China Merchants China Direct Investments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

CREATING VALUE IN CHINA

ANNUAL REPORT 2019

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. ZHANG Jian* *(Chairman)*
Mr. ZHANG Rizhong*
Mr. CHU Lap Lik, Victor#
Mr. WANG Xiaoding#
Mr. TSE Yue Kit#
Ms. KAN Ka Yee, Elizabeth
(alternate to Mr. CHU Lap Lik, Victor#)
Mr. KE Shifeng*
Mr. LIU Baojie**
Mr. TSANG Wah Kwong**
Dr. LI Fang**

Executive Directors
* *Non-executive Directors*
** *Independent Non-executive Directors*

INVESTMENT COMMITTEE

Mr. ZHANG Jian
Mr. ZHANG Rizhong
Mr. CHU Lap Lik, Victor
Mr. WANG Xiaoding
Ms. KAN Ka Yee, Elizabeth
(alternate to Mr. CHU Lap Lik, Victor)

AUDIT COMMITTEE

Mr. TSANG Wah Kwong
Mr. LIU Baojie
Dr. LI Fang

NOMINATION COMMITTEE

Mr. ZHANG Jian
Mr. TSANG Wah Kwong
Dr. LI Fang

COMPANY SECRETARY

Mr. LEUNG Chong Shun

INVESTMENT MANAGER

China Merchants China Investment Management Limited
1604-09, Three Pacific Place,
1 Queen's Road East,
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISERS

Herbert Smith Freehills
Victor Chu & Co
Woo Kwan Lee & Lo

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
China Merchants Bank Co., Ltd.

SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716,
17th Floor, Hopewell Centre,
183 Queen's Road East,
Wan Chai,
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1609, Three Pacific Place,
1 Queen's Road East,
Hong Kong

Stock Code: 0133.HK
Website: www.cmcdi.com.hk

Mr. ZHANG Jian
Chairman

CHAIRMAN'S STATEMENT

The board of directors (the "**Board**") announces that the audited consolidated net asset value of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as of 31 December 2019 amounted to US$649.05 million, representing an increase of 12.87% compared to US$575.06 million in 2018. The net asset value per share was US$4.261, representing the same percentage increase of 12.87% compared to US$3.775 in 2018. The Group's audited consolidated profit after taxation for 2019 was US$101.81 million, while the audited consolidated loss for last year was US$87.02 million.

The Board has recommended the payment of a final dividend of US$0.07 per share for the year 2019, the same as last year. As there were no interim dividends or special dividends during 2019, total dividends payable for the year 2019 were also US$0.07 per share.

In 2019, the growth of the US economy has slowed against a backdrop of sluggish global economy, the emergence of trade protectionism and the combined effects of various uncertainties. The US Federal Reserve ("**Fed**") estimated that the US economy would reach a growth rate of 2.3% for 2019, down from 2.9% in 2018. Also affected by the external environment and geopolitical factors, fundamental macroeconomic data from the Eurozone showed that the growth rate has slowed significantly in that region, with both growth and inflation remaining at a low level. China's Gross Domestic Product (GDP) growth in 2019 was 6.1%, which is in line with the expected target growth of 6% to 6.5% set at the beginning of the year, but still the lowest rate of economic growth in the past 29 years. According to a preliminary report by the National Bureau of Statistics, China's GDP for 2019 was approximately RMB99 trillion, representing an increase of 6.1% over the previous year in terms of comparable prices. The yearly gross import and export volume of goods increased by 3.4% over the previous year, while the growth recorded last year was 9.7%. The growth rate of foreign trade has slowed but also has showed steady development overall. The yearly value added by the country's larger industrial enterprises actually increased by 5.7% over the previous year, showing slow, but steady, growth. The Consumer Price Index of China for the year rose by 2.9% year-over-year, which is in line with the expected goal of about 3%.

In 2019, the A shares market of China showed a significant uptrend in general. The SSE Composite Index rose continuously from the beginning of the year and climbed to 3288 points at its highest level of the year on 8 April 2019, but then dropped subsequently and fluctuated between 2750 points to 3050 points for a prolonged period. It finally closed at 3050 points at the end of 2019, which was 22.30% higher than that at the end of 2018. In 2019, the Hong Kong stock market generally experienced an upward trend with significant volatility over the period. In particular, the Hang Seng Index rose continuously from the beginning of the year and increased to 30280 points at its highest level of the year on 15 April 2019, and then declined to a low of 24900 points on 15 August 2019, with some recovery afterward. It finally closed at 28190 points at the end of 2019, representing an increase of 9.07% as compared to the end of 2018.

At the end of 2019, the Group's total holdings in investment projects amounted to US$713.97 million (US$634.21 million at the end of 2018), accounting for 89.91% of the Group's total asset value and representing an increase of US$79.76 million. This was largely due to a net increase in the fair value of investment projects. Meanwhile, cash and cash equivalents were US$64.14 million, accounting for 8.08% of the total asset value of the Group.

In 2019, the Investment Manager actively sought new investment opportunities, with intensive due diligence and the screening of many prospects, and consequently the Group completed the investment of one direct investment project, namely Shenzhen Arashi Vision Co., Ltd., in the amount of US$2.83 million. The Group also made a further investment of US$0.61 million in an existing project, namely Pony AI Inc., with an aim to maintain the shareholding of the Group in Pony AI as unchanged. In addition, on 31 December 2019, the Group made a capital contribution of US$8.60 million to acquire an equity interest in Anhui iFlytek Healthcare Information Technology Co., Ltd. This equity transfer was duly completed on 27 February 2020. The above investment projects involved a total amount of US$12.04 million, all related to the field of information technology.

