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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
<b>8-69197</b>

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2019 AND ENDING 12/31/2019  
MM/DD/YY MM/DD/YY

SEC  
Mail Processing  
Section  
MAR 02 2020  
Washington DC  
413

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALERS: China Renaissance Securities (US) Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

600 Fifth Avenue, 21<sup>st</sup> Floor

(No. and Street)

New York

(City)

NY

(State)

10020

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Jonathan Hong

212-554-2958

(Area Code – Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

WithumSmith+Brown, PC

1411 Broadway, 23<sup>rd</sup> Floor

(Address)

New York

(City)

NY

(State)

10018

(Zip Code)

**CHECK ONE:**

- Certified Public Accountants
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

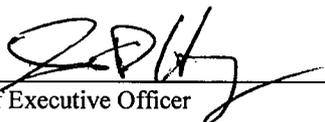
*\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)*

SEC 1410 (11-05)

**Potential persons who are to respond to the collection of  
information contained in this form are not required to respond  
unless the form displays a currently valid OMB control number.**

## AFFIRMATION

I, Jonathan Hong, affirm that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of China Renaissance Securities (US) Inc., as of December 31, 2019, are true and correct. I further affirm that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer.

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Notary Public



This report \*\* contains (check all applicable boxes):

- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Changes in Financial Condition.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Exemption Report pursuant to Securities and Exchange Commission Rule 17a5(d)(4)

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**CHINA RENAISSANCE SECURITIES (US) INC.**  
**(A Wholly Owned Subsidiary of China Renaissance Holdings Limited)**

**Index**  
**December 31, 2019**

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Management and Stockholder,  
China Renaissance Securities (US) Inc.:

### Opinion on the Financial Statement

We have audited the accompanying statement of financial condition of China Renaissance Securities (US) Inc. (the "Company"), as of December 31, 2019, and the related notes (collectively referred to as the "financial statement"). In our opinion, the financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

### Change in Accounting Principle

As discussed in Note 2 to the financial statement, the Company has changed its method of accounting for leases on January 1, 2019 due to the adoption of ASC Topic 842.

### Basis for Opinion

This financial statement is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, 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 statement. 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 statement. We believe that our audit provides a reasonable basis for our opinion.

*WithumSmith+Brown, PC*

We have served as the Company's auditor since 2015.

February 27, 2020

**CHINA RENAISSANCE SECURITIES (US) INC.**  
**(A Wholly Owned Subsidiary of China Renaissance Holdings Limited)**

**Statement of Financial Condition**  
**December 31, 2019**

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**ASSETS**

Cash	\$	2,747,891
Money market fund, at fair value		2,608,000
Receivable from clearing broker, including clearing deposit of \$250,000		481,017
Accounts receivable		33,268
Income taxes receivable		7,088
Receivable from affiliate		526,761
Fixed assets, net		302,252
Right of use asset		2,497,085
Security deposit		317,499
Other receivable		632,413
Other assets		<u>167,402</u>
Total assets	\$	<u>10,320,676</u>

**LIABILITIES AND STOCKHOLDER'S EQUITY**

**Liabilities**

Accounts payable	\$	399,795
Accrued expenses and other liabilities		1,464,916
Payable to Parent		422,443
Lease liability		<u>2,673,361</u>
Total liabilities		<u>4,960,515</u>

**Stockholder's equity**

Common stock, \$1.00 par value; 1,000,000 shares authorized, issued and outstanding		1,000,000
Paid-in capital		20,000,000
Accumulated deficit		<u>(15,639,839)</u>
Total stockholder's equity		<u>5,360,161</u>
Total liabilities and stockholder's equity	\$	<u>10,320,676</u>

The accompanying notes are an integral part of this financial statement.

