total liabilities | 236,036,482 | 107,271,714 | 15,408,618 |

| | Years ended December 31, | | | |
|---|--------------------------|---------------|---------------|--------------|
| | 2017 | 2018 | 2019 | 2019 |
| | RMB | RMB | RMB | USD |
| Net revenues | 627,016,422 | 415,535,786 | 489,006,257 | 70,241,354 |
| Third party | 108,640,382 | 57,530,741 | 134,686,065 | 19,346,443 |
| Related party | 518,376,040 | 358,005,045 | 354,320,192 | 50,894,911 |
| Operating cost and expenses | 405,103,864 | 641,467,372 | 457,450,538 | 65,708,658 |
| Net income (loss) attributable to ordinary shareholders | 224,603,316 | (406,544,377) | (13,401,093) | (1,924,947) |
| Cash flows generated from (used in) operating activities: | 174,718,889 | (144,046,084) | (173,478,148) | (24,918,577) |
| Cash flows (used in) generated from investing activities: | (58,426,145) | (17,511,862) | 2,481,771 | 356,484 |
| Cash flows used in financing activities: | (16,152,503) | (200,000) | — | — |

The VIEs contributed an aggregate of 37%, 31% and 62% of the consolidated net revenues for the years ended December 31, 2017, 2018 and 2019, respectively and an aggregate of 55%, 105% and 8% of the consolidated net income (loss) attributable to ordinary shareholders for the years ended December 31, 2017, 2018 and 2019, respectively. As of December 31, 2018 and 2019, the VIEs accounted for an aggregate of 40% and 34%, respectively, of the consolidated total assets.

There are no consolidated assets of the VIEs and their subsidiaries that are collateral for the obligations of the VIEs and their subsidiaries and can only be used to settle the obligations of the VIEs and their subsidiaries. There are no terms in any arrangements, considering both explicit arrangements and implicit variable interests that require the Company or its subsidiaries to provide financial support to the VIEs. However, if the VIEs ever need financial support, the Company or its subsidiaries may, at its option and subject to statutory limits and restrictions, provide financial support to its VIEs through loans to the shareholder of the VIEs or entrustment loans to the VIEs.

Relevant PRC laws and regulations restrict the VIEs from transferring a portion of their net assets, equivalent to the balance of their statutory reserve and their share capital, to the Company in the form of loans and advances or cash dividends. Please refer to Note 15 for disclosure of restricted net assets.

(c) Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ materially from such estimates. Significant accounting estimates reflected in the Group's consolidated financial statements include assumptions used to determine the allowance for doubtful accounts, valuation allowance for deferred tax assets, fair value measurement of underlying investment portfolios of the funds that the Group invests, assumptions related to the consolidation of entities in which the Group holds variable interests, estimates involved in revenue recognition, assumption used to measure impairment of goodwill and impairment of equity investments and assumption used to determine the useful life of intangible assets acquired.

(d) Concentration of Credit Risk

The Group is subject to potential significant concentrations of credit risk consisting principally of cash and cash equivalents, restricted cash, accounts receivable, other receivables, amounts due from related party and investments. All of the Group's cash and cash equivalents, restricted cash and a majority of investments are held with financial institutions that Group management believes to be of high credit quality.

Substantively all revenues were generated within China.

There were no product providers or underlying corporate borrowers which accounted for 10% or more of total revenues for the years ended December 31, 2017, 2018, and 2019.

(e) Investments in Affiliates

Affiliated companies are entities over which the Group does not control. The Group accounts for common-stock-equivalent equity investments in entities over which it has significant influence but does not own a majority voting interest or otherwise control using the equity method. The Group generally considers an ownership interest of 20% or higher to represent significant influence. Under the equity method, the Group's share of the post-acquisition profits or losses of affiliated companies is recognized in the statements of operations and its shares of post-acquisition movements in other comprehensive income are recognized in other comprehensive income. When the Group's share of losses in an affiliated company equals or exceeds its carrying amount of the investment in the affiliated company, the Group does not recognize further losses, unless the Group has guaranteed the obligations of the affiliated company or is otherwise committed to provide further financial support for the affiliated company. An impairment loss is recorded when there has been a loss in value of the investment that is other than temporary, which is recorded in loss from equity in affiliates. The Group recorded impairment loss of nil, RMB104.1 million, and RMB2.7 million for the years ended December 31, 2017, 2018 and 2019.

The Group also considers it has significant influence over the funds that it serves as general partner or fund manager, and the Group's ownership interest in these funds as limited partner is generally much lower than 5%. These funds are not consolidated by the Group based on the facts that the Group does not have control over the funds given substantive kick-out rights held by unrelated limited partners that allow them to remove the general partner without cause, and/or substantive participating rights that allow them to participate in certain financial and operating decisions of the limited partnership in the ordinary course of business. The equity method of accounting is accordingly used for investments by the Group in these funds. If an investee fund meets the definition of an Investment Company, it's required to be reported at fair value. The Group records its equity pick-up based on its percentage ownership of the investee funds' net income. For real estate projects, the group recorded its pick-up one quarter in arrears to enable it to have more time to collect and analyze the investments' operating results. For other investee funds, the group recorded its pick-up based on current period net income.

(f) Fair Value of Financial Instruments

The Group records its certain financial assets at fair value on a recurring basis. Fair value reflects the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability.

The Group applies a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The hierarchy is as follows:

Level 1 applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 applies to assets or liabilities for which there are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical asset or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model- derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 applies to asset or liabilities for which there are inputs generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair value are therefore determined using model based techniques that include option pricing models, discounted cash flow models, and similar techniques. Certain assets of the Group were measured at fair value on a non-recurring basis subsequent to initial recognition. These assets include goodwill, investment in equity securities without readily determinable fair value and investment in affiliates in 2019. See Note 9, Note 5 and Note 6, respectively.

(g) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and demand deposits, which are unrestricted as to withdrawal and use, and which have original maturities of three months or less when purchased.

(h) Restricted Cash

The Group's restricted cash represents cash restricted by court related to a lawsuit in which the group is a defendant. The restriction will be subsequently removed when the case is closed.

(i) Accounts receivable, net

Accounts receivable mainly represent amounts due from product providers or underlying corporate borrowers and are recorded net of allowance for doubtful accounts. The Group considers many factors in assessing the collectability of its accounts receivable, such as the age of the amounts due, the product providers or underlying corporate borrowers' payment history, creditworthiness, financial conditions of the product providers or underlying corporate borrowers and industry trend. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. The Group also makes specific allowance if there is strong evidence indicating that the accounts receivable is likely to be unrecoverable. Accounts receivable balances are written off after all collection efforts have been exhausted. The Group recorded allowance for doubtful accounts of nil, RMB19.7 million, and RMB6.4 million for the years ended December 31, 2017, 2018 and 2019.

(j) Investments**Debt Securities**

The Group invests in debt securities and accounts for the investments based on the nature of the products invested, and the Group's intent and ability to hold the investments to maturity.

The Group's investments in debt securities include trust products, asset management plans and real estate funds that have a stated maturity and normally pay a prospective fixed rate of return. The Group classifies the investments in debt securities as held-to-maturity when it has both the positive intent and ability to hold them until maturity. Held-to-maturity investments are recorded at amortized cost and are classified as long-term or short-term according to their contractual maturity. Long-term investments are reclassified as short-term when their remaining contractual maturity date is less than one year.

The Group reviews, at individual security level, its held-to-maturity investments for other-than-temporary impairment based on the specific identification method and considers available quantitative and qualitative evidence in evaluating potential impairment. If the amortized cost basis of an investment exceeds the investment's fair value, the Group considers, among other factors, general market conditions, government economic plans, the duration and the extent to which the fair value of the investment is less than cost and the Group's intent and ability to hold the investment to determine whether an other-than-temporary impairment has occurred.

The Group recognizes other-than-temporary impairment in earnings if it has the intent to sell the debt security or if it is more-likely-than-not that it will be required to sell the debt security before recovery of its amortized cost basis. Additionally, the Group evaluates expected cash flows to be received and determines if credit-related losses on debt securities exist, which are considered to be other-than-temporary, should be recognized in earnings.

Equity Securities

The Group's investment in equity securities comprise of investment in privately-held companies and limited partnership in private equity fund.

Prior to fiscal 2018, these investments in equity securities without readily determinable fair values were accounted for using the cost method of accounting, measured at cost less other-than-temporary impairment.

Effective January 1, 2018, upon adoption of ASU 2016-01, the Group has elected to measure these investments at cost minus impairment, if any, adjusted up or down for observable price changes (i.e., prices in orderly transactions for the identical or similar investment of the same issuer). Any adjustment to the carrying amount is recorded in net income.

The Group also makes qualitative assessment at each reporting period and if the assessment indicates that the fair value of the investment is less than the carrying value, the investment in equity securities will be written down to its fair value, with the difference between the fair value of the investment and its carrying amount as an impairment loss recorded in investment loss.

(k) Noncontrolling interests

A noncontrolling interest in a subsidiary of the Group represents the portion of the equity (net assets) in the subsidiary not directly or indirectly attributable to the Group. Noncontrolling interests are presented as a separate component of equity in the consolidated balance sheet and earnings and other comprehensive income are attributed to controlling and noncontrolling interests.

Below are changes in the Group's ownership interest in its subsidiary on the Group's equity.

| | As of December 31, | | | |
|--|--------------------|---------------|---------------|--------------|
| | 2017 RMB | 2018 RMB | 2019 RMB | 2019 USD |
| Net income (loss) attributable to ordinary shareholders | 409,492,179 | (387,744,018) | (164,686,075) | (23,655,674) |
| Transfers from the noncontrolling interest | | | | |
| Increase in Jupai's paid-in-capital for purchase shares of UP Capital Asset Management Ltd. | 1,411,129 | — | — | — |
| Increase in Jupai's paid-in-capital for purchase of shares of Jupeng | 13,305,431 | — | — | — |
| Net transfers from noncontrolling interest | 14,716,560 | — | — | — |
| Change from net income (loss) attributable to ordinary shareholders and transfers from noncontrolling interest | 424,208,739 | (387,744,018) | (164,686,075) | (23,655,674) |

(l) Property and Equipment, net

Property and equipment is stated at cost less accumulated depreciation, and is depreciated using the straight-line method over the following estimated useful lives:

| | Estimated Useful Lives in Years |
|------------------------------------|---|
| Leasehold improvements | Shorter of the lease term or expected useful life |
| Furniture, fixtures, and equipment | 3-5 years |
| Motor vehicles | 5 years |

Gains and losses from the disposal of property and equipment are included in income from operations.

(m) Leases

The Group determines if an arrangement is a lease at inception of the arrangement. The Group primarily enters into operating leases, as the lessee, for office space. Operating leases are included in Right-of-use (“ROU”) Assets, Other current liabilities (current portion of liabilities) and Operating lease liabilities (non-current liabilities) on the Consolidated balance sheet. ROU Assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at the commencement date. The Group determines the present value of the lease payments using an incremental borrowing rate based on information available at the inception date. Leases may include options to extend or terminate the lease which are included in the ROU Assets and liabilities when they are reasonably certain of exercise.

Certain leases include lease and nonlease components, which are accounted for as one single lease component. Occupancy lease agreements, in addition to contractual rent payments, generally include additional payments for certain costs incurred by the landlord, such as building expenses and utilities. To the extent these are fixed or determinable, they are included as part of the minimum lease payments used to measure the lease liabilities.

Operating lease expense associated with minimum lease payments is recognized on a straight-line basis over the lease term. When additional payments are based on usage or vary based on other factors, they are expensed when incurred as variable lease expense. Minimum lease payments for leases with an initial term of twelve months or less are not recorded on the Consolidated balance sheet. The Group recognizes lease expense for these leases on a straight-line basis over the lease term.

Additional disclosures relating to leases are discussed in Note 10. “Leases”.

(n) Revenue Recognition

The Group derives revenue primarily from one-time commissions and recurring service fees paid by product providers for whom the Group distributes wealth management products, and recurring management fee and carried interest paid by funds the Group manages. Starting from the second half of 2016, the Group also began to earn other service fees for consulting services provided to other companies. There is no material impact of the adoption of ASC 606 on January 1, 2018 using the modified retrospective method to its consolidated financial statements.

Under the guidance of ASC 606, the Group is required to: (i) identify the contracts with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contracts and (v) recognize revenue when the entity satisfies a performance obligation. Revenues are recorded, net of sales related taxes and surcharges.

The Group sometimes engages third party agents in promoting financial products and pays a channel fee accordingly, in which the group recognizes revenue on a net basis by deducting the channel fee it pays to the third party agents.