In 2019, the Group disposed of its entire holding of 7.21 million A shares of Besttone Holding Co., Ltd. ("**Besttone**") for net proceeds of US$18.69 million, so as to increase its working capital. After disposal of such shares, the Group no longer holds any equity interest in Besttone and completely exited from this project.

Looking ahead to 2020, there will be challenges as well as opportunities. The major global economies are facing a slowdown in growth. Meanwhile, the outbreak of novel coronavirus is expected to have a material impact on the global production and demand, and it is presently hard to anticipate the ultimate effect. In addition, in 2020, although the trade tensions have been de-escalated, economic activity in China is expected to be somewhat impacted by the outbreak of novel coronavirus. The year 2020 is also a year of harvest for both the building of a prosperous society in a well-rounded way and the "13th Five-Year" plan of China. China is posed to achieve its first centenary goal; however, the outbreak of novel coronavirus has brought uncertainties to the successful implementation of various goals in China to a certain extent. Although we expect that various asset price risks, arising from slowing growth in the global economy (including China) and volatility in the capital markets, will bring certain challenges to our investment portfolio, the Investment Manager, as always, will face the challenges ahead and strive to identify new investment opportunities, as well as to seek to optimise our mix of investments in a way that will increase shareholders' return.

Lastly, on behalf of the Board, I would like to offer my heartfelt gratitude to the members of the Audit Committee, Nomination Committee and Investment Committee, and to the entire staff of the Investment Manager, for their many contributions and dedicated effort, and to the shareholders for their support. As always, I will continue to give my best effort in leading the Group as we seek to create value for shareholders in the coming year.

Mr. ZHANG Jian
Chairman

Hong Kong, 30 March 2020

Mr. ZHANG Rizhong

Chairman of the Board
of the Investment Manager

INVESTMENT MANAGER'S DISCUSSION AND ANALYSIS

OVERALL PERFORMANCE

China Merchants China Direct Investments Limited and its subsidiaries (the "**Fund**") recorded a profit attributable to equity shareholders of US$101.81 million for the year ended 31 December 2019, compared to a loss attributable to equity shareholders of US$87.02 million for last year. The reversal was mainly due to a significant increase in the overall value of the financial assets at fair value through profit or loss (the "**Financial Assets**"), resulting in the recognition of a gain, rather than a loss as in the prior year. As of 31 December 2019, the net assets of the Fund were US$649.05 million (31 December 2018: US$575.06 million), with a net asset value per share of US$4.261 (31 December 2018: US$3.775).

The net gain on the Financial Assets for the year was US$131.85 million, compared to a net loss of US$111.12 million for last year. The listed and unlisted investments recorded net gains of US$114.35 million and US$17.50 million, respectively. For more information on the change in fair value of each of the listed and unlisted investments, please see the section titled "Review of Investments" in this Investment Manager's Discussion and Analysis.

Total investment income for the year decreased by 17.74% to US$15.53 million (2018: US$18.88 million) as compared to last year, due mainly to a decrease in dividend income from investments.

ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In 2019, the Fund continued to seek out and rigorously evaluate investment opportunities. During the year, the Fund increased its investment in an existing project and completed an investment in a new project, both related to the field of information technology. In addition, the Fund remitted the consideration for an investment in a new information technology-related project.

Pony AI Inc. ("**Pony AI**") carried out a new round of equity financing and introduced a new investor. To avoid the dilution of interest, the Fund exercised its anti-dilution rights under the relevant agreements and made a further investment of US$0.61 million in Pony AI on 25 April 2019 so as to maintain its equity interest and certain rights (including information rights) in Pony AI as unchanged.

On 2 September 2019, the Fund entered into a capital increase agreement and other relevant agreements in relation to Shenzhen Arashi Vision Co., Ltd. ("**Arashi Vision**"), pursuant to which the Fund agreed to contribute capital of RMB20 million to Arashi Vision in return for a 1% equity interest in Arashi Vision. The Fund completed the capital injection of RMB20 million (equivalent to US$2.83 million) on 20 September 2019. On 31 October 2019, the Fund entered into an equity transfer agreement with an existing shareholder of Arashi Vision, pursuant to which the Fund agreed to acquire a 0.625% equity interest in Arashi Vision at a price of RMB10 million, bringing the Fund's total investment in Arashi Vision to RMB30 million, accounting for a 1.625% equity interest in the company. Arashi Vision is a company striving to become a global leader engaged in the research, development and manufacture of 360-degree video products.

On 27 December 2019, the Fund entered into an equity transfer agreement in relation to Anhui iFlytek Healthcare Information Technology Co., Ltd. ("**iFlytek Healthcare**"), pursuant to which the Fund agreed to acquire a 3% equity interest in iFlytek Healthcare from an existing shareholder, Anhui Iflytek Venture Capital LLP, at a price of RMB60 million. The Fund remitted the consideration of RMB60 million (equivalent to US$8.60 million) on 31 December 2019 and the equity transfer was duly completed on 27 February 2020. iFlytek Healthcare is an artificial intelligence (AI) medical enterprise.