**CHINA RENAISSANCE SECURITIES (US) INC.**  
**(A Wholly Owned Subsidiary of China Renaissance Holdings Limited)**

**Notes to the Financial Statement**  
**Year ended December 31, 2019**

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**1. ORGANIZATION AND BUSINESS DESCRIPTION**

**Organization**

China Renaissance Securities (US) Inc. (the "Company") was formed as a corporation in the State of New York on August 23, 2012 as a wholly owned subsidiary of China Renaissance Holdings Limited (the "Parent"). Effective July 24, 2013, the Company commenced operations as a registered broker-dealer under the Securities Exchange Act of 1934 subject to certain regulations of the Securities and Exchange Commission ("SEC") and the Financial Industry Regulatory Authority, Inc. ("FINRA").

**Business Description**

The Company was formed to provide third-party research to institutional customers in the U.S. on companies based in China and Hong Kong. In addition, the Company acts as an introducing broker via a fully disclosed clearing agreement with Cowen Execution Services LLC ("Cowen") to provide execution, clearing and settlement services to its customers; acts as an underwriter or selling group participant for dual United States and China equity offerings; and acts as private placement agent. The Company also produces and distributes research. The Company does not solicit investments or handle customer funds and/or securities.

**Liquidity**

The Company has incurred recurring losses from operations, expects to do so in the future and has relied upon capital contributions from the Parent to fund operating activities. The Company's ability to continue as a going concern is dependent upon the continued financial support from the Parent. The Parent has indicated that it will provide additional capital as needed to sustain the Company one year from the date these financial statements are available to be issued.

**2. ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

**Use of Estimates in the Preparation of Financial Statements**

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures of assets and liabilities, the disclosure of contingencies at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from the estimates included in the financial statements.

**Income Taxes**

The Company uses the asset and liability method in providing income taxes. The asset and liability method requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in financial statements or tax returns. 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.

**CHINA RENAISSANCE SECURITIES (US) INC.**  
**(A Wholly Owned Subsidiary of China Renaissance Holdings Limited)**

**Notes to the Financial Statement**  
**Year ended December 31, 2019**

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**2. ACCOUNTING POLICIES (continued)**

**Income Taxes (continued)**

Net deferred tax assets are recognized to the extent the Company believes these assets are more likely than not to be realized. In making such a determination, all available positive and negative evidence is considered, including future reversals of existing taxable temporary differences, projected future taxable income, tax planning strategies, and results of recent operations. If it is determined the Company would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment would be made to the deferred tax asset valuation allowance, which would reduce the provision for income taxes.

Uncertain tax positions are recorded in accordance with Accounting Standards Codification (ASC) 740, *Accounting for Income Taxes*, on the basis of a two-step process, whereby (1) the Company determines whether it is more likely than not the tax positions would be sustained on the basis of the technical merits of the position taken and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the Company would recognize the largest amount of tax benefit that is more than 50% likely to be realized upon the ultimate settlement with the related tax authority.

**Cash and Restricted Cash**

All cash is on deposit in non-interest bearing accounts with major financial institutions. The amount on deposit at these institutions at times exceeds the maximum balance insured by the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000. However the Company has not experienced any losses in such account and does not believe there to be any significant credit risk with respect to these deposits.

ASU No. 2016-18, *Restricted Cash* ("ASU 2016-18") requires that a Statement of Cash Flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents.

The following table provides a reconciliation of cash and restricted cash reported within the Statement of Financial Condition that sum to the total of the same such amounts shown in the statement of cash flows at December 31, 2018 and December 31, 2019.

	2018	2019
Cash	\$ 1,540,209	\$ 2,747,891
Security deposit	317,499	317,499
Total cash and restricted cash shown in the statement of cash flows	<u>\$ 1,857,708</u>	<u>\$ 3,065,390</u>

**Receivable from Clearing Broker**

The Company clears customer transactions through the Company's fully disclosed clearing agent. At December 31, 2019 the receivable from clearing broker includes the clearing deposit of \$250,000.