Disaggregation of revenue

The following table shows revenue from contracts with customers disaggregated by service lines for the years ended December 31, 2017, 2018 and 2019:

| | Years Ended December 31, | | | |
|--------------------------|--------------------------|----------------------|--------------------|--------------------|
| | 2017 | 2018 | 2019 | 2019 |
| | RMB | RMB | RMB | USD |
| One-time commissions | 1,042,685,658 | 739,894,527 | 320,817,881 | 46,082,605 |
| Related party | 739,901,443 | 524,315,293 | 60,723,911 | 8,722,444 |
| Third party | 302,784,215 | 215,579,234 | 260,093,970 | 37,360,161 |
| Recurring management fee | 365,045,532 | 436,947,202 | 340,732,359 | 48,943,141 |
| Related party | 365,045,532 | 436,947,202 | 340,732,359 | 48,943,141 |
| Third party | — | — | — | — |
| Recurring service fees | 105,403,427 | 64,555,866 | 115,247,648 | 16,554,289 |
| Related party | 10,081,396 | 1,256,411 | 1,433,629 | 205,928 |
| Third party | 95,322,031 | 63,299,455 | 113,814,019 | 16,348,361 |
| Other service fees | 199,568,639 | 84,669,810 | 13,962,264 | 2,005,554 |
| Related party | 117,757,338 | 28,301,887 | — | — |
| Third party | 81,811,301 | 56,367,923 | 13,962,264 | 2,005,554 |
| Total revenues | 1,712,703,256 | 1,326,067,405 | 790,760,152 | 113,585,589 |

One-time Commissions

The Group enters into one-time commission agreements with product providers or underlying corporate borrowers, which specifies the key terms and conditions of the arrangement. Such agreements do not include rights of return, credits or discounts, rebates, price protection or other similar privileges. Upon establishment of a wealth management product, the Group earns a one-time commission from product providers or underlying corporate borrowers, calculated as a percentage of the wealth management products purchased by its clients. The Group defines the “establishment of a wealth management product” for its revenue recognition purpose as the time when both of the following two criteria are met: (1) the Group’s client has entered into a purchase or subscription contract with the relevant product provider and, if required, the client has transferred a deposit to an escrow account designated by the product provider and (2) the product provider has issued a formal notice to confirm the establishment of a wealth management product. After the contract is established, there are no significant judgments made when determining the one-time commission price.

Recurring Service Fees

Recurring service fee arises from on-going services provided to product providers after the distribution of wealth management product including investment relationship maintenance and coordination and product reports distribution. It is calculated as a percentage of the total value of investments in the wealth management products purchased by the Group’s clients, calculated at the establishment date of the wealth management product. As the Group provides these services throughout the contract term, revenue is recognized over the contract term, assuming all other revenue recognition criteria have been met. For certain products, recurring service fees may also include a performance-based fee based on the extent by which the fund’s investment performance exceeds a certain threshold. Such performance-based fees earned based on the performance of the Group are a form of variable consideration in its contracts with customers to provide investment management services. Revenue is recognized when performance-based measures are met. Recurring service agreements do not include rights of return, credits or discounts, rebates, price protection or other similar privileges.

Recurring Management Fees

Recurring management fee arises from the fund management services provided to funds the Group manages, including management fee and carried interest. Management fees are computed as a percentage of the capital contribution in a fund and are recognized as earned over the specified contract period. Carried interest represents preferential allocations of profits that are a component of the Group’s general partnership interests and fund managing interests in the limited partnership and contractual funds and is a form of variable consideration and recognized as revenue typically at the end of fund’s contract term when the uncertainty associated with the variability is resolved. Management fee received in advance of the specified contract period and in the limited circumstances carried interest received before the end of the fund’s contract term are recorded as deferred revenue.

Other service fees

Other service fee refers to revenue generated from consulting services provided to peers in asset management industry and other companies seeking for equity investment. Service fees are negotiated case by case, and are specified in agreements before services are provided. Revenue is recognized upon completion of the services and when it becomes probable that a significant reversal in the amount of revenue will not occur.

Contract modifications

Contract modifications occur when the Group and its customers agree to modify existing customer contracts to change the scope or price (or both) of the contract or when a customer terminates some, or all, of the existing services provided by the Group. When a contract modification occurs, it requires the Group to exercise judgment to determine if the modification should be accounted for as: (i) a separate contract, (ii) the termination of the original contract and creation of a new contract, or (iii) a cumulative catch up adjustment to the original contract. Further, contract modifications require the identification and evaluation of the performance obligations of the modified contract, including the allocation of revenue to the remaining performance obligations and the period of recognition for each identified performance obligation. In 2018, the Group modified certain contracts for changes in transaction price for the services that are not distinct from the existing contract. As such, these modifications are accounted for as if they were part of the existing contract, and therefore, the effect of the modification on the transaction price and our measure of progress for the performance obligation to which it relates is recognized as an adjustment to revenue on a cumulative catch-up basis in the period of modification. The amount of cumulative adjustment to revenue recorded in 2018 and 2019 as a result of contract modification was RMB122.7 million and nil respectively.

Transaction Price Allocation among Performance Obligations

The Group enters into contracts with product providers or underlying corporate borrowers to provide both wealth management marketing and recurring services or other services. The Group also provides wealth management marketing, recurring services and other services to funds that it serves as general partner/co-general partner or fund manager.

Each of the wealth management marketing service, recurring service, and other service represent a separate performance obligation. The Group allocate the total consideration among various performance obligations at inception of contracts based on their relative stand-alone selling price (“SSP”). The Group has observable SSP for its wealth management marketing services and other services for certain products as it provides such services separately to other similar customers. The Group has not sold its recurring services separately. The Group adopts either the adjusted market assessment approach or the residual approach when the SSP is not directly observable and is either highly variable or uncertain. Revenue for the respective performance obligation is recognized in the same manner as described above.

Contract Balances

The Group enters into contracts with customers, of which obligations are performed over a period. The Group records contract liabilities in deferred revenue when payments are received in advance of the performance obligations being satisfied. Certain contracts require that a portion of the payment be deferred until the end of the wealth management product’s life or other specified contingencies.

As of December 31, 2018 and 2019, total amount of deferred revenue are RMB154,910,781 and RMB82,957,958 respectively, of which RMB130,669,882 and RMB77,728,462 estimated to be recognized within one year, RMB24,240,899 and RMB5,229,496 over one year to two years.

Practical Expedience

The Group has used the following practical expedients as allowed under ASC 606:

The Group expenses sales commissions as incurred when the amortization period is one year or less. Sales commission expenses are recorded within “Cost of Revenues” in the consolidated statements of operations.

The Group has also applied the practical expedient for certain revenue streams to exclude the value of remaining performance obligations for (i) contracts with an original expected term of one year or less or (ii) contracts for which the Group recognizes revenue in proportion to the amount the Group has the right to invoice for services performed.

(o) Sales Related Tax and Related Surcharges

The Group is subject to value-added tax (“VAT”), education surtax, and urban maintenance and construction tax, on the services provided in the PRC. The applicable VAT rate for the Group is 3% to 6%.

(p) Cost of Revenues

Cost of revenue includes salaries and performance-based commissions of relationship managers and business development team, and expenses incurred in connection with product-specific client meetings and other events.

(q) Selling Expenses

Selling expenses primarily consist of payroll, bonus and benefits of sales and marketing staff, brand promotion costs, and agency fees. Brand promotion costs are expensed as incurred.

Brand promotion costs in connection with the provision of marketing and promotion services consisted of fees the Group paid to third party vendors for brand promotion on various online and offline channels. Such costs were included as selling expenses in the consolidated statements of operations and totaled RMB12,021,015, RMB16,831,978 and RMB9,019,349 for the years ended December 31, 2017, 2018 and 2019, respectively.

(r) Intangible assets, net

Acquired intangible assets mainly consist of customer contracts, internal-used software and licenses from business combinations and are recorded at fair value on the acquisition date. Customer contracts, internal-used software and certain licenses are amortized using a straight-line method. Most of the licenses are determined to be indefinitely-lived, and not subject to amortization.

| | Estimated Useful Lives in Years |
|------------------------|---|
| Customer contracts | 3.5 years |
| Internal-used software | 10 years |
| Licenses amortized | Shorter of the legal rights or expected useful life |

(s) Impairment of long-lived assets

The Group evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. When these events occur, the Group measures impairment by comparing the carrying amount of the assets to future undiscounted net cash flows expected to result from the use of the assets and their eventual disposition.

The Group evaluates intangible assets that are not subject to amortization for impairment annually and more frequently if events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Group conducts quantitative impairment tests for indefinite-lived intangible assets and compares the fair value of the asset with its carrying amount. The Group recognizes impairment loss on the amount by which the carrying value exceeds the fair value of the asset. After an impairment loss is recognized, the Group uses adjusted carrying amount of the intangible asset as its new accounting basis.

(t) Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value assigned to the individual assets acquired and liabilities assumed. Goodwill is not depreciated or amortized but is tested for impairment on an annual basis as of December 31, and in between annual tests when an event occurs or circumstances change that could indicate that the asset might be impaired.

Prior to January 1, 2018, the Group performed a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, the Group compares the fair value of the reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the Group performs Step 2 and compares the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. Starting from January 1, 2018, the Group early adopted ASU 2017-04. A reporting unit is identified as a component for which discrete financial information is available and is regularly reviewed by management. As the Group operates in a sole segment, which is value-added wealth management and asset management services, management concluded that it had only one reporting unit, and therefore the goodwill impairment testing is performed at a consolidation level. The impairment test is performed as of year-end or if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount by comparing the fair value of a reporting unit with its carrying value. If the fair value of the reporting unit exceeds its carrying amount, goodwill is not impaired and no further testing is required. If the fair value of the reporting unit is less than the carrying value, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.

Based on the Group's impairment assessment review, the Group recorded goodwill impairment of nil, RMB267.9 million and nil for the years ended December 31, 2017, 2018 and 2019 for the goodwill from acquisition of Scepter as the volatile market environment continued to negatively impact the Group's operations and business outlook.

(u) Income Taxes

Current income taxes are provided for in accordance with the relevant statutory tax laws and regulations.

The Group accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined on the basis of the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

The Group recognizes net deferred tax assets to the extent that it believes these assets are more likely than not to be realized. In making such a determination, it considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Group determines that its deferred tax assets are realizable in the future in excess of their net recorded amount, the Group would make an adjustment to the deferred tax asset valuation allowance, which would reduce the provision for income taxes. According to ASU 2015-17, the Group recognized deferred tax assets and liabilities as non-current assets and liabilities.

(v) Share-Based Compensation

The Group recognizes share-based compensation based on the grant date fair value of equity awards, with compensation expense recognized over the vesting period. Share-based compensation expense is classified in the consolidated statements of operations based upon the job function of the grantee. The Group accounts for a cancellation or settlement of an equity settled share-based payment award as an acceleration of vesting, and recognize immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period. The Group also estimates expected forfeitures and recognizes compensation cost only for those share-based awards expected to vest. Actual forfeitures may differ from those estimated by the Group which would affect the amount of share-based compensation to be recognized.

(w) Government Grants

Government subsidies include cash subsidies received by the Group's entities in the PRC from local governments as incentives for registering and operating business in certain local districts and are typically granted based on the amount of value-added tax, and income tax payment generated by the Group in certain local districts. Such subsidies allow the Group full discretion in utilizing the funds and are used by the Group for general corporate purpose. The local governments have final discretion as to the amount of cash subsidies.

Cash subsidies are included in other operating income and recognized when received and when all the conditions for their receipt have been satisfied.

(x) Net Income (Loss) per Share

Basic net income or loss per share is computed by dividing net income or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted net income per share reflects the potential dilution that could occur if securities or other contracts to issue ordinary shares were exercised into ordinary shares. Common share equivalents are excluded from the computation of the diluted net income per share in years when their effect would be anti-dilutive.

Diluted net income or loss per share is computed by giving effect to all potential dilutive shares, including stock options and unvested restricted shares. To calculate the number of shares for diluted income per share, the effect of the stock options and restricted share units is computed using the treasury stock method.

(y) Foreign Currency Translation

The functional currency of the Company, Jupai Investment International Limited, Scepter Holdings Limited, and Scepter Pacific Limited is the United States dollar (“U.S. dollar”). The functional currency of Jupai Hong Kong, UP Capital Asset Management Ltd., Non-Linear Investment Management Ltd., is the Hong Kong Dollar (“HKD”). The subsidiaries in the PRC and the VIEs determined their functional currency to be the Chinese Renminbi (“RMB”). The determination of the respective functional currency is based on the criteria of ASC 830, Foreign Currency Matters.

Assets and liabilities of the Group’s overseas entities denominated in currencies other than RMB are translated into RMB at the rates of exchange ruling at the balance sheet date. Equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as foreign currency translation adjustment and are shown as a separate component of other comprehensive income in the consolidated statements of comprehensive income.

Amounts in USD are solely for the convenience of the readers and were calculated at the rate of USD1.00 for RMB6.9618 on December 31, 2019, representing the certificated exchange rate published by the Federal Reserve Board. This presentation is not intended to be an indication of the actual USD amount for the underlying transactions, assets or liabilities.

(z) Comprehensive Income

Comprehensive income includes all changes in equity except those resulting from investments by owners and distributions to owners. For the years presented, total comprehensive income included net income, foreign currency translation adjustments, net of tax effect.