ACQUISITIONS AND DISPOSALS OF INVESTMENTS (CONTINUED)

In addition, the Fund disposed of and exited from one investment in the year.

During the period of March to April 2019, the Fund disposed of its entire holding of 7.21 million A shares of Besttone Holding Co., Ltd. ("**Besttone**") for net proceeds of RMB125.61 million (equivalent to US$18.69 million). The pre-tax internal rate of return to the Fund from Besttone was 11.64%.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND COMMITMENTS

The Fund's cash and cash equivalents increased by 32.38%, from US$48.45 million at the end of last year to US$64.14 million (representing 8.08% of the Fund's total assets) as of 31 December 2019, due mainly to proceeds from the disposal of all of the A shares of Besttone, as well as cash distributions received from certain investments during the year.

As of 31 December 2019, the Fund had no outstanding bank loans (31 December 2018: Nil).

As of 31 December 2019, the Fund had commitments of US$44.56 million (31 December 2018: US$20.15 million) for investments that were approved but not yet provided for in the financial statements – specifically, for future payments related to investments in China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership), Guangxi Xinhua Preschool Education Investment Corporation Limited, Yunnan Jinlanmei International Travel Investment Development Co., Ltd., Anhui Iflytek Venture Capital LLP, Arashi Vision and a potential new financial services project.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Fund's investments are located in China where the official currency is the Renminbi ("**RMB**"). The conversion rate of RMB against the US dollar recorded a decrease of 1.65% in 2019, which had a certain negative impact on the Fund since it holds a considerable amount of assets denominated in RMB. The Fund currently does not have any foreign currency hedging policy. However, the Fund continues to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