**CHINA RENAISSANCE SECURITIES (US) INC.**  
**(A Wholly Owned Subsidiary of China Renaissance Holdings Limited)**

**Notes to the Financial Statement**  
**Year ended December 31, 2019**

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**2. ACCOUNTING POLICIES (continued)**

**Fixed Assets**

Furniture and equipment is stated at cost less accumulated depreciation. Depreciation is calculated over the estimated useful lives of the underlying assets using the straight-line method of depreciation. The recovery periods for furniture and equipment are five years and three years, respectively. Leasehold improvements are recorded at cost, net of accumulated amortization, which is calculated on a straight-line basis over the lesser of the economic useful life of the improvement or the term of the lease.

Fixed assets consisted of the following at December 31, 2019:

Furniture & Fixtures	\$ 237,506
Electronic Equipment	245,727
Leasehold Improvements	305,349
Less: accumulated depreciation	<u>(486,330)</u>
	<u>\$ 302,252</u>

**Fair Value of Financial Assets and Liabilities**

The majority of the Company's financial assets and liabilities are recorded at amounts that approximate fair value. Such assets and liabilities include cash, deposits with clearing organizations, accounts receivable, payable to Parent, other assets, and accrued expenses and other liabilities.

In determining fair value, the Company considers a hierarchy for inputs used in measuring fair value that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs by requiring the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions other market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 – Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices in active markets, valuation of these products does not entail a significant degree of judgment.
- Level 2 – Level 2 inputs are inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in markets that are not active, and inputs that are derived principally from observable market data.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The fair value of the Company's investment in a money market fund is based upon third party pricing sources. The prices supplied by third party pricing sources are reviewed by the Company's management to ensure they are consistent with other comparable instruments and prices calculated from observable market interest rates.

**CHINA RENAISSANCE SECURITIES (US) INC.**  
**(A Wholly Owned Subsidiary of China Renaissance Holdings Limited)**

**Notes to the Financial Statement**  
**Year ended December 31, 2019**

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**2. ACCOUNTING POLICIES (continued)**

**Accrued Expenses and Other Liabilities**

The Company has accrued expenses and other liabilities that represent payments due for outside services and other various liabilities.

**Leases**

The Company recognizes and measures its lease in accordance with FASB ASC 842, Leases. The Company is a lessee in a noncancellable operating lease, for office space. The Company recognized a lease liability and a right of use ("ROU") asset as at January 1, 2019, the effective date of ASC 842. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The discount rate is the implicit rate if it is readily determinable or otherwise the Company uses its incremental borrowing rate. The implicit rates of our lease are not readily determinable and accordingly, the Company used its incremental borrowing rate based on the information available at the commencement date for the lease. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

The Company has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes the lease cost associated with its short-term leases on a straight-line basis over the lease term.

**3. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Company's assets measured at fair value on a recurring basis consist of FDIC-insured investments maintained in a portfolio with UBS Financial Services Inc. The Company values these instruments using unadjusted vendor prices. These prices are reviewed by management and compared to quoted market prices for similar securities, and to modeled prices derived from observable market interest rates. The Company's assets measured at fair value on a recurring basis in the Statement of Financial Condition consist of a money market fund.

**4. INCOME TAXES**

Income taxes are accounted for in accordance with ASC 740, which requires that deferred tax assets and liabilities be provided for all temporary differences between the book and tax basis of assets and liabilities.

The Company is subject to taxation in the United States and various state jurisdictions. As of December 31, 2019, the Company is subject to examination by the tax authorities for tax years 2016 and later. The Company's deferred tax asset is comprised of federal net operating losses that carryforward, either indefinitely or expire in 2039, and book to tax differences related to deferred compensation and bonuses. The Company also has state and local net operating loss carryforwards which expire in 2039.

**CHINA RENAISSANCE SECURITIES (US) INC.**  
(A Wholly Owned Subsidiary of China Renaissance Holdings Limited)

Notes to the Financial Statement  
Year ended December 31, 2019

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**4. INCOME TAXES (continued)**

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated were the cumulative losses incurred over the past few years. Such objective evidence limits the ability to consider other subjective evidence, such as projections for further growth. On the basis of the evaluation as of December 31, 2019, a 100% valuation allowance has been recorded. The amount of the deferred tax asset considered realizable could be adjusted if estimates of future taxable income during the carryforward period are reduced or increased, or if objective negative evidence in the form of cumulative losses is no longer present and additional weight may be given to subjective evidence, such as projections for growth.