(aa) Recently issued accounting pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. This ASU is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the Group’s portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. For public business entities, the guidance is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application of the pending content that links to this paragraph is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Group is in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”) which eliminates, adds and modifies certain disclosure requirements for fair value measurements. Under the guidance, public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. The guidance is effective for all entities for fiscal years beginning after December 15, 2019 and for interim periods within those fiscal years, but entities are permitted to early adopt either the entire standard or only the provisions that eliminate or modify the requirements. The Group does not expect a significant impact on its consolidated financial statements.

In October, 2018, the FASB issued ASU 2018-17, which amends two aspects of the related-party guidance in ASC 810. Specifically, the ASU (1) adds an elective private-company scope exception to the variable interest entity guidance for entities under common control, and (2) amends the guidance for determining whether a decision-making fee is a variable interest. The amendments require organizations to consider indirect interests held through related parties under common control on a proportional basis rather than as the equivalent of a direct interest in its entirety (as currently required in GAAP). Therefore, these amendments likely will result in more decision makers not consolidating VIEs. For entities other than private companies, ASU 2018-17 is effective for fiscal years beginning after December 15, 2019, including interim periods therein. Early adoption is permitted for all entities. The Group is in the process in evaluating the impact from the adoption of ASU 2018-17.

In December 2019, the FASB issued ASU No. 2019-12 (“ASU 2019-12”) “Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes.” ASU 2019-12 will simplify the accounting for income taxes by removing certain exceptions currently provided for in ASC 740, “Income Taxes” (“ASC 740”), and by amending certain other requirements of ASC 740. The changes resulting from ASU 2019-12 will be made on a retrospective or modified retrospective basis, depending on the specific exception or amendment. For public business entities, the amendments in ASU 2019-12 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company will adopt ASU 2019-12 effective January 1, 2021. Management is currently evaluating the effect of the adoption of ASU 2019-12 on the consolidated financial statements.

Adopted in 2019

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842), which requires lessees to recognize most leases on the balance sheet. This ASU requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. The new guidance was effective for the Group beginning January 1, 2019 and was adopted on a modified retrospective basis. The Group elected to apply the guidance to each lease that had commenced as of the adoption date. As a result, periods prior to January 1, 2019 are presented in accordance with previous GAAP. The Group also elected a package of practical expedients which resulted in no requirement to reassess (a) whether any expired or existing contracts are or contain leases, (b) the lease classification for any expired or existing leases and (c) the recognition requirements for initial direct costs for any leases. The Group also elected a practical expedient to account for lease and non-lease components as a single lease component. Short-term leases, which have a stated lease term of twelve months or less, have been excluded from the lease liability and ROU Assets as a result of a policy election made by the Group.

Upon adoption, the Group recorded ROU assets of RMB152.3 million and lease liabilities RMB144.3 million, with no cumulative effect adjustment to retained earnings as of January 1, 2019. The guidance did not have a material impact on the Consolidated Statements of Operations or the Consolidated Statements of Cash Flows.

3. Net Income (loss) per Share

The following table sets forth the computation of basic and diluted net income (loss) per share attributable to ordinary shareholders:

| | Years Ended December 31, | | | |
|--|--------------------------|---------------|---------------|--------------|
| | 2017 | 2018 | 2019 | 2019 |
| | RMB | RMB | RMB | USD |
| Net income (loss) attributable to ordinary shareholders —basic | 409,492,179 | (387,744,018) | (164,686,075) | (23,655,674) |
| Net income (loss) attributable to ordinary shareholders — diluted | 409,492,179 | (387,744,018) | (164,686,075) | (23,655,674) |
| Weighted average number of ordinary shares outstanding — basic | 195,467,414 | 200,480,910 | 201,695,899 | 201,695,899 |
| Plus: share options | 8,592,663 | — | — | — |
| Plus: restricted shares | 1,611,827 | — | — | — |
| Weighted average number of ordinary shares outstanding — diluted | 205,671,904 | 200,480,910 | 201,695,899 | 201,695,899 |
| Basic net income (loss) per share | 2.09 | (1.93) | (0.82) | (0.12) |
| Diluted net income (loss) per share | 1.99 | (1.93) | (0.82) | (0.12) |

Diluted earnings per share do not include the following instruments as their inclusion would have been anti-dilutive:

| | As of December 31, | | |
|-------------------|--------------------|------------|------------|
| | 2017 | 2018 | 2019 |
| Share options | — | 9,424,471 | 9,145,983 |
| Restricted shares | — | 1,241,352 | 1,182,370 |
| Total | — | 10,665,823 | 10,328,353 |

4. Allowance for doubtful accounts

The movement of the allowance for accounts receivable, other receivables and amounts due from related parties was as following:

| | Years Ended December 31, | | |
|----------------------------------|--------------------------|------------|-------------|
| | 2017 | 2018 | 2019 |
| | RMB | RMB | RMB |
| Balance as of January 1 | — | 3,997,417 | 63,211,728 |
| Provisions for doubtful accounts | 3,997,417 | 59,214,311 | 61,278,914 |
| Write-off | — | — | — |
| Balance as of December 31 | 3,997,417 | 63,211,728 | 124,490,642 |

5. Investments

The following table summarizes the Group's investment balances:

| | As of December 31, | | |
|--|--------------------|-------------|-------------|
| | 2018 RMB | 2019 RMB | 2019 USD |
| Short-term investments | | | |
| - Debt securities — held-to-maturity investments | 4,723,612 | — | — |
| Total short-term investments | 4,723,612 | — | — |
| Long-term investments | | | |
| - Equity securities without readily determinable fair values | 58,950,000 | 228,950,000 | 32,886,610 |
| Total investments | 63,673,612 | 228,950,000 | 32,886,610 |

Debt securities consist of investments in trust products that have stated maturity and normally pay a prospective fixed rate of return, and are carried at amortized cost. The Group recorded investment income on these investments of RMB2,809,517, RMB717,616 and nil for the years ended December 31, 2017, 2018 and 2019, respectively.

The gross unrecognized gain was nil for December 31, 2017, 2018 and 2019, respectively, representing the difference between the estimated fair value and carrying amount of the held-to-maturity investments.

As of December 31, 2018 and 2019, investments in equity securities without readily determinable fair value were RMB58,950,000 and RMB228,950,000, respectively. As of December 31, 2019, the Group's investment consist of investment in privately-held companies of RMB218,950,000 and limited partnership in private equity funds of RMB10,000,000. There have been no adjustments for price changes to the equity investments without readily determinable fair values for the year ended December 31, 2019.

6. Investment in affiliates

The following table summarizes the Group's balances of investment in affiliates:

| | 2018 | | As of December 31 | | | |
|---|-------------------|-------|--------------------|-------|-------------------|-------|
| | | | 2019 | | 2019 | |
| | RMB | % | RMB | % | USD | % |
| Private equity funds that the Company serves as general partner or fund manager (1) | 30,487,247 | | 75,750,152 | | 10,880,829 | |
| Changjiang Jupai (Shanghai) Finance Consulting Co., Ltd. ("Changjiang Jupai") (2) | 11,194,270 | 25.0% | 11,449,125 | 25.0% | 1,644,564 | 25.0% |
| Shanghai Wuling Investment Center ("Wuling Center") | 6,696,246 | 1.2% | 7,763,915 | 1.2% | 1,115,217 | 1.2% |
| Shanghai Jucheng Zhidi Co., Ltd ("Jucheng Zhidi") (3) | — | — | 4,910,260 | 2.0% | 705,315 | 2.0% |
| Shanghai Guochen Equity Management Co., Ltd. ("Guochen") | 3,637,499 | 8.3% | 3,398,720 | 8.3% | 488,196 | 8.3% |
| Shanghai Juzhi Investment Management Co., Ltd. ("Juzhi") | 3,984,209 | 50.0% | 2,680,206 | 50.0% | 384,988 | 50.0% |
| Shanghai Jupai Hehui Asset Management Co., Ltd. ("Hehui") (4) | 4,135,930 | 49.0% | — | — | — | — |
| Shanghai Jinyong Investment Management Co., Ltd. ("Jinyong") (5) | 3,321,753 | 31.0% | — | — | — | — |
| Others | 3,805,277 | | 1,588,622 | | 228,189 | |
| Total investments | <u>67,262,431</u> | | <u>107,541,000</u> | | <u>15,447,298</u> | |

The investments above are accounted for using equity method of accounting.

(1) Shanghai Juxiang and Scepter invested in private equity funds of funds that the Group serves as general partner or fund manager. Shanghai Juxiang and Scepter held no more than 4% equity interest in these private equity funds of funds as a general partner. The Group accounts for these investments using the equity method of accounting due to the fact that the Company can exercise significant influence on these investees in the capacity of general partner or fund manager.

(2) The Group invested RMB8,000,000 for 40% equity interest in Changjiang Jupai and accounted for the investment with equity method accounting. In January 2017, the Group disposed of a 10% equity interest in Changjiang Jupai to an unrelated party for a consideration of RMB2,000,000. In December 2017, Changjiang Jupai increased the registered capital to RMB 24,000,000, and attracted one more investor, whose investment diluted the Company's shareholding into 25%.

(3) The Group invested RMB5,000,000 for 2% equity interest in Shanghai Jucheng Zhidi Co., Ltd this year and accounted for the investment with equity method accounting. The main operating business is real estate development and management.

(4) Hehui used to be a consolidated subsidiary of the Group in which the Group owned 65% equity interest. In September 2014, the Group disposed of 16% equity interest in Hehui to an unrelated third party, determined the Group no longer controlled the entity and as a result deconsolidated Hehui. The remaining 49% equity interest in Hehui was re-measured at fair value and has been subsequently accounted for as equity method investment. The Group disposed of the entire investment in 2019 for RMB4.0 million (USD0.57 million).

(5) Jinyong used to be a consolidated subsidiary of the Group in which the Group owned 80% equity interest. In May 2018, the Group sold 49% equity interest in Jinyong to unrelated third parties, determined the Group no longer controlled the entity and as a result deconsolidated Jinyong. The remaining 31% equity interest in Jinyong was re-measured at fair value and has been subsequently accounted for as equity method investment. In December 2018, Jinyong increased paid-in capital by RMB15 million of which the Group invested RMB4.7 million (USD0.68 million) into remain its 31% equity interest. The Group disposed of the entire investment in 2019 for RMB6.2 million (USD0.89 million).

In addition to the above, the Group also held investments in several fund management companies, none of which is individually material.

7. Property and Equipment, Net

Property and equipment, net consists of the following:

| | As of December 31, | | |
|-----------------------------------|---------------------------|-------------------|------------------|
| | 2018 | 2019 | 2019 |
| | RMB | RMB | USD |
| Leasehold improvements | 46,392,697 | 58,329,033 | 8,378,440 |
| Furniture, fixtures and equipment | 29,534,670 | 30,852,788 | 4,431,726 |
| Motor vehicles | 4,281,395 | 3,701,461 | 531,682 |
| Total | 80,208,762 | 92,883,282 | 13,341,848 |
| Accumulated depreciation | (43,941,720) | (64,601,406) | (9,279,411) |
| Deconsolidation | — | (447,116) | (64,224) |
| Property and equipment, net | <u>36,267,042</u> | <u>27,834,760</u> | <u>3,998,213</u> |

Depreciation expense was RMB10,902,651, RMB13,416,578 and RMB20,659,686 for the years ended December 31, 2017, 2018 and 2019, respectively.

8. Intangible Assets, Net

Intangible assets are comprised of the following:

| | As of December 31, | | |
|---|---------------------------|-------------------|------------------|
| | 2018 | 2019 | 2019 |
| | RMB | RMB | USD |
| Customer contracts | 66,590,884 | 67,687,278 | 9,722,669 |
| Software | 36,937,043 | 37,670,816 | 5,411,074 |
| License | 942,481 | 942,481 | 135,379 |
| Less: accumulated amortization | 71,310,260 | 76,752,418 | 11,024,795 |
| Intangible assets subject to amortization | 33,160,148 | 29,548,157 | 4,244,327 |
| License with indefinite life | 26,891,801 | 11,733,541 | 1,685,418 |
| Foreign currency translation adjustment | (1,927,341) | (3,031,219) | (435,407) |
| Intangible assets, net | <u>58,124,608</u> | <u>38,250,479</u> | <u>5,494,338</u> |

Insurance Brokerage Licenses included in the intangible assets are assessed as indefinite life and are not subject to amortization. Amortization expense related to other intangible asset was RMB21,669,520, RMB22,872,976 and RMB5,442,158 for the years ended December 31, 2017, 2018 and 2019, respectively.

The Group expects to record amortization expense of RMB3,754,913, RMB3,754,913, RMB3,754,913, RMB3,754,913, RMB3,754,913 for the years ending December 31, 2020, 2021, 2022, 2023 and 2024, respectively.

9. Goodwill

The movement in carrying amount of goodwill is as follows:

| | <u>Years Ended December 31,</u> |
|--|---------------------------------|
| | <u>RMB</u> |
| Balance as of January 1, 2018 | 261,621,691 |
| Addition for acquisitions | — |
| Impairment | (267,917,575) |
| Foreign currency translation adjustments | 6,592,915 |
| Balance as of January 1, 2019 | 297,031 |
| Deconsolidation | (297,031) |
| Impairment | — |
| Foreign currency translation adjustments | — |
| Balance as of December 31, 2019 | — |

Goodwill is primarily generated from the acquisition for 100% equity interests of Scepter in 2015 amounting to USD40 million, and the management performs goodwill impairment test annually.