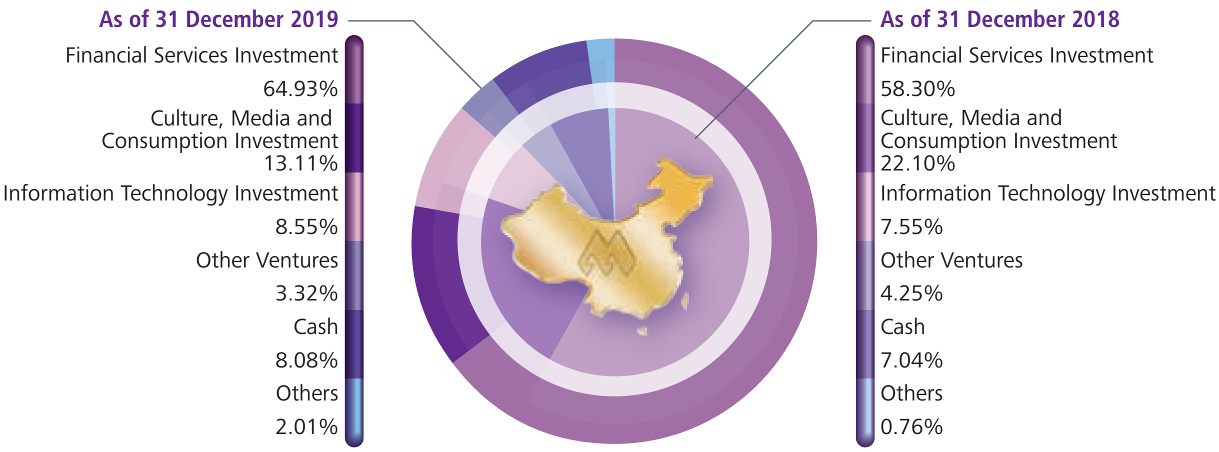
EMPLOYEES

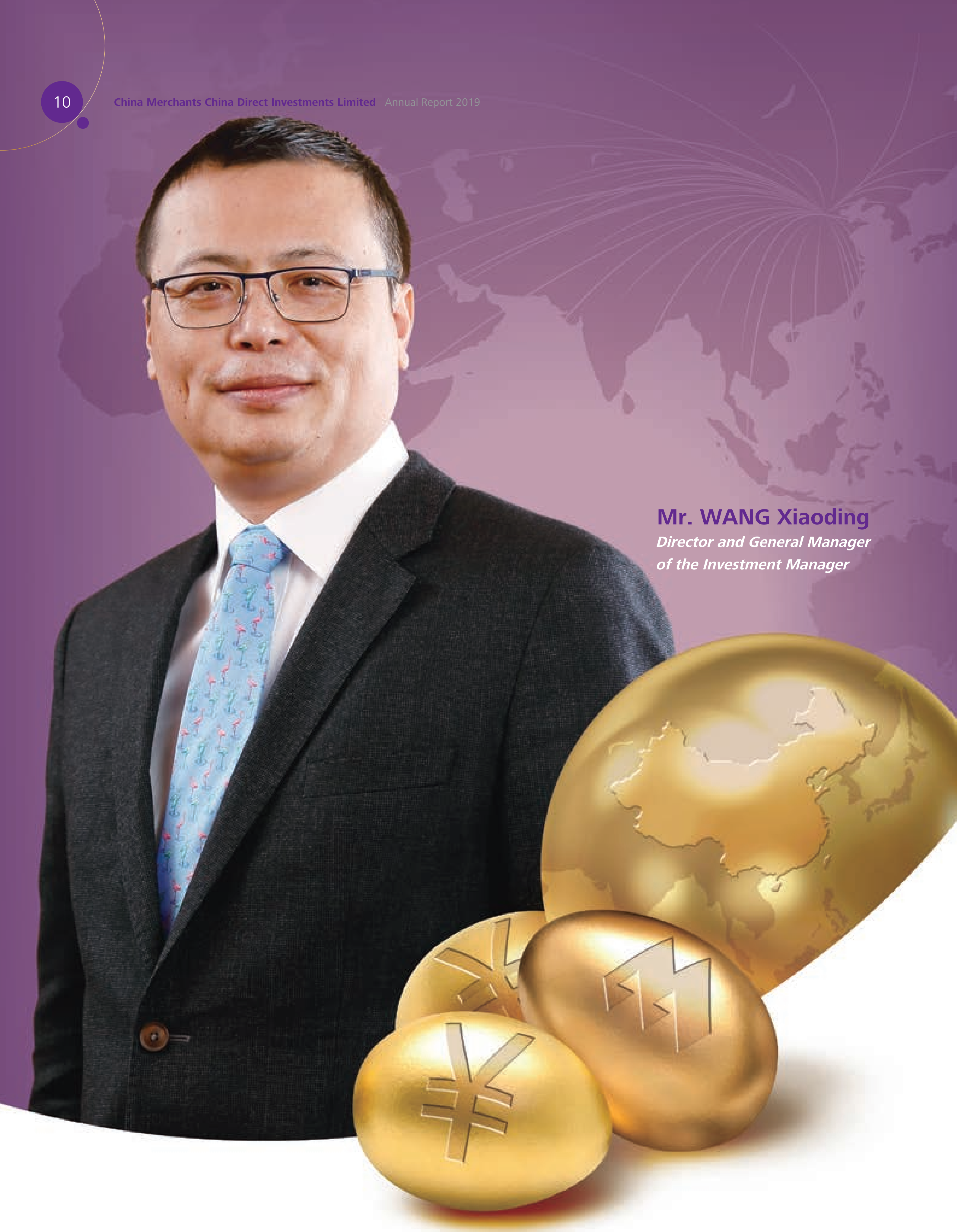
Other than a qualified accountant whose remuneration package is determined and borne by the Investment Manager, the Fund has no employees. The Investment Manager handles the portfolio and day-to-day administration of the Fund.

THE PORTFOLIO

As of 31 December 2019, the Fund's total investments amounted to US$713.97 million. The sector distribution of investments was US$515.61 million in financial services (representing 64.93% of the Fund's total assets), US$104.10 million in culture, media and consumption (13.11%), US$67.92 million in information technology (8.55%), and US$26.34 million in other ventures (including manufacturing, energy and resources, and education, etc.) (3.32%). In addition, cash and cash equivalents were US$64.14 million, representing 8.08% of the Fund's total assets as of 31 December 2019.

TOTAL ASSETS DISTRIBUTION





Mr. WANG Xiaoding

Director and General Manager of the Investment Manager

REVIEW OF INVESTMENTS

The following table shows the major investment projects held by the Fund as at 31 December 2019:

Name of projects	Location of headquarters	Main business	Listed (Stock Exchange)/ unlisted	Carrying value *US$ million*	Percentage of total assets *%*	Percentage of net assets *%*
Financial Services:						
#1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	297	37.45	45.80
#2. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	176	22.12	27.06
#3. JIC Leasing Co., Ltd.	Beijing	Finance leasing	Unlisted	29	3.70	4.53
#4. China Reinsurance (Group) Corporation	Beijing	Reinsurance	Hong Kong Stock Exchange	11	1.39	1.70
5. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	2	0.27	0.33
			Sub-total:	**515**	**64.93**	**79.42**
Culture, Media & Consumption:						
#6. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	33	4.21	5.14
#7. NBA China, L.P.	Beijing	Sports marketing	Unlisted	15	1.84	2.25
8. Unibank Media Group Inc.	Beijing	Indoor media	Unlisted	0	0.00	0.00
9. Oriental Pearl Media Co., Ltd.	Shanghai	Multimedia	Shanghai Stock Exchange	6	0.79	0.97
10. Yunnan Jinlanmei International Travel Investment Development Co., Ltd.	Xishuangbanna, Yunnan	Travel	Unlisted	1	0.11	0.13
#11. Rong Bao Zhai Culture Co., Ltd.	Beijing	Artwork marketing	Unlisted	43	5.40	6.60
12. Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd.	Xining, Qinghai	Travel	Unlisted	6	0.76	0.93
			Sub-total:	**104**	**13.11**	**16.02**

REVIEW OF INVESTMENTS (CONTINUED)