**5. LEASES**

The Company has obligations as a lessee for office space, with initial noncancellable terms in excess of one year. The Company classified this lease as operating leases. The Company's leases do not include termination options for either party to the lease or restrictive financial or other covenants. Payments due under the lease contract include fixed payments plus variable payments. The Company's office space lease requires it to make variable payments for the Company's proportionate share of the building's property taxes, insurance, and common area maintenance. These variable lease payments are not included in lease payments used to determine lease liability and are recognized as variable costs when incurred.

Amounts reported in the Statement of Financial Condition as of December 31, 2019 were as follows:

Operating leases:	
Operating lease ROU assets	\$ 2,497,085
Operating lease liabilities	\$ 2,673,361

Amounts disclosed for ROU assets obtained in exchange for lease obligations and reductions to ROU assets resulting from reductions to lease obligations include amounts added to or reduced from the carrying amount of ROU assets resulting from new leases, lease modifications or reassessments.

There are 4.4 years remaining on the lease and the discount rate used on the lease was 2.8%. Maturities of lease liabilities under noncancellable operating leases as of December 31, 2019 are as follows:

2020	\$ 614,537
2021	651,117
2022	654,442
2023	654,442
2024	272,684
Total undiscounted lease payments	<u>2,847,222</u>
Less imputed interest	(173,861)
Total lease liabilities	<u>\$ 2,673,361</u>

**CHINA RENAISSANCE SECURITIES (US) INC.**  
**(A Wholly Owned Subsidiary of China Renaissance Holdings Limited)**

**Notes to the Financial Statement**  
**Year ended December 31, 2019**

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**6. REGULATORY REQUIREMENTS**

As a registered broker-dealer, the Company is subject to the Uniform Net Capital Rule (Rule 15c3-1) under the Securities Exchange Act of 1934, which requires the maintenance of minimum net capital, as defined, equal to the greater of \$250,000 or 6 2/3% of aggregate indebtedness, as defined. At December 31, 2019, the Company had net capital of \$3,301,460 that was \$3,051,460 in excess of its required net capital of \$250,000. The Company's ratio of aggregate indebtedness to net capital was 0.75 to 1 at December 31, 2019.

**7. RELATED-PARTY TRANSACTIONS**

**Share Options**

Employees of the Company are granted share options in the Parent. The shares are subject to a five year vesting schedule. The Company has a payable to its Parent for \$422,443 as of December 31, 2019, and included in accrued expenses and other liabilities in the Statement of Financial Condition.

**Reimbursed Expenses**

CRSHK at times will pay for expenses on the Company's behalf, including but not limited to travel, and other general and administrative expenses. As of December 31, 2019, the Company had a receivable from CRSHK of \$271,559 which is included as receivable from affiliate in the Statement of Financial Condition.

**Transfer Pricing**

As of December 31, 2019, the Company had a net transfer pricing receivable from CRSHK of \$255,202 which is included as receivable from affiliate in the Statement of Financial Condition.

**8. EMPLOYEE BENEFIT PLAN**

The Company maintains a retirement plan (the "Plan"), pursuant to Section 401(k) of the Internal Revenue Code, for eligible participants to make voluntary contributions of a portion of their annual compensation, on a deferred basis, subject to limitations provided by the Internal Revenue Code.

**9. SUBSEQUENT EVENTS**

No other events or transactions subsequent to December 31, 2019 through the date these financial statements were issued would require recognition or disclosure in these financial statements.

**CHINA RENAISSANCE SECURITIES (US) INC.**  
**(A Wholly Owned Subsidiary of**  
**CHINA RENAISSANCE HOLDINGS LIMITED)**  
**(S.E.C. File No. 8-69197)**

**Statement of Financial Condition**  
**And**  
**Report of Independent Registered Public Accounting Firm**

**December 31, 2019**