The Group has one reporting unit. In 2018, the management has conducted assessment and determined it is more likely than not that the fair value of the reporting unit is less than its carrying amount. By comparing the fair value of the reporting unit with its carrying amount, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value to the extent of the goodwill carrying value. Impairment loss of RMB267.9 million was recorded as impairment loss of goodwill.

In 2019, we disposed UP Capital Asset Management Limited (BVI) ("UP") for RMB34.0 million to a subsidiary of E-house, with a result of deconsolidation of UP and elimination of the goodwill.

10. Leases

The Group's noncancelable operating leases consist of leases for office space. The Group is the lessee under the terms of the operating leases. For the year ended December 31, 2019, the operating lease cost was RMB82.2 million.

The Group's operating leases have remaining lease terms that range from approximately one year to four years. As of December 31, 2019, the weighted average remaining lease term and weighted average discount rate were 1.55 years and 5.7%, respectively.

11. Dividends

On February 28, 2017, Jupai Holdings declared a cash dividend on the accumulated undistributed earnings of USD16,172,640 to all the shareholders of Jupai Holdings, and the dividend was paid in March 2017.

In April 2017, Jupeng declared a cash dividend on the accumulated undistributed earnings of RMB5,992,000 to the minority shareholder, and the dividend was paid in May 2017.

On March 12, 2018, Jupai Holdings declared a cash dividend on the accumulated undistributed earnings of USD19,950,975 to all the shareholders of Jupai Holdings, and the dividend was paid in May 2018.

12. Share-Based Compensation

In July 2014, the Group adopted the 2014 Share Incentive Plan ("the 2014 Plan"), which allows the Group to offer a variety of share-based incentive awards to employees, officers, and directors. The maximum number of shares that may be issued pursuant to all awards under the 2014 Plan shall initially be 17,570,281 ordinary shares, and will be increased automatically by 5% of the then total outstanding shares on an as-converted fully diluted basis on each of the third, sixth and ninth anniversaries of the effective date of the 2014 Plan. In December 2015, the Group amended the 2014 Plan to increase the number of shares reserved for future awards under the 2014 Plan by 9,367,739 ordinary shares to 26,938,020 ordinary shares.

Share Options:

On July 1, 2014 and April 2, 2015, the Group granted 12,056,000 and 1,061,600 options to purchase ordinary shares to certain employees at an exercise price of USD0.48 and USD1.00 per share, respectively. The options expire ten years from the date of grant and vest ratably at each grant date anniversary over a period of three years.

Replacement of the Company's option for Scepter's option ("Options Replacement Program").

Effective upon the Company's IPO and in connection with its acquisition of Scepter ("Replacement Date"), the Company exchanged 2,525,000 of its options ("Replacement Options") under the 2014 Plan for the 505,000 of the options ("Replaced Options") that had been previously granted to certain employees of Scepter and E-House under Scepter's 2014 Share Incentive Plan ("Scepter Plan"), with other terms unchanged. The Company capitalized RMB13,702,194 as part of the cost of acquiring Scepter in regard to the Options Replacement Program, which the Company computed as the sum of (1) the Replacement Date fair value of the Replaced Options granted to the employees of E-House, and (2) the fair value of the Replaced Options granted to the employees of Scepter on the Replacement Date multiplied by the ratio of pre-acquisition services to the requisite service period of such Replaced Options, which is the same as the requisite service period of the Replacement Options.

The Group uses the current share price as the fair value of underlying ordinary shares.

The Company recorded compensation expense related to previously issued stock options of RMB9,052,789, RMB1,165,543 and nil for the years ended December 31, 2017, 2018 and 2019.

A summary of option activity under the 2014 Plan during the year ended December 31, 2019.

| | <u>Number of Options</u> | <u>Weighted Average Exercise Price</u> RMB | <u>Remaining Contractual Term</u> | <u>Aggregate Intrinsic Value of Options</u> RMB |
|--------------------------------------|------------------------------|---|---|--|
| Outstanding, as of January 1, 2019 | 9,424,471 | 3.92 | | |
| Exercised | (9,200) | 3.34 | | |
| Forfeited | (269,288) | 3.99 | | |
| Outstanding, as of December 31, 2019 | <u>9,145,983</u> | 3.97 | 4.61 | — |
| Exercisable as of December 31, 2019 | <u>9,145,983</u> | 3.97 | 4.61 | — |

No options were granted for years ended December 31, 2017, 2018 and 2019.

The total intrinsic value of options exercised were RMB47,051,806, RMB19,964,965 and RMB42,592 for the years ended December 31, 2017, 2018 and 2019.

As of December 31, 2019, there was nil unrecognized compensation expense related to unvested share options granted under the 2014 Plan.

Non-vested restricted shares:

On January 1, 2017, the Company granted 50,616 restricted shares to one employee. The fair value of the restricted shares on grant date is USD1.47. The restricted shares vest ratably at each grant date anniversary over a period of three years.

On February 27, 2017, the Company granted 4,211,532 restricted shares to certain senior management. The fair value of the restricted shares on grant date is USD1.59. The restricted shares vest ratably at each grant date anniversary over a period of three years.

On April 3, 2017, the Company granted 600,000 restricted shares to certain senior management. The fair value of the restricted shares on grant date is USD1.46. The restricted shares vest ratably at each grant date anniversary over a period of three years.

On January 4, 2019, the Company granted 900,000 restricted shares to certain senior management. The fair value of the restricted shares on grant date is USD0.73. The restricted shares vest ratably at each grant date anniversary over a period of three years.

A summary of restricted share activity under the 2014 Plan during the year ended December 31, 2019.

| | Number of Shares | Weighted Average Grant-date Fair Value RMB |
|-----------------------------------|---------------------|--|
| Unvested, as of January 1, 2019 | 1,241,352 | 10.88 |
| Granted | 900,000 | 5.02 |
| Forfeited | (710,356) | 11.03 |
| Vested | (248,626) | 11.03 |
| Unvested, as of December 31, 2019 | <u>1,182,370</u> | 6.49 |

The total fair value of non-vested restricted shares as of December 31, 2019 was RMB7,673,581. The fair value of non-vested restricted shares was computed based on the fair value of the Group's ordinary shares on the grant date. The total fair value of shares vested during the years ended December 31, 2017, 2018 and 2019, was RMB8,826,273, RMB38,211,775 and RMB2,742,345, respectively.

The Company recorded compensation expense of RMB21,403,150, RMB16,943,399 and RMB9,583,596 for the years ended December 31, 2017, 2018 and 2019. As of December 31, 2019, there was RMB4,206,350 of total unrecognized compensation expense related to unvested restricted shares granted under the 2014 Plan. That cost is expected to be recognized over a weighted-average period of 1.56 years.

13. Income Taxes

Cayman Islands and British Virgin Islands ("BVI")

Under the current laws of the Cayman Islands and BVI, the Company is not subject to tax on its income or capital gains. In addition, the Cayman Islands and BVI do not impose withholding tax on dividend payments.

PRC and Hong Kong

Under the current Hong Kong Inland Revenue Ordinance, our subsidiaries established in Hong Kong are subject up to 16.5% progressive income tax on their taxable income generated from operations in Hong Kong. In addition, payments of dividends from our Hong Kong subsidiaries to us are not subject to any Hong Kong withholding tax.

Under the Law of the People's Republic of China on Enterprise Income Tax ("EIT Law"), domestically-owned enterprises and foreign-invested enterprises are subject to a uniform tax rate of 25% on taxable income.

The tax expense comprises:

| | Years Ended December 31, | | | |
|--------------|--------------------------|--------------------|-------------------|------------------|
| | 2017 RMB | 2018 RMB | 2019 RMB | 2019 USD |
| Current Tax | 141,126,316 | 163,676,039 | 15,018,507 | 2,157,273 |
| Deferred Tax | (18,127,807) | (33,820,672) | 37,926,132 | 5,447,748 |
| Total | <u>122,998,509</u> | <u>129,855,367</u> | <u>52,944,639</u> | <u>7,605,021</u> |

Reconciliation between the statutory tax rate to income before income taxes and the actual provision for income taxes is as follows:

| | Years Ended December 31, | | |
|--|--------------------------|---------|---------|
| | 2017 | 2018 | 2019 |
| PRC income tax rate | 25.00% | 25.00% | 25.00% |
| Expenses not deductible for income tax purposes | 1.62% | -9.47% | -25.47% |
| Goodwill impairment | — | -44.22% | — |
| Losses not deductible for income tax purposes | — | -5.40% | -12.81% |
| Tax-free income | -1.75% | 1.10% | — |
| Valuation allowance of deferred tax assets | — | -55.56% | -33.12% |
| Uncertain tax position impact | -1.09% | — | — |
| Different tax rate of subsidiary operation in other jurisdiction | -1.13% | 2.81% | 0.16% |
| Effective income tax rate | 22.65% | -85.74% | -46.24% |

The principal components of the deferred income tax asset and liabilities are as follows:

| | As of December 31, | | |
|-----------------------------------|--------------------|------------------|----------------|
| | 2018 RMB | 2019 RMB | 2019 USD |
| Deferred tax assets: | | | |
| Deferred revenue | 38,727,695 | — | — |
| Accrued expenses | 112,027,905 | 4,608,063 | 661,907 |
| Tax loss carry forward | 34,376,091 | 67,843,392 | 9,745,093 |
| Gross deferred tax assets | 185,131,691 | 72,451,455 | 10,407,000 |
| Valuation allowance | (84,146,463) | (67,843,392) | (9,745,093) |
| Net deferred tax assets | <u>100,985,228</u> | <u>4,608,063</u> | <u>661,907</u> |
| Deferred tax liabilities: | | | |
| Amortization of intangible assets | 198,187 | — | — |
| Total deferred tax liabilities | <u>198,187</u> | <u>—</u> | <u>—</u> |

Movement of the valuation allowance is as follows:

| | As of December 31, | | | |
|---------------------------|--------------------|-------------------|-------------------|------------------|
| | 2017 RMB | 2018 RMB | 2019 RMB | 2019 USD |
| Balance as of January 1 | — | — | 84,146,463 | 12,086,883 |
| Additions | — | 84,146,463 | 37,227,678 | 5,347,421 |
| Write-offs | — | — | (53,530,749) | (7,689,211) |
| Balance as of December 31 | <u>—</u> | <u>84,146,463</u> | <u>67,843,392</u> | <u>9,745,093</u> |

The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will be more likely than not realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses and forecasts of future profitability. These assumptions require significant judgment and the forecasts of future taxable income are consistent with the plans and estimates the Group is using to manage the underlying businesses. Valuation allowances are established for deferred tax assets based on a more likely than not threshold. The Group's ability to realize deferred tax assets depends on its ability to generate sufficient taxable income within the future periods provided for in the tax law. As of December 31, 2019, operating loss carried forward amounted to RMB271.4 million for the PRC and HK income tax purposes. The loss carrying forward will begin to expire in 2020. Valuation allowance of RMB84,146,463 and RMB67,843,392 was recorded as of December 31, 2018 and 2019 for the entities that are not more likely than not to realize the net operating loss carry forward.

Undistributed earnings of the Company's PRC subsidiaries of approximately RMB858.3 million at December 31, 2019 are considered to be indefinitely reinvested and, accordingly, no provision for PRC dividend withholding tax has been provided thereon. Upon distribution of those earnings, in the form of dividends or otherwise, the Group would be subject to the then applicable PRC tax laws and regulations. The amounts of unrecognized deferred tax liabilities for these earnings are in the range of RMB42.9 million to RMB85.8 million, as the withholding tax rate of the profit distribution will be 5% or 10% depending upon whether the immediate offshore companies can enjoy the preferential withholding tax rate of 5%.

Aggregate undistributed earnings of the Company's VIEs and its VIEs' subsidiaries located in the PRC that are available for distribution to the Company were approximately RMB192.1 million as of December 31, 2019. A deferred tax liability should be recorded for taxable temporary differences attributable to the excess of financial reporting amounts over tax basis amount in domestic subsidiaries. However, recognition is not required in situations where the tax law provides a means by which the reported amount of that investment can be recovered tax-free and the enterprise expects that it will ultimately use that means. The Company has not recorded any such deferred tax liability attributable to the undistributed earnings of its financial interest in VIEs because it believes such excess earnings can be distributed in a manner that would not be subject to income tax.

The Group has made its assessment of the level of tax authority for each tax position (including the potential application of interest and penalties) based on the technical merits, and has measured the unrecognized tax benefits associated with the tax positions.