Name of projects	Location of headquarters	Main business	Listed (Stock Exchange)/ unlisted	Carrying value *US$ million*	Percentage of total assets *%*	Percentage of net assets *%*
Information Technology:						
13. Xi'an Jinpower Electrical Co., Ltd.	Xi'an, Shaanxi	Power grid monitoring system	New Third Board *Note*	1	0.09	0.10
#14. Anhui Iflytek Venture Capital LLP	Hefei, Anhui	Information technology investment	Unlisted	10	1.23	1.51
#15. Iflytek Co., Ltd.	Hefei, Anhui	Intelligent speech technology	Shenzhen Stock Exchange	34	4.24	5.18
16. Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP	Beijing	Information technology investment	Unlisted	5	0.64	0.79
17. CAS Cambricon Technology Co., Ltd.	Beijing	Artificial intelligence chips	Unlisted	7	0.91	1.12
#18. Pony AI Inc.	Fremont, California	Autonomous driving	Unlisted	9	1.08	1.33
19. Shenzhen Arashi Vision Co., Ltd.	Shenzhen, Guangdong	360-degree video products	Unlisted	3	0.36	0.44
			Sub-total:	**69**	**8.55**	**10.47**
Others:						
(i) Manufacturing:						
20. Shenzhen Geesun Intelligent Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	5	0.59	0.72
21. Jiangsu Huaer Quartz Materials Co., Ltd.	Yangzhou, Jiangsu	High purity silica crucibles	Unlisted	0	0.03	0.04
22. Hwagain Group Co., Ltd.	Nanning, Guangxi	Printing paper & tissue paper	Unlisted	8	0.99	1.21
(ii) Energy & Resources:						
23. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	New Third Board *Note*	2	0.28	0.33
(iii) Education:						
24. Guangxi Xinhua Preschool Education Investment Corporation Limited	Nanning, Guangxi	Preschool education	Unlisted	7	0.89	1.09
			Sub-total:	**22**	**2.78**	**3.39**
			Total:	**710**	**89.37**	**109.30**

\# ***Ten largest investments of the Fund as of 31 December 2019***

Note: New Third Board means National Equities Exchange and Quotations

REVIEW OF INVESTMENTS (CONTINUED)

China Merchants Bank Co., Ltd. ("CMB") is China's first joint-stock commercial bank, with its headquarters in Shenzhen, Guangdong and with its shares listed on the Shanghai Stock Exchange since 2002 and on the Hong Kong Stock Exchange since 2006. As of 31 December 2019, the Fund held 55.20 million A shares of CMB, accounting for 0.219% of the total issued share capital of CMB, with a corresponding investment cost of RMB154.61 million (equivalent to US$19.79 million). In July 2019, the Fund received a cash dividend of RMB51.88 million from CMB for 2018.

As of the end of 2019, the carrying value of the Fund's interest in CMB was US$297.34 million, representing an increase of 46.77% over US$202.59 million at the end of last year. The Fund's unrealised gain attributable to its investment in CMB for 2019 was US$98.99 million, as compared to an unrealised loss for last year.

On 21 March 2020, CMB announced that its audited net profit for 2019 was RMB92.9 billion, up 15.28% year-over-year.

On 27 June 2019, CMB's capital plan targets for 2019-2021 were approved by the shareholders meeting of CMB as follows: within the planning period, the core tier-one capital adequacy ratio, tier-one capital adequacy ratio and total capital adequacy ratio shall be reached and maintained at levels greater than 9.5%, 10.5% and 12.5%, respectively. Moreover, the shareholders meeting and the board of directors of CMB have successively approved the relevant resolutions to authorise CMB to issue write-down undated capital bonds of no more than RMB50 billion, and to include this issuance in CMB's other tier-one capital in accordance with applicable laws and approval by regulatory authorities and, upon the occurrence of the triggering events specified in the offering documents, to absorb the loss by means of a write-down, whether in whole or in part.

On 2 November 2019, CMB announced that it has received approval from the China Banking and Insurance Regulatory Commission (the "**CBIRC**") for the commencement of business by CMB Asset Management Co., Ltd. ("**CMB Asset Management**"). CMB Asset Management is the second asset management subsidiary of a joint-stock commercial bank to be approved for the commencement of business, with registered capital of RMB5 billion. The establishment of an asset management subsidiary is an important step for CMB to take in promoting the healthy development of its asset management business. It will subject both management and operations to more stringent regulatory requirements with respect to investor protection, corporate governance and risk management, but it will also grant the new company greater flexibility when running businesses in areas such as sales management, investment scope, product design and cooperation with other institutions. Furthermore, it will permit CMB to change the legal status of its asset management business unit from a department to a legal entity and thereby separate all risks of the legal entity from the parent company — consistent with CMB's goal of "Being trusted by our clients. Managing wealth for our clients."

In 2019, the Fund did not dispose of any A shares of CMB.

REVIEW OF INVESTMENTS (CONTINUED)

China Credit Trust Co., Ltd. ("CCT") was established in 1995, with its headquarters in Beijing. The principal activities of CCT are trust management, fund management, investments and loan financing. It is the first trust company with a full range of licenses for international business in the Chinese trust industry. As of 31 December 2019, the Fund held a 6.94% equity interest in CCT, with a total investment cost of US$50.49 million. In April 2019, CCT declared a cash dividend for 2018, and the Fund is entitled to receive a total of US$2.10 million (pre-tax) from CCT.

As of the end of 2019, the carrying value of the Fund's interest in CCT was US$175.66 million, representing an increase of 17.77% over US$149.15 million at the end of last year. The Fund's unrealised gain attributable to its investment in CCT for 2019 was US$29.21 million, as compared to an unrealised loss for last year.

For 2019, CCT recorded an unaudited net profit of RMB983 million, down 15.61% year-over-year. During the year, the company recorded a decrease in income from commissions and handling fees, and in interest income, as compared to last year. In addition, the loss due to asset impairment for the year saw an increase, but investment income and the gain on change in fair value also saw increases as well, compared to last year. In response to the requirements of certain regulatory policies, CCT significantly reduced the footprint of its channel business while seeking to develop its actively managed trust business, and this ultimately increased the trust assets under active management as a percentage of the company's gross trust assets. However, on balance, CCT's results have been negatively affected by stronger regulatory supervision of its real estate trust business.