The Group does not anticipate any significant increases or decreases to its liability for unrecognized tax benefits within the next 12 months. According to PRC Tax Administration and Collection Law, the statute of limitations is three years if the underpayment of taxes is due to computational errors made by the taxpayer or withholding agent. The statute of limitations will be extended to five years under special circumstances, which are not clearly defined (but an underpayment of tax liability exceeding RMB0.1 million is specifically listed as a special circumstance). In the case of a related party transaction, the statute of limitations is 10 years. There is no statute of limitations in the case of tax evasion.

| | RMB |
|---|-------------|
| Uncertain tax position—January 1, 2017 | 5,938,816 |
| Gross increases—accrued interest in current period | — |
| Reversal | (5,938,816) |
| Uncertain tax position—December 31, 2017, 2018 and 2019 | — |

14. Employee Benefit Plans

The Group's PRC subsidiaries, VIEs and the VIEs' subsidiaries are required by law to contribute a certain percentages of applicable salaries for retirement benefits, medical insurance benefits, housing funds, unemployment and other statutory benefits. The PRC government is directly responsible for the payments of such benefits. The total contribution for such employee benefits were RMB102.6 million, RMB131.8 million and RMB89.0 million for the years ended December 31, 2017, 2018 and 2019 which is recorded in operating costs and expenses in the consolidated statements of operations in the period those contributions are due. The Group has no ongoing obligation to its employees subsequent to its contributions to such employee benefit plans.

15. Restricted Net Assets

Pursuant to the relevant laws and regulations in the PRC applicable to foreign-investment corporations and the Articles of Association of the Group's PRC subsidiaries, VIEs and VIEs' subsidiaries, the Group is required to maintain a statutory reserve ("PRC statutory reserve"): a general reserve fund, which is not available for dividend distribution. The Group's PRC subsidiaries, VIEs and VIEs' subsidiaries are required to allocate 10% of their profit after taxation, as reported in their PRC statutory financial statements, to the general reserve fund until the balance reaches 50% of their registered capital. At their discretion, the PRC subsidiaries, VIEs and VIEs' subsidiaries may allocate a portion of its after-tax profits based on PRC accounting standards to staff welfare and bonus funds. The general reserve fund may be used to make up prior year losses incurred and, with approval from the relevant government authority, to increase capital. PRC regulations currently permit payment of dividends only out of the Group's PRC subsidiaries, VIEs and VIEs' subsidiaries' accumulated profits as determined in accordance with PRC accounting standards and regulations. The general reserve fund amounted to RMB74,441,552 and RMB79,750,650 as of December 31, 2018 and 2019, respectively. The Group has not allocated any of its after-tax profits to the staff welfare and bonus funds for any period presented.

In addition, the share capital of the Company's PRC subsidiaries, VIEs and VIEs' subsidiaries of RMB395,387,537 and RMB407,718,537 as of December 31, 2018 and 2019, respectively, was considered restricted due to restrictions on the distribution of share capital.

As a result of these PRC laws and regulations, the Company's PRC subsidiaries, VIEs and VIEs' subsidiaries are restricted in their ability to transfer a portion of their net assets, including general reserve and registered capital, either in the form of dividends, loans or advances. Such restricted portion amounted to RMB469,829,089 and RMB487,469,187 as of December 31, 2018 and 2019, respectively.

16. Segment Information

The Group uses the management approach to determine operating segments. The management approach considers the internal organization and reporting used by the Group's chief operating decision maker ("CODM") for making decisions, allocating resources and assessing performance. The Group's CODM has been identified as the CEO and Chairman of the Board, who reviews consolidated results when making decisions about allocating resources and assessing performance of the Group.

The Group believes it operates in a sole segment, which is value-added wealth management and asset management services.

Substantively all of the Group's revenues are derived from China. The Group's long-lived assets are located substantially in the PRC.

17. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

During the years ended December 31, 2017, 2018 and 2019, significant related party transactions and balances were as follows:

a. Revenue from Related Parties

| | Years Ended December 31 | | | |
|---|-------------------------|-------------|-------------|------------|
| | 2017 | 2018 | 2019 | 2019 |
| | RMB | RMB | RMB | USD |
| One-time commissions | | | | |
| Funds managed by Jupai Group | 739,471,960 | 521,493,884 | 58,676,277 | 8,428,320 |
| Investees of shareholder of the Company | 429,483 | 2,821,409 | 2,047,634 | 294,124 |
| Total one-time commissions | 739,901,443 | 524,315,293 | 60,723,911 | 8,722,444 |
| Recurring management fee | | | | |
| Funds managed by Jupai Group | 365,045,532 | 436,947,202 | 340,732,359 | 48,943,141 |
| Total recurring management fee | 365,045,532 | 436,947,202 | 340,732,359 | 48,943,141 |
| Recurring service fee | | | | |
| Funds managed by Jupai Group | 10,081,396 | 1,256,411 | 1,433,629 | 205,928 |
| Total recurring service fee | 10,081,396 | 1,256,411 | 1,433,629 | 205,928 |
| Other service fee | | | | |
| Funds managed by Jupai Group | 117,757,338 | 28,301,887 | — | — |
| Total other service fee | 117,757,338 | 28,301,887 | — | — |
| Total revenue from related parties | 1,232,785,709 | 990,820,793 | 402,889,899 | 57,871,513 |

b. Transaction to Related Parties

In 2019, UP Capital Asset Management Limited (BVI) (“UP”) was disposed for RMB34.0 million to a subsidiary of E-house.

c. Amounts due from Related Parties

As of December 31, 2018 and 2019, amounts due from related parties were comprised of the following:

| | As of December 31, | | |
|---|--------------------|--------------------|-------------------|
| | 2018 | 2019 | 2019 |
| | RMB | RMB | USD |
| Funds managed by Jupai Group | 210,587,355 | 101,122,751 | 14,525,375 |
| Investees of shareholder of the Company | 54,426 | — | — |
| Loan to related parties | — | 200,000,000 | 28,728,202 |
| Loan to noncontrolling interest shareholder | 37,316,266 | 23,187,995 | 3,330,747 |
| Total amounts due from related parties | 247,958,047 | 324,310,746 | 46,584,324 |

Other than the loan to noncontrolling interest shareholders, loan to related parties and investees of shareholder of the company, the remaining amounts primarily represent the service fee receivable as of December 31, 2018 and 2019.

d. Deferred Revenue from Related Parties

As of December 31, 2018 and 2019, deferred revenue from related parties were comprised of the following:

| | As of December 31, | | |
|------------------------------|--------------------|------------|-----------|
| | 2018 | 2019 | 2019 |
| | RMB | RMB | USD |
| Funds managed by Jupai Group | 133,817,091 | 46,971,804 | 6,747,077 |
| Total deferred revenue | 133,817,091 | 46,971,804 | 6,747,077 |

The amounts represent recurring management fees and recurring service fees received from the investment funds managed or served by the Group in advance.

e. Amounts due to Related Parties

As of December 31, 2018 and 2019, amounts due to related parties were as following:

| | As of December 31, | | |
|---|--------------------|-------------------|------------------|
| | 2018 | 2019 | 2019 |
| | RMB | RMB | USD |
| Funds managed by Jupai Group | 29,105,111 | 17,439,664 | 2,505,051 |
| Investees of shareholder of the Company | 2,000,000 | 2,000,000 | 287,282 |
| Total amounts due to related parties | 31,105,111 | 19,439,664 | 2,792,333 |

The amounts as of December 31, 2018 and 2019 mainly represent capital investments collected on behalf of investees.

18. Commitments and Contingencies

Operating Leases

The Group leases its facilities under non-cancelable operating leases expiring at various dates.

Future minimum lease payments under non-cancelable operating lease agreements as of December 31, 2019 were as follows:

| <u>Years Ended December 31,</u> | <u>RMB</u> |
|---------------------------------|-------------------|
| 2020 | 36,892,048 |
| 2021 | 23,676,676 |
| 2022 | 7,428,066 |
| 2023 and after | 538,722 |
| Total | 68,535,512 |

Rental expenses were RMB83,147,890, RMB94,635,510 and RMB82,161,925 during the years ended December 31, 2017, 2018 and 2019, respectively.

Contingencies

As of December 31, 2018 and 2019, there were no material contingencies, significant provisions of long-term obligations of the Group. The Group does not believe that any of these matters will have a material effect on its business, assets or operations.

Investment commitments

The Group was obligated to provide capital injection of RMB53,546,000 as of December 31, 2019.

19. Subsequent Events

In December 2019, novel coronavirus (COVID-19) was first reported to surface in Wuhan, China. Subsequent to December 31, 2019, COVID-19 has spread rapidly globally, resulted in quarantines, travel restrictions, and the temporary closure of stores and facilities, resulting in a tremendous challenge to the global economy. And the Group's results of operation may be adversely affected to the extent that it harms the Chinese economy in general.

On February 26, 2020, the Group announced a share repurchase program under which the Company is authorized to repurchase its American depository shares ("ADSs") with an aggregate value of up to US\$10 million over the next 24-month period.

Additional Financial Information of Parent Company — Financial Statements Schedule I

Jupai Holdings Limited

Financial Information of Parent Company

Condensed Balance Sheets

(In RMB except for share data)

| | As of December 31, | | |
|---|----------------------|----------------------|--------------------|
| | 2018 | 2019 | 2019 |
| | RMB | RMB | USD |
| ASSETS | | | |
| Cash and cash equivalents | 10,424,536 | 40,043,612 | 5,751,905 |
| Other current assets | 446,736 | 535,595 | 76,933 |
| Total current assets | 10,871,272 | 40,579,207 | 5,828,838 |
| Investment in subsidiaries and VIE | 1,144,961,352 | 963,676,905 | 138,423,526 |
| Property and equipment, net | 32,409 | — | — |
| Other non-current assets | 418,307 | — | — |
| Loan to subsidiaries | 197,998,064 | 200,610,890 | 28,815,951 |
| Total Assets | 1,354,281,404 | 1,204,867,002 | 173,068,315 |
| LIABILITIES | | | |
| Other current liabilities | 2,424,155 | 4,250,542 | 610,552 |
| Amounts due to related parties — non-current | 12,845,906 | 13,057,409 | 1,875,579 |
| Total Liabilities | 15,270,061 | 17,307,951 | 2,486,131 |
| Ordinary Shares (USD0.0005 par value; 1,000,000,000 and 1,000,000,000 shares authorized, 201,479,446 and 201,737,272 shares issued and outstanding, as of December 31, 2018 and 2019, respectively) | 631,715 | 632,601 | 90,867 |
| Additional paid-in capital | 1,138,107,676 | 1,150,352,309 | 165,237,770 |
| Retained earnings | 147,118,546 | (17,567,529) | (2,523,418) |
| Accumulated other comprehensive income | 53,153,406 | 54,141,670 | 7,776,965 |
| Total shareholders' equity | 1,339,011,343 | 1,187,559,051 | 170,582,184 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 1,354,281,404 | 1,204,867,002 | 173,068,315 |

Additional Information —Financial Statement Schedule I

Jupai Holdings Limited

Financial Information of Parent Company

Condensed Statements of Operations and Comprehensive Income

(In RMB)

| | Years Ended December 31, | | | |
|---|--------------------------|---------------|---------------|--------------|
| | 2017 RMB | 2018 RMB | 2019 RMB | 2019 USD |
| Revenues | — | — | 2,051,459 | 294,674 |
| Cost of revenues | (2,433,718) | (187,196) | — | — |
| Selling expenses | (1,574,380) | (3,418,127) | (7,225,289) | (1,037,848) |
| General and administrative expenses | (35,254,910) | (24,195,705) | (14,615,621) | (2,099,403) |
| Other income (loss) | 290,197 | 2,345,741 | (2,938,226) | (422,050) |
| Interest income | 4,862 | 1,502 | — | — |
| Loss before taxes and loss from equity in subsidiaries and VIEs | (38,967,949) | (25,453,785) | (22,727,677) | (3,264,627) |
| Income (loss) from equity in subsidiaries and VIEs | 448,460,128 | (362,290,233) | (141,958,398) | (20,391,047) |
| Net income (loss) | 409,492,179 | (387,744,018) | (164,686,075) | (23,655,674) |
| Other comprehensive (loss) income | (36,401,114) | 12,382,963 | (3,272,053) | (470,002) |
| Comprehensive income (loss) attributable to ordinary shareholders | 373,091,065 | (375,361,055) | (167,958,128) | (24,125,676) |

Additional Information —Financial Statement Schedule I

Jupai Holdings Limited

Financial Information of Parent Company

Condensed Statements of Cash Flows

(In RMB)

| | Years ended December 31, | | | |
|--|--------------------------|---------------|---------------|--------------|
| | 2017 RMB | 2018 RMB | 2019 RMB | 2019 USD |
| Cash flows from operating activities: | | | | |
| Net income (loss) | 409,492,179 | (387,744,018) | (164,686,075) | (23,655,674) |
| Adjustment to reconcile net income to net cash provided by operating activities: | | | | |
| Share-based compensation | 30,455,939 | 18,108,942 | 9,583,596 | 1,376,597 |
| Depreciation | 10,890 | 20,227 | 32,409 | 4,655 |
| (Loss) income from equity in subsidiaries and VIEs | (448,460,128) | 362,290,233 | 141,958,398 | 20,391,047 |
| Changes in operating assets and liabilities: | | | | |
| Other receivables | 20,811,000 | — | — | — |
| Other current assets | 527,481 | 222,416 | (88,859) | (12,764) |
| Other non-current assets | (333,357) | (84,950) | 418,307 | 60,086 |
| Other current liabilities | 1,349,551 | 431,312 | 1,826,388 | 262,344 |
| Net cash provided by (used in) operating activities | 13,853,555 | (6,755,838) | (10,955,836) | (1,573,709) |
| Cash flows from investing activities: | | | | |
| Collection of loan to subsidiaries | 1,896,887 | 5,572,843 | 647,137 | 92,955 |
| Purchases of property and equipment, intangible assets | (63,527) | — | — | — |
| Investment in Up Capital | (17,172,335) | — | — | — |
| Proceeds from disposal of Up Capital | — | — | 33,999,151 | 4,883,672 |
| Investment in Non-linear | (4,108,940) | — | — | — |
| Net cash (used in) provided by investing activities | (19,447,915) | 5,572,843 | 34,646,288 | 4,976,627 |
| Cash flows from financing activities: | | | | |
| Exercise of options | 11,678,547 | 3,267,210 | 29,636 | 4,257 |
| Dividend paid by Jupai Holdings | (111,196,228) | (126,355,510) | — | — |
| Net cash (used in) provided by financing activities | (99,517,681) | (123,088,300) | 29,636 | 4,257 |
| Effect of exchange rate changes | (10,039,644) | (12,762,126) | 5,898,988 | 847,339 |
| Net (decrease) increase in cash and cash equivalents | (115,151,685) | (137,033,421) | 29,619,076 | 4,254,514 |
| Cash and cash equivalents — beginning of year | 262,609,642 | 147,457,957 | 10,424,536 | 1,497,391 |
| Cash and cash equivalents — end of year | 147,457,957 | 10,424,536 | 40,043,612 | 5,751,905 |

Additional Information —Financial Statement Schedule I

Jupai Holdings Limited

Notes to Schedule I

1. Schedule I has been provided pursuant to the requirements of Rule 12-04(a) and 5-04(c) of Regulation S-X, which require condensed financial information as to the financial position, cash flows and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year. The condensed financial information has been prepared using the same accounting policies as set out in the consolidated financial statements except that the equity method has been used to account for investments in its subsidiaries, VIEs and VIEs' subsidiaries. For the parent company, the Company records its investments in subsidiaries, VIEs and VIEs' subsidiaries under the equity method of accounting as prescribed in ASC 323, Investments-Equity Method and Joint Ventures. Such investments are presented on the Condensed Balance Sheets as "Investment in subsidiaries and VIEs" and the subsidiaries and VIEs' profit as "Income from equity in subsidiaries and VIEs" on the Condensed Statements of Operations and Comprehensive Income.
2. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. The footnote disclosure certain supplemental information relating to the operations of the Company and, as such, these statements should be read in conjunction with the notes to the accompanying Consolidated Financial Statements.
3. As of December 31, 2019, there were no material contingencies, significant provisions of long-term obligations, mandatory dividend or redemption requirements of redeemable stocks or guarantees of the Company.
4. Translations of amounts from RMB into USD are solely for the convenience of the readers and were calculated at the rate of USD1.00 for RMB6.9618 on December 31, 2019, representing the certificated exchange rate published by the Federal Reserve Board.

Description of Rights of Securities**Registered under Section 12 of the Securities Exchange Act of 1934**

American Depositary Shares (“ADSs”), each representing six ordinary shares of Jupai Holdings Limited (“Jupai,” “we,” “our,” “our company,” or “us”) are listed and traded on the New York Stock Exchange (“NYSE”) and, in connection therewith, the ordinary shares are registered under Section 12(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). This exhibit contains a description of the rights of (i) the holders of ordinary shares and (ii) the holders of ADSs. The ordinary shares underlying the ADSs are held by JPMorgan Chase Bank, N.A., as depositary, and holders of ADSs will not be treated as holders of ordinary shares.

Description of Ordinary Shares

The following is a summary of material provisions of our currently effective fourth amended and restated memorandum and articles of association (the “Memorandum and Articles of Association” or “our memorandum and articles of association”), as well as the Companies Law (2020 Revision) of the Cayman Islands (the “Companies Law”) insofar as they relate to the material terms of our ordinary shares. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire Memorandum and Articles of Association, which has been filed with the Securities and Exchange Commission (the “SEC”) as an exhibit to our Registration Statement on Form F-1/A (File No. 333-204950) filed with the SEC on July 7, 2015.

Type and Class of Securities (Item 9.A.5 of Form 20-F)

Each ordinary share has US\$ 0.0005 par value. The number ordinary shares that have been issued as of the last day of the fiscal year ended December 31, 2019 is provided on the cover of the annual report on Form 20-F filed on April 24, 2020 (the “2019 Form 20-F”). Our ordinary shares may be held in either certified or uncertified form.

Preemptive Rights (Item 9.A.3 of Form 20-F)

The shareholders of Jupai do not have preemptive right.

Limitations or Qualifications (Item 9.A.6 of Form 20-F)

Not applicable.

Rights of Other Types of Securities (Item 9.A.7 of Form 20-F)

Not applicable.

Rights of Ordinary Shares (Item 10.B.3 of Form 20-F)**General**

Our ordinary shares are issued in registered form and are issued when registered in our register of members. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their shares.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, dividends may be declared and paid only out of funds legally available therefor, namely out of either profit or our share premium account, and provided further that a dividend may not be paid if this would result in our company being unable to pay its debts as they fall due in the ordinary course of business.

Voting Rights

Voting at any shareholders' meeting is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one or more shareholders who together hold not less than 10% of the voting share capital of our company present in person or by proxy.

A quorum required for a meeting of shareholders consists of one or more shareholders present and holding not less than a majority of all voting share capital of our company in issue. Shareholders may be present in person or by proxy or, if the shareholder is a legal entity, by its duly authorized representative. Shareholders' meetings may be convened by our board of directors on its own initiative or upon a request to the directors by shareholders holding not less than ten percent of the issued share capital of our company that carries the right to vote at general meetings. Advance notice of at least seven calendar days is required for the convening of our annual general shareholders' meeting and any other general shareholders' meeting.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast at a meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast at a meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Law and our memorandum and articles of association. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association. Holders of the ordinary shares may, among other things, divide or consolidate their shares by ordinary resolution.

Transfer of Ordinary Shares

Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; and
- fee of such maximum sum as the NYSE may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, after compliance with any notice requirement of the NYSE, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year.

Liquidation

On a winding up of our company, if the assets available for distribution among our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus will be distributed among our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them. We are a “limited liability” company registered under the Companies Law, and under the Companies Law, the liability of our members is limited to the amount, if any, unpaid on the shares respectively held by them. Our memorandum of association contains a declaration that the liability of our members is so limited.

Calls on Shares and Forfeiture of Shares

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their shares in a notice served to such shareholders at least 14 days prior to the specified time and place of payment. The shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption, Repurchase and Surrender of Ordinary Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our memorandum and articles of association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company’s profits or out of the proceeds of a fresh issue of or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Issuance of Additional Shares

Our memorandum and articles of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares, without the need for any further approval or authorization from our shareholders.

Our memorandum and articles of association also authorizes our board of directors, without the need for any further approval or authorization from our shareholders, to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preferred shares without the need for any further approval or authorization from, or other action by, our shareholders to the extent of available authorized but unissued shares. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements.

Anti-Takeover Provisions

Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

General Meetings of Shareholders and Shareholder Proposals

Our shareholders' general meetings may be held in such place within or outside the Cayman Islands as our board of directors considers appropriate.

As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders' annual general meetings. Our memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting.

Shareholders' annual general meetings and any other general meetings of our shareholders may be convened by a majority of our board of directors. Our board of directors shall give not less than seven calendar days' written notice of a shareholders' meeting to those persons whose names appear as members in our register of members on the date the notice is given (or on any other date determined by our directors to be the record date for such meeting) and who are entitled to vote at the meeting.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our memorandum and articles of association allow our shareholders holding not less than ten percent of the issued share capital of our company that carries the right to vote at general meetings, to requisition an extraordinary general meeting of our shareholders, in which case our directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Requirements to Change the Rights of Holders of Ordinary Shares (Item 10.B.4 of Form 20-F)

Variations of Rights of Shares

The rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series) may be varied or abrogated with the consent in writing of the holders of not less than two thirds of the issued shares of that class or series or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class or series. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking in priority thereto or *pari passu* with such existing class of shares.

Limitations on the Rights to Own Ordinary Shares (Item 10.B.6 of Form 20-F)

There are no limitations under the laws of the Cayman Islands or under the Memorandum and Articles of Association that limit the right of non-resident or foreign owners to hold or vote ordinary shares.

Provisions Affecting Any Change of Control (Item 10.B.7 of Form 20-F)

Anti-Takeover Provisions in the Memorandum and Articles of Association

Some provisions of our memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that:

- authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders; and
- limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Ownership Threshold (Item 10.B.8 of Form 20-F)

There are no provisions under the laws of the Cayman Islands which are applicable to the Company, or under the Memorandum and Articles of Association, that require our company to disclose shareholder ownership above any particular ownership threshold.

Differences Between the Law of Different Jurisdictions (Item 10.B.9 of Form 20-F)

The Companies Law is modeled after that of the English companies legislation but does not follow recent English law statutory enactments, and accordingly there are significant differences between the Companies Law and the current Companies Act of England. In addition, the Companies Law differs from laws applicable to Delaware corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to Delaware corporations and their shareholders.

Mergers and Similar Arrangements

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertakings, property and liabilities in one of such companies as the surviving company and (b) a “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertakings, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies in the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose a company is a “parent” of a subsidiary if it holds issued shares that together represent at least ninety percent (90%) of the votes at a general meeting of the subsidiary.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the due majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

The Companies Law also contains a statutory power of compulsory acquisition which may facilitate the “squeeze out” of dissentient minority shareholder upon a takeover offer. When a takeover offer is made and accepted by holders of 90% of the shares affected (within four months), the offeror may, within a two-month period commencing on the expiration of such four-month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands, but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If the arrangement and reconstruction by way of scheme of arrangement is thus approved, or if a takeover offer is made and accepted, in accordance with the foregoing statutory procedures, the dissenting shareholder would have no rights comparable to appraisal rights, save that objectors to a takeover offer may apply to the Grand Court of the Cayman Islands for various orders that the Grand Court of the Cayman Islands has a broad discretion to make, which would otherwise ordinarily be available to dissenting shareholders of United States corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits

In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

Indemnification of Directors and Executive Officers and Limitation of Liability

The ability of Cayman Islands companies to provide in their articles of association for indemnification of officers and directors is not limited, except that any indemnity would not be effective if it were held by the Cayman Islands courts to be contrary to public policy, which would include any attempt to provide indemnification against civil fraud or the consequences of committing a crime. The Memorandum and Articles of Association provide that our directors and officers shall be indemnified against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such director or officer, other than by reason of such person's own dishonesty, wilful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such director or officer in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we have entered into indemnification agreements with each of our directors and executive officers that will provide such persons with additional indemnification beyond that provided in the Memorandum and Articles of Association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components, the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director must act in a manner he or she reasonably believes to be in the best interests of the corporation. A director must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interests of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company, and therefore it is considered that he or she owes the following duties to the company including a duty to act bona fide in the best interests of the company, a duty not to make a personal profit out of his or her position as director (unless the company permits him or her to do so), a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interests or his or her duty to a third party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, there are indications that the English and commonwealth courts are moving towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Under the Memorandum and Articles of Association, our directors who are in any way, whether directly or indirectly, interested in a contract or proposed contract with our company must declare the nature of their interest at a meeting of the board of directors. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of our board of directors at which any such contract or proposed contract or arrangement will be considered and voted upon.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided that it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

The Companies Law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. The Memorandum and Articles of Association allow any one or more of our shareholders who together hold not less than ten percent of the issued share capital of our company that carries the right to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board of directors is obliged to convene an extraordinary general meeting and to put the proposals so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, the Memorandum and Articles of Association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings not called by such shareholders. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled for a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands but the Memorandum and Articles of Association do not provide for cumulative voting.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation may be removed with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Memorandum and Articles of Association, directors may be removed with or without cause, by an ordinary resolution of our shareholders. In addition, a director's office shall be vacated if the director (i) dies, becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind; (iii) resigns his office by notice in writing to the company; or (iv) is removed from office pursuant to any other provisions of the Memorandum and Articles of Association.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date on which such person becomes an interested shareholder. An interested shareholder generally is one which owns or owned 15% or more of the target's outstanding voting shares within the past three years. This has the effect of limiting the ability of a potential acquiror to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction that resulted in the person becoming an interested shareholder. This encourages any potential acquiror of a Delaware public corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions entered into must be bona fide in the best interests of the company, for a proper corporate purpose and not with the effect of perpetrating a fraud on the minority shareholders.