Currently, among its traditional businesses, the real estate trust business is the major source of income and profit for CCT, while the inter-financial institution business and securitised asset business also contributed to a certain extent. Faced with a number of factors such as increasing uncertainties in the macroeconomic environment, on-going regulation of the real estate industry, more stringent controls over the trust industry, and more intense competition resulting from the successive establishment of asset management subsidiaries by banks, CCT will strive to expedite the innovative transformation of its businesses and to focus on developing businesses such as capital markets, small and micro finance, international business and wealth management, in order to ensure the continuous development of the company.

In 2019, the CBIRC promulgated new requirements to strengthen the control over real estate financing and established a requirement that real estate trust of trust companies may not exceed their size as of 30 June 2019. These measures have limited the growth of CCT's real estate trust business and have increased the urgency to develop other lines of business.

Since 2019, CCT has received over 10 industry awards, including the "Excellent Trust Company Award" and "Best Family Trust Product Award" from the Shanghai Securities News, the "2019 Excellent Risk Control of Trust Company Award" from the Securities Times, the "2018 Golden Bull Award for Trust Company - Charity Trust" from the China Securities Journal, the "Excellent Competitiveness in terms of Wealth Management Award" from the 4th Global Asset Allocation Focus (GAAF) of 2019, the "Outstanding Brand for Wealth Management Services" in Leading China Award 2019 organised by JRJ.com, and the "Best Trust Company of the Year in terms of Stable Growth" from the Financial Times.

REVIEW OF INVESTMENTS (CONTINUED)

JIC Leasing Co., Ltd. ("JIC Leasing") was established in Beijing in 1989, and is a leading independent finance leasing firm in China, principally engaged in finance leasing for businesses in a wide range of industries, including information technology; high-end equipment manufacturing; and healthcare, environmental protection and new energy. The Fund invested RMB246 million (equivalent to US$38.78 million) in October 2015 for a 6.46% equity interest in JIC Leasing.

As of the end of 2019, the carrying value of the Fund's interest in JIC Leasing was US$29.40 million, representing an increase of 6.02% over US$27.73 million at the end of last year.

In 2019, JIC Leasing continued to follow the principle of making progress while ensuring stability and strictly controlling risks. It also continued to focus on its principal businesses and optimised its professionalised ancillary systems and mechanisms in a gradual way. Its principal businesses and various financial indicators thus grew steadily during the year, with budget targets and major work tasks completed successfully. In 2019, JIC Leasing recorded single-digit growth in its unaudited net profit as compared to last year.

JIC Leasing submitted the materials to apply for an initial public offering (IPO) with the China Securities Regulatory Commission ("**CSRC**") in early May 2017. In 2019, JIC Leasing continued to actively maintain communication with the CSRC and local finance bureaus, and completed an update to its IPO application materials as scheduled. JIC Leasing is still in queue for review by the CSRC, now among the next 15 companies to be reviewed for listing on the Main Board of the Shanghai Stock Exchange.

China Reinsurance (Group) Corporation ("China Re") originated from The People's Insurance Company of China, founded in 1949 as the first insurance company to be established in New China, with its headquarters in Beijing. It was listed on the Hong Kong Stock Exchange in October 2015. As currently the largest local reinsurance group in China, the business of China Re spans reinsurance, insurance, asset management, insurance brokerage, and insurance media. During the periods of November to December 2015 and of February to April 2016, respectively, the Fund acquired 67.24 million H shares of China Re at an average price of HK$2.23 per share on the Hong Kong secondary stock market, for an aggregate invested amount of HK$150 million (equivalent to US$19.31 million). As of 31 December 2019, the Fund held 67.24 million H shares of China Re, accounting for 0.158% of the total issued share capital of China Re. In August 2019, the Fund received a cash dividend (net of tax) of HK$2.13 million from China Re for 2018.

As of the end of 2019, the carrying value of the Fund's interest in China Re was US$11.05 million, representing a decrease of 19.05% from the value at the end of last year of US$13.65 million.

On 7 February 2020, China Re pre-announced that its unaudited net profit for 2019 ranged from RMB5.78 billion to RMB6.15 billion, up 55% to 65% year-over-year. The primary reasons for the increase in net profit were a rise in investment income as compared to last year, along with the inclusion of income from a newly acquired business during the year.

On 17 December 2019, China Re announced that China Reinsurance (Hong Kong) Company Limited, a wholly-owned subsidiary of China Life Reinsurance Company Ltd., which is a subsidiary of China Re, has been authorised to conduct insurance business in or from Hong Kong by the Hong Kong Insurance Authority. The company was incorporated in Hong Kong with registered capital of HK$2 billion and is mainly engaged in the life and health reinsurance business. The establishment of the company represents an important step by China Re in reinforcing its international strategic plan.

REVIEW OF INVESTMENTS (CONTINUED)

China Media (Tianjin) Investment Management Co., Ltd. ("China Media Management") was established in Tianjin, with registered capital of RMB60 million. The Fund invested RMB4.62 million (equivalent to US$0.68 million) in April 2010 for a 7.70% equity interest in China Media Management. As the general partner and investment manager of China Media Investment (see the section on China Media Investment below), China Media Management is responsible for defining and executing the investment strategy for China Media Investment, as well as for managing their operations.