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. The Delaware General Corporation Law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board of directors. Under the Companies Law, our company may be wound up by a special resolution, or by an ordinary resolution on the basis that our company is unable to pay its debts as they fall due. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under the Memorandum and Articles of Association and as permitted by the Companies Law, if our share capital is divided into more than one class of shares, the rights attaching to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series) may be varied or abrogated with the consent in writing of the holders of not less than two-thirds of the issued shares of that class or series or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class or series.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under the Companies Law, the Memorandum and Articles of Association may only be amended by a special resolution of our shareholders.

Anti-takeover Provisions

Some provisions of the Memorandum and Articles of Association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including a provision that authorizes our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders and limit the ability of shareholders to requisition and convene general meetings of shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under the Memorandum and Articles of Association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by foreign law or by the Memorandum and Articles of Association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our ordinary shares.

Disclosure of Ownership Threshold

There are no provisions in the Memorandum and Articles of Association that require our company to disclose shareholder ownership above any particular ownership threshold.

Directors' Power to Issue Shares

Under the Memorandum and Articles of Association, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

Exempted Company.

The Companies Law in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not required to be open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

“Limited liability” means that the liability of each shareholder is limited to the amount unpaid by the shareholder on that shareholder’s shares of the company (except in exceptional circumstances, such as involving fraud, the establishment of an agency relationship or an illegal or improper purpose or other circumstances in which a court may be prepared to pierce or lift the corporate veil).

Changes in Capital (Item 10.B.10 of Form 20-F)

Our shareholders may from time to time by ordinary resolutions:

- consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination;
- subdivide its existing shares, or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived; and
- cancel any shares that, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

Subject to the Companies Law, our shareholders may by special resolution reduce our share capital and any capital redemption reserve in any manner authorized by law.

Debt Securities (Item 12.A of Form 20-F)

Not applicable.

Warrants and Rights (Item 12.B of Form 20-F)

Not applicable.

Other Securities (Item 12.C of Form 20-F)

Not applicable.

American Depositary Shares (Items 12.D.1 and 12.D.2 of Form 20-F)

JPMorgan Chase Bank, N.A., as depositary, registers and delivers the ADSs. Each ADS represents an ownership of six ordinary shares, deposited with a custodian, as agent of the depositary. Each ADS also represents ownership of any other securities, cash or other property which may be held by the depositary. The depositary’s office is located at 4 New York Plaza, Floor 12, New York, NY, 10004.

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, or DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an American Depositary Receipt (“ADR”) holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder, we will not treat you as a shareholder of ours and you will not have any shareholder rights. Cayman Islands law governs shareholder rights. Because the depositary or its nominee will be the shareholder of record for the shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADR holder. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all registered holders from time to time of ADSs issued under the deposit agreement. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement and the ADSs are governed by New York law. Under the deposit agreement, as an ADR holder, you agree that any legal suit, action or proceeding against or involving us or the depositary, arising out of or based upon the deposit agreement or transactions contemplated thereby, may only be instituted in a state or federal court in New York, New York, and you irrevocably waive any objection which you may have to the laying of venue of any such proceeding and irrevocably submit to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

The following is a summary of the material provisions of the deposit agreement. This summary description assumes you have opted to own the ADSs directly by means of an ADS registered in your name and, as such, we will refer to you as the "holder." When we refer to "you," we assume the reader owns ADSs and will own ADSs at the relevant time. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. The deposit agreement has been filed with the SEC as an exhibit to a Registration Statement on Form F-1/A (File No. 333-204950) filed on July 7, 2015. The form of ADR is on file with the SEC (as a prospectus) and was filed on July 16, 2015.

Share Dividends and Other Distributions

How will I receive dividends and other distributions on the shares underlying my ADSs?

We may make various types of distributions with respect to our securities. Cash distributions will be made in U.S. dollars. The depositary has agreed that, to the extent practicable, it will pay to you the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, after converting any cash received into U.S. dollars (if it determines such conversion may be made on a reasonable basis) and, in all cases, making any necessary deductions provided for in the deposit agreement. The depositary may utilize a division, branch or affiliate of JPMorgan Chase Bank, N.A. to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement. Such division, branch and/or affiliate may charge the depositary a fee in connection with such sales, which fee is considered an expense of the depositary. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

Except as stated below, the depositary will deliver such distributions to ADR holders in proportion to their interests in the following manner:

- *Cash.* The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADR holders, and (iii) deduction of the depositary's and/or its agents' expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.

- *Shares.* In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADR holders entitled thereto.
- *Rights to receive additional shares.* In the case of a distribution of rights to subscribe for additional shares or other rights, if we timely provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not timely furnish such evidence, the depositary may:
 - sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADR holders entitled thereto; or
 - if it is not practicable to sell such rights by reason of the non-transferability of the rights, limited markets therefor, their short duration or otherwise, do nothing and allow such rights to lapse, in which case ADR holders will receive nothing and the rights may lapse.

We have no obligation to file a registration statement under the Securities Act in order to make any rights available to ADR holders.

- *Other Distributions.* In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and practicable or (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.
- *Elective Distributions.* In the case of a dividend payable at the election of our shareholders in cash or in additional shares, we will notify the depositary at least 30 days prior to the proposed distribution stating whether or not we wish such elective distribution to be made available to ADR holders. The depositary shall make such elective distribution available to ADR holders only if (i) we shall have timely requested that the elective distribution is available to ADR holders, (ii) the depositary shall have determined that such distribution is reasonably practicable and (iii) the depositary shall have received satisfactory documentation within the terms of the deposit agreement including any legal opinions of counsel that the depositary in its reasonable discretion may request.

If the above conditions are not satisfied, the depositary shall, to the extent permitted by law, distribute to the ADR holders, on the basis of the same determination as is made in the local market in respect of the shares for which no election is made, either (x) cash or (y) additional ADSs representing such additional shares. If the above conditions are satisfied, the depositary shall establish procedures to enable ADR holders to elect the receipt of the proposed dividend in cash or in additional ADSs. There can be no assurance that ADR holders generally, or any ADR holder in particular, will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of shares.

If the depositary determines in its discretion that any distribution described above is not practicable with respect to any specific registered ADR holder, the depositary may choose any method of distribution that it deems practicable for such ADR holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

The depositary is not responsible if it decides that it is unlawful or not reasonably practicable to make a distribution available to any ADR holders.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period. All purchases and sales of securities will be handled by the Depositary in accordance with its then current policies.

Deposit, Withdrawal and Cancellation

How does the depositary issue ADSs?

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance. In the case of the ADSs to be issued under this prospectus, we will arrange with the underwriters named herein to deposit such shares.

Shares deposited in the future with the custodian must be accompanied by certain delivery documentation and shall, at the time of such deposit, be registered in the name of JPMorgan Chase Bank, N.A., as depositary for the benefit of holders of ADRs or in such other name as the depositary shall direct.

The custodian will hold all deposited shares (including those being deposited by or on our behalf in connection with the offering to which this prospectus relates) for the account of the depositary. ADR holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as “deposited securities”.

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary’s direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder’s name. An ADR holder can request that the ADSs not be held through the depositary’s direct registration system and that a certificated ADR be issued.

How do ADR holders cancel an ADS and obtain deposited securities?

When you turn in your ADR certificate at the depositary’s office, or when you provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying shares to you or upon your written order. Delivery of deposited securities in certificated form will be made at the custodian’s office. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends;
- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Record Dates

The depositary may, after consultation with us if practicable, fix record dates for the determination of the registered ADR holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of shares,
- to give instructions for the exercise of voting rights at a meeting of holders of shares,
- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the ADR, or
- to receive any notice or to act in respect of other matters

all subject to the provisions of the deposit agreement.

Voting Rights

How do I vote?

If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receiving notice of any meeting or solicitation of consents or proxies from us, the depositary will distribute to the registered ADR holders a notice stating such information as is contained in the voting materials received by the depositary and describing how you may instruct the depositary to exercise the voting rights for the shares which underlie your ADSs, including instructions for giving a discretionary proxy to a person designated by us. For instructions to be valid, the depositary must receive them in the manner and on or before the date specified. The depositary will try, as far as is practical, subject to the provisions of and governing the underlying shares or other deposited securities, to vote or to have its agents vote the shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. Holders are strongly encouraged to forward their voting instructions to the depositary as soon as possible. Voting instructions will not be deemed to be received until such time as the ADR department responsible for proxies and voting has received such instructions notwithstanding that such instructions may have been physically received by the depositary prior to such time. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote. Notwithstanding anything contained in the deposit agreement or any ADR, the depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of deposited securities, distribute to the registered holders of ADRs a notice that provides such holders with, or otherwise publicizes to such holders, instructions on how to retrieve such materials or receive such materials upon request (i.e., by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

We have advised the depositary that under our currently effective memorandum and articles of association, voting at any meeting of shareholders is by show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded. In the event that voting on any resolution or matter is conducted on a show of hands basis in accordance with our constituent documents, the depositary will refrain from voting and the voting instructions (or the deemed voting instructions, as set out above) received by the depositary from holders shall lapse. The depositary will not demand a poll or join in demanding a poll, whether or not requested to do so by holders of ADSs. There is no guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Reports and Other Communications

Will ADR holders be able to view our reports?

The depositary will make available for inspection by ADR holders at the offices of the depositary and the custodian the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADR holders.

Fees and Expenses

What fees and expenses will I be responsible for paying?

The depositary may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities or whose ADRs are cancelled or reduced for any other reason, US\$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, as the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADSs and/or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of US\$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of up to US\$0.05 per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of up to US\$0.05 per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- a fee for the reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of its agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the sale of securities (including, without limitation, deposited securities), the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which fees and charges shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);

- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the US\$0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities;
- in connection with the conversion of foreign currency into U.S. dollars, JPMorgan Chase Bank, N.A. shall deduct out of such foreign currency the fees, expenses and other charges charged by it and/or its agent (which may be a division, branch or affiliate) so appointed in connection with such conversion; and
- fees of any division, branch or affiliate of the depositary utilized by the depositary to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement.

JPMorgan Chase Bank, N.A. and/or its agent may act as principal for such conversion of foreign currency.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

Our depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program upon such terms and conditions as we and the depositary may agree from time to time. The depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the depositary may agree from time to time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary.

The fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of the increase in any such fees and charges.

Payment of Taxes

ADR holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities (by public or private sale) and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. Additionally, if any taxes or other governmental charges (including any penalties and/or interest) shall become payable by or on behalf of the custodian or the depositary with respect to any ADR, any deposited securities represented by the ADSs evidenced thereby or any distribution thereon, including, without limitation, any Chinese Enterprise Income Tax owing if the Circular Guoshuifa [2009] No. 82 issued by the Chinese State Administration of Taxation (SAT) or any other circular, edict, order or ruling, as issued and as from time to time amended, is applied or otherwise, such tax or other governmental charge shall be paid by the holder thereof to the depositary and by holding or having held an ADR the holder and all prior holders thereof, jointly and severally, agree to indemnify, defend and save harmless each of the depositary and its agents in respect thereof. If any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) to pay such taxes and distribute any remaining net proceeds or the balance of any such property after deduction of such taxes to the ADR holders entitled thereto.

By holding an ADR or an interest therein, you will be agreeing to indemnify us, the depositary, its custodian and any of our or their respective officers, directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

Reclassifications, Recapitalizations and Mergers

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities, (ii) any distributions of shares or other property not made to holders of ADRs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to, and shall if reasonably requested by us:

- (1) amend the form of ADR;
- (2) distribute additional or amended ADRs;
- (3) distribute cash, securities or other property it has received in connection with such actions;
- (4) sell any securities or property received and distribute the proceeds as cash; or
- (5) none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depository to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders must be given at least 30 days notice of any amendment that imposes or increases any fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or otherwise prejudices any substantial existing right of ADR holders. Such notice need not describe in detail the specific amendments effectuated thereby, but must identify to ADR holders a means to access the text of such amendment. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder is deemed to agree to such amendment and to be bound by the deposit agreement as so amended. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depository may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

How may the deposit agreement be terminated?

The depository may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADRs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depository shall have (i) resigned as depository under the deposit agreement, notice of such termination by the depository shall not be provided to registered holders unless a successor depository shall not be operating under the deposit agreement within 60 days of the date of such resignation, and (ii) been removed as depository under the deposit agreement, notice of such termination by the depository shall not be provided to registered holders of ADRs unless a successor depository shall not be operating under the deposit agreement on the 120th day after our notice of removal was first provided to the depository. After the date so fixed for termination, (a) all Direct Registration ADRs shall cease to be eligible for the Direct Registration System and shall be considered ADRs issued on the ADR Register and (b) the depository shall use its reasonable efforts to ensure that the ADSs cease to be DTC eligible so that neither DTC nor any of its nominees shall thereafter be a registered holder of ADRs. At such time as the ADSs cease to be DTC eligible and/or neither DTC nor any of its nominees is a registered holder of ADRs, the depository shall (a) instruct its custodian to deliver all shares to us along with a general stock power that refers to the names set forth on the ADR Register and (b) provide us with a copy of the ADR Register. Upon receipt of such shares and the ADR Register, we have agreed to use our best efforts to issue to each registered holder a Share certificate representing the Shares represented by the ADSs reflected on the ADR Register in such registered holder's name and to deliver such Share certificate to the registered holder at the address set forth on the ADR Register. After providing such instruction to the custodian and delivering a copy of the ADR Register to us, the depository and its agents will perform no further acts under the Deposit Agreement and the ADRs and shall cease to have any obligations under the Deposit Agreement and/or the ADRs.