As of the end of 2019, the carrying value of the Fund's interest in China Media Management was US$2.16 million, representing a decrease of 72.86% from the value at the end of last year of US$7.96 million.

During the investment period, China Media Management helped China Media Investment to successfully invest in several benchmark projects, and to successfully dispose of the projects of OCJ (東方購物), Shanghai Jade East Propagation Co., Ltd. and Renren Inc. In addition, it helped IMAX China Holding, Inc. ("**IMAX China**") to successfully list on the Hong Kong Stock Exchange, and to subsequently sell all of the IMAX China shares that were held. Presently, China Media Management is actively assisting with exit arrangements for several projects, including Star China.

China Media Investment had sold its equity interest in Beijing Weiying Technology Co., Ltd. ("**Weiying**") and had received the relevant consideration. However, the transaction lapsed because the registration of the change in equity interest was not filed with the relevant authorities within the required period, and as a result China Media Investment has refunded the consideration to the buyer. The Fund has issued a letter to China Media Management in regard to this matter, with a demand for China Media Management to follow up on this transaction and to pay close attention to the exit arrangements for this investment.

China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("China Media Investment") was established in Shanghai, and is the first fund in the culture and media sector approved for registration by the National Development and Reform Commission. Its total capitalisation is RMB2 billion. China Media Investment has an investment horizon of 10 years (Note: With the consent of all limited partners, the investment horizon has been extended two years in order to meet the exit requirements of the projects held). The scope of investment for China Media Investment includes major projects in broadcasting and media publishing, animation and creative media. China Media Management, in which the Fund has an interest, is the general partner and investment manager of China Media Investment. China Media Investment has entered into the investment exit period.

In April 2010, the Fund agreed to make a capital investment of RMB200 million by installment in China Media Investment. From June 2010 through 31 December 2019, the Fund has made successive capital injections into China Media Investment for a cumulative actual investment of RMB158.66 million (equivalent to US$24.76 million), representing 79.33% of the total investment of RMB200 million committed by the Fund.

Through the end of December 2019, the Fund has actually received a total cash distributions of RMB226 million from China Media Investment, representing approximately 143% of the cumulative actual amount invested by the Fund.

As of the end of 2019, the carrying value of the Fund's interest in China Media Investment was US$33.40 million, representing a decrease of 19.50% from the value at the end of last year of US$41.49 million.

REVIEW OF INVESTMENTS (CONTINUED)

As of the end of 2019, the unaudited net asset value of China Media Investment was RMB2.34 billion, representing a decrease of 16.95% compared to the end of last year.

By the end of December 2019, China Media Investment had completed a full exit from four projects, while continuing to hold three projects, namely Star China, Shanghai Oriental DreamWorks Co., Ltd. ("**Oriental DreamWorks**") and Weiying. Of these, Shanghai Canxing Culture Media Co., Ltd., the domestic operating entity of Star China, has submitted the materials to apply for an IPO with the CSRC by the end of December 2018, and its application to be listed on the Chinext of the Shenzhen Stock Exchange is in queue for review. Furthermore, China Media Investment has a concrete plan to exit from the Oriental DreamWorks project, with plans for implementation in 2020. As for the lapsed disposal of the equity interest in Weijing, please see the section on China Media Management above.

NBA China, L.P. ("NBA China") is a limited liability partnership incorporated in the Cayman Islands in 2007. NBA China conducts all of the NBA's businesses in the Greater China Region, including television broadcasting rights, advertising, sponsorships, events, digital media, and merchandising, among other new businesses. The original investment by the Fund in 2008 was US$23 million, representing a 1% partnership interest in NBA China. The Fund subsequently received partial returns of capital from NBA China in 2013, 2016 and 2017, respectively, for a total amount of US$23 million, representing a full recovery of the capital invested in NBA China by the Fund. As of 31 December 2019, the Fund held a 1% partnership interest in NBA China. The Fund received a cash distribution from NBA China of US$1.44 million in January 2019.

As of the end of 2019, the carrying value of the Fund's interest in NBA China was US$14.63 million, representing a decrease of 2.73% from the value at the end of last year of US$15.04 million. The Fund's unrealised gain attributable to its investment in NBA China for 2019 was negative of US$0.41 million, down 97.66% year-over-year.

On 7 March 2019, NBA China and Alibaba jointly announced an expansion of their partnership by carrying out comprehensive cooperation in areas such as NBA video content, programme broadcasting, e-commerce and big data.

On 10 April 2019, the NBA, Top Sports (a leading retailer of sports equipment and sporting products in China), and Nike (an official partner of the NBA) jointly announced the official opening of the NBA Beijing Flagship Store in Wangfujing, Beijing, as the biggest NBA flagship store outside the US.

On 29 July 2019, NBA and Tencent jointly announced that the contract between the two parties, which was to expire in 2020, will instead be renewed for another five years. As a result, Tencent's role as the exclusive official digital media partner of NBA China will continue until 2025.

In early October 2019, the general manager of the NBA Rockets posted a controversial tweet about Hong Kong on Twitter, which stirred wide debate in China and harmed the image of the NBA, at least temporarily. As a result of this incident, CCTV Sports Channel (CCTV5) of the China Media Group reached a decision to suspend immediately the broadcast of NBA games in China. In addition, several partners of NBA China made public announcements in which they terminated or suspended cooperation with the NBA.

The online platform Tencent Sports also suspended the broadcast of NBA preseason games (China) in October 2019, but the broadcast of certain NBA games has now resumed.