Limitations on Obligations and Liability to ADR holders

Limits on our obligations and the obligations of the depository; limits on liability to ADR holders and holders of ADSs

Prior to the issue, registration, registration of transfer, split-up, combination, or cancellation of any ADRs, or the delivery of any distribution in respect thereof, and from time to time in the case of the production of proofs as described below, we or the depository or its custodian may require:

- payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement;

- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and
- compliance with such regulations as the depositary may establish consistent with the deposit agreement.

The issuance of ADRs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of shares, may be suspended, generally or in particular instances, when the ADR register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdraw shares may only be limited under the following circumstances: (i) temporary delays caused by closing transfer books of the depositary or our transfer books or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents, provided, however, that no such disclaimer of liability under the Securities Act of 1933 is intended by any of the limitations of liabilities provisions of the deposit agreement. In the deposit agreement it provides that neither we nor the depositary nor any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, the Cayman Islands, the People's Republic of China or any other country, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism, nationalization or other circumstance beyond our, the depositary's or our respective agents' control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depositary or our respective agents (including, without limitation, voting);
- it exercises or fails to exercise discretion under the deposit agreement or the ADR including, without limitation, any failure to determine that any distribution or action may be lawful or reasonably practicable;
- it performs its obligations under the deposit agreement and ADRs without gross negligence or willful misconduct;
- it takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or
- it relies upon any written notice, request, direction, instruction or document believed by it to be genuine and to have been signed, presented or given by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depositary and its agents may fully respond to any and all demands or requests for information maintained by or on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The depositary shall not be liable for the acts or omissions made by, or the insolvency of, any securities depositary, clearing agency or settlement system. Furthermore, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of JPMorgan Chase Bank, N.A. Notwithstanding anything to the contrary contained in the deposit agreement or any ADRs, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, any act or omission to act on the part of the custodian except to the extent that the custodian (i) committed fraud or willful misconduct in the provision of custodial services to the depositary or (ii) failed to use reasonable care in the provision of custodial services to the depositary as determined in accordance with the standards prevailing in the jurisdiction in which the custodian is located. The depositary and the custodian(s) may use third party delivery services and providers of information regarding matters such as pricing, proxy voting, corporate actions, class action litigation and other services in connection with the ADRs and the deposit agreement, and use local agents to provide extraordinary services such as attendance at annual meetings of issuers of securities. Although the depositary and the custodian will use reasonable care (and cause their agents to use reasonable care) in the selection and retention of such third party providers and local agents, they will not be responsible for any errors or omissions made by them in providing the relevant information or services. The depositary shall not have any liability for the price received in connection with any sale of securities, the timing thereof or any delay in action or omission to act nor shall it be responsible for any error or delay in action, omission to act, default or negligence on the part of the party so retained in connection with any such sale or proposed sale.

The depositary has no obligation to inform ADR holders or other holders of an interest in any ADSs about the requirements of Cayman Islands or People's Republic of China law, rules or regulations or any changes therein or thereto.

Additionally, none of us, the depositary or the custodian shall be liable for the failure by any registered holder of ADRs or beneficial owner therein to obtain the benefits of credits on the basis of non-U.S. tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the depositary shall incur any liability for any tax consequences that may be incurred by holders or beneficial owners on account of their ownership of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. The depositary may rely upon instructions from us or our counsel in respect of any approval or license required for any currency conversion, transfer or distribution. The depositary shall not incur any liability for the content of any information submitted to it by us or on our behalf for distribution to ADR holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the deposited securities, for the validity or worth of the deposited securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the deposit agreement or for the failure or timeliness of any notice from us. The depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the depositary or in connection with any matter arising wholly after the removal or resignation of the depositary of ADRs. Neither the depositary nor any of its agents shall be liable to registered holders or beneficial owners of interests in ADSs for any indirect, special, punitive or consequential damages (including, without limitation, legal fees and expenses) or lost profits, in each case of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

In the deposit agreement each party thereto (including, for avoidance of doubt, each holder and beneficial owner and/or holder of interests in ADRs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depository and/or us directly or indirectly arising out of or relating to the shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory).

The depository and its agents may own and deal in any class of our securities and in ADSs.

Disclosure of Interest in ADSs

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof. We reserve the right to instruct you to deliver your ADSs for cancellation and withdrawal of the deposited securities so as to permit us to deal with you directly as a holder of shares and, by holding an ADS or an interest therein, you will be agreeing to comply with such instructions.

Books of Depository

The depository or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register shall include the depository's direct registration system. Registered holders of ADRs may inspect such records at the depository's office at all reasonable times, but solely for the purpose of communicating with other holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed from time to time, when deemed expedient by the depository.

The depository will maintain facilities for the delivery and receipt of ADRs.

Pre-release of ADSs

In its capacity as depository, the depository shall not lend shares or ADSs; provided, however, that the depository may issue ADSs prior to the receipt of shares (a "pre-release"). The depository may receive ADSs in lieu of shares (which ADSs will promptly be canceled by the depository upon receipt by the depository). Each such pre-release will be subject to a written agreement whereby the person or entity (the "applicant") to whom ADSs are to be delivered (a) represents that at the time of the pre-release the applicant or its customer owns the shares that are to be delivered by the applicant under such pre-release, (b) agrees to indicate the depository as owner of such shares in its records and to hold such shares in trust for the depository until such shares are delivered to the depository or the custodian; (c) unconditionally guarantees to deliver to the depository or the custodian, as applicable, such shares; and (d) agrees to any additional restrictions or requirements that the depository deems appropriate. Each such pre-release will be at all times fully collateralized with cash, U.S. government securities or such other collateral as the depository deems appropriate, terminable by the depository on not more than five (5) business days' notice and subject to such further indemnities and credit regulations as the depository deems appropriate. The depository will normally limit the number of ADSs involved in such pre-release at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to pre-released ADSs), provided, however, that the depository reserves the right to change or disregard such limit from time to time as it deems appropriate. The depository may also set limits with respect to the number of ADSs involved in pre-release with any one person on a case-by-case basis as it deems appropriate. The depository may retain for its own account any compensation received by it in conjunction with the foregoing. Collateral provided in connection with pre-release transactions, but not the earnings thereon, shall be held for the benefit of the registered holders of ADRs (other than the applicant).

Appointment

In the deposit agreement, each registered holder of ADRs and each person holding an interest in ADSs, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs, and
- appoint the depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADR and ADRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

Governing Law

The deposit agreement and the ADRs shall be governed by and construed in accordance with the laws of the State of New York. In the deposit agreement, we have submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf. Notwithstanding the foregoing, (i) the depositary may, in its sole discretion, elect to institute any action, controversy, claim or dispute directly or indirectly based on, arising out of or relating to the deposit agreement or the ADRs or the transactions contemplated thereby, including without limitation any question regarding its or their existence, validity, interpretation, performance or termination, against any other party or parties to the deposit agreement (including, without limitation, against ADR holders and owners of interests in ADSs), by having the matter referred to and finally resolved by an arbitration conducted under the terms described below, and (ii) the depositary may in its sole discretion require that any action, controversy, claim, dispute, legal suit or proceeding brought against the depositary by any party or parties to the deposit agreement (including, without limitation, by ADR holders and owners of interests in ADSs) shall be referred to and finally settled by an arbitration conducted under the terms described below; provided however, to the extent there are securities law violation aspects to any claims against the depositary brought by any registered holder of ADRs, the securities law violation aspects to such claims brought by a registered holder of ADRs against the depositary may, at the option of such registered holder of ADRs, remain in state or federal court in New York, New York and all other aspects, claims, disputes, legal suits, actions and/or proceedings brought by such registered holder of ADRs against the depositary, including those brought along with, or in addition to, securities law violation claims, would be referred to arbitration in accordance with the provisions of the deposit agreement. Any such arbitration shall be conducted in the English language either in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association or in Hong Kong following the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL).

By holding an ADS or an interest therein, registered holders of ADRs and owners of ADSs each irrevocably agree that any legal suit, action or proceeding against or involving us or the depositary, arising out of or based upon the deposit agreement or the transactions contemplated thereby, may only be instituted in a state or federal court in New York, New York, and each irrevocably waives any objection which it may have to the laying of venue of any such proceeding, and irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

List of Significant Subsidiaries and Consolidated Entities

| Subsidiaries | Place of Incorporation |
|---|-------------------------------|
| Shanghai Juxiang Investment Management Consulting Co., Ltd. | PRC |
| Baoyi Investment Consulting (Shanghai) Co., Ltd. | PRC |
| Jupai HongKong Investment Limited | Hong Kong |
| Shanghai Baoyixuan Investment Management Center (Limited Partnership) | PRC |
| Consolidated Entities | Place of Incorporation |
| Juzhou Asset Management (Shanghai) Co., Ltd. | PRC |
| Shanghai Jupeng Asset Management Co., Ltd. | PRC |
| Shanghai Yidezhen Investment Management Center (Limited Partnership) | PRC |
| Shanghai Jupai Yumao Fund Sales Co., Ltd. | PRC |
| Shanghai Yubo Investment Management Co., Ltd. | PRC |

* Other subsidiaries and consolidated entities of Jupai Holdings Limited have been omitted from this list since, considered in the aggregate as a single entity, they would not constitute a significant subsidiary.

**Certification by the Principal Executive Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Jianda Ni, certify that:

1. I have reviewed this annual report on Form 20-F of Jupai Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 24, 2020

By: /s/ Jianda Ni
Name: Jianda Ni
Title: Chairman of the Board of Directors and Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Min Liu, certify that:

1. I have reviewed this annual report on Form 20-F of Jupai Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: April 24, 2020

By: /s/ Min Liu
Name: Min Liu
Title: Chief Financial Officer

**Certification by the Principal Executive Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Jupai Holdings Limited (the “Company”) on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jianda Ni, Chairman of the Board of Directors and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 24, 2020

By: /s/ Jianda Ni

Name: Jianda Ni

Title: Chairman of the Board of Directors and Chief Executive Officer

**Certification by the Principal Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

In connection with the Annual Report of Jupai Holdings Limited (the "Company") on Form 20-F for the year ended December 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Min Liu, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 24, 2020

By: /s/ Min Liu
Name: Min Liu
Title: Chief Financial Officer

[Letterhead of Yuan Tai Law Offices]

Date: April 24, 2020

Dear Sirs,

We, Yuan Tai Law Offices, consent to the reference to our firm under the headings “Item 4. Information on the Company—B. Business Overview—Regulation” and “Item 4. Information on the Company—C. Organizational Structure” in the Annual Report of Jupai Holdings Limited (the “Company”) on Form 20-F for the year ended December 31, 2019, which will be filed with the Securities and Exchange Commission (hereinafter the “SEC”) on April 24, 2020, and further consent to the incorporation by reference of the summaries of our opinions under these headings into the Company’s registration statement on Form S-8 (File No. 333-206553), which was filed on August 25, 2015 and registration statement on Form S-8 (File No. 333-209924), which was filed on March 4, 2016. We also consent to the filing with the SEC of this consent as an exhibit to the Annual Report of the Company on Form 20-F for the year ended December 31, 2019.

Yours faithfully,

For and on behalf of

Yuan Tai Law Offices

/s/ Wang Daofu / Shao Jun

Name: Wang Daofu / Shao Jun

Designation: Partner

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements No. 333-209924 and No. 333-206553, respectively, on Form S-8 of our report dated April 24, 2020, with respect to the consolidated financial statements and financial statement schedule of Jupai Holdings Limited included in this Annual Report (Form 20-F) of Jupai Holdings Limited for the year ended December 31, 2019.

/s/ B F Borgers CPA PC

Lakewood, Colorado

April 24, 2020

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements No. 333-209924 and No. 333-206553, respectively, on S-8 of our report dated April 26, 2019, relating to the financial statements of Jupai Holdings Limited appearing in this Annual Report on Form 20-F for the year ended December 31, 2019.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China
April 24, 2020

April 24, 2020

Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C.
20549-7561

Dear Sirs/Madams:

We have read Item 16F of Form 20-F of Jupai Holdings Limited for the year ended December 31, 2019 to be filed on or around April 24, 2020 and have the following comments:

1. We agree with the statements made in the paragraph 1, 2 and 3 of Item 16F for which we have a basis on which to comment on, and we agree with, the disclosures.
2. We have no basis on which to agree or disagree with the statements made in paragraph 4 and 5 of Item 16F.

Yours faithfully,

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Deloitte Touche Tohmatsu Certified Public Accountants LLP
Shanghai, China