REVIEW OF INVESTMENTS (CONTINUED)

Unibank Media Group Inc. ("Unibank Media") was established in Beijing in 2011 as an operating entity following a merger and reorganisation, and is principally engaged in commercial advertising through its video display network in banking service outlets across China. The Fund made a total investment of RMB75 million (equivalent to US$10.98 million) in one of its predecessors, Inbank Media (China) Co., Ltd. ("**Inbank Media**"), in June 2009 and February 2010, and held a 14.51% equity interest in Inbank Media. After the completion of the reorganisation as well as a capital increase by Inbank Media in 2011, the Fund held a 7.62% equity interest in Unibank Media. In September 2015, certain existing shareholders of Unibank Media increased their capital position in the company by cash of RMB75 million. The Fund's equity interest in Unibank Media was diluted to 7.09%, accordingly.

As of the end of 2019, the carrying value of the Fund's interest in Unibank Media was US$0.03 million, representing a decrease of 96.63% from the value at the end of last year of US$0.89 million.

No substantial improvement was recorded for the business of Unibank Media and despite efforts to reduce its costs and expenses in 2019, the company has not been able to turn around its loss making run for several years.

Oriental Pearl Media Co., Ltd. ("Oriental Pearl") is a new operating entity formed following a merger and reorganisation with BesTV New Media Co., Ltd. ("**BesTV**"), a listed company under Shanghai Media Group Ltd. ("**SMG**"), and Shanghai Oriental Pearl (Group) Co., Ltd., formerly also a listed company, along with the injection of relevant advertising, content production and new media assets by SMG, its largest shareholder, before being renamed to Oriental Pearl from BesTV. The restructuring was completed in June 2015. Oriental Pearl will push forward with the integration and development of traditional and emerging media and become the sole resource consolidation and listing platform for SMG, as well as an all-media and whole-industry chain platform company, spanning content production, cloud services and value-added advertising services. At the same time, Oriental Pearl will draw on its media business as a foundation for growth, adopt the Internet TV business as a strategic point of entry, convert its audiences to users, cash in on data traffic, build an Internet media-based ecosystem, business model and system structure, and strive to develop into a new type of media group with the highest market value, communication capability, credibility and influence. In May 2015, the Fund invested RMB120 million (equivalent to US$19.62 million), through a partnership entity, in Oriental Pearl for a beneficial ownership of 3.70 million A shares. As of 31 December 2019, the Fund beneficially owned a total of 4.81 million A shares of Oriental Pearl, as a result of the receipt of 1.11 million new shares via a capitalisation issue from Oriental Pearl in 2018, accounting for 0.141% of the issued share capital of Oriental Pearl. In August 2019, the Fund received a cash dividend of RMB1.30 million declared by Oriental Pearl for 2018.

As of the end of 2019, the carrying value of the Fund's interest in Oriental Pearl was US$6.27 million, representing a decrease of 9.26% from the value at the end of last year of US$6.91 million.

REVIEW OF INVESTMENTS (CONTINUED)

On 31 October 2019, Oriental Pearl announced that its unaudited net profit for the first three quarters of 2019 was RMB1.31 billion, down 13.26% as compared to the same period last year, due primarily to changes in the profit sharing model of the Internet TV business and adjustments to the sales model of its Internet business. Meanwhile, the film and television entertainment business recorded a decrease in income as a result of the flat performance of the TV series industry since the beginning of the year.

On 27 August 2019, Oriental Pearl and Shanghai Information Investment Inc. ("**Shanghai Information**") entered into an equity transfer agreement in relation to Oriental Cable Network Co., Ltd. ("**Oriental Cable**"), pursuant to which Oriental Pearl acquired a 2% equity interest in Oriental Cable, previously held by Shanghai Information, at a price of approximately RMB100 million. Upon completion of the equity transfer, Oriental Pearl will hold a 51% equity interest in Oriental Cable while Shanghai Information will hold the remaining 49% equity interest. Oriental Cable will therefore become a subsidiary controlled by Oriental Pearl and will actively participate in the construction of 5G broadcasting networks.

On 25 November 2019, Shanghai Oriental Pearl Industrial Development Co., Ltd. ("**Pearl Industrial**"), a wholly-owned subsidiary of Oriental Pearl, and SMG entered into a contract for the transfer of a 100% equity interest in Shanghai Science & Educational Film Studio Co., Ltd. ("**Science Film Studio**"), pursuant to which Pearl Industrial acquired a 100% equity interest in Science Film Studio, previously held by SMG, at a price of approximately RMB280 million. Through this acquisition, it is expected that Oriental Pearl will obtain quality land property rights and achieve a stable and reliable stream of investment income, which is conducive to enhancing the corporate brand and facilitating the development of its principal business of new media.

Yunnan Jinlanmei International Travel Investment Development Co., Ltd. ("Jinlanmei Travel") was established in Mengla County, Xishuangbanna Dai Autonomous Prefecture, Yunnan in 2016, with registered capital of RMB100 million. Based in Yunnan, Jinlanmei Travel will seek to establish a global presence and engage broadly in the operation of tourism and shipping within the territorial waters of the Lancang/Mekong River. Jinlanmei Travel was established jointly by the Fund and Shanghai-listed Yunnan Metropolitan Real Estate Development Co., Ltd. ("**Yunnan Metropolitan**"), among others, with stakes of 20% and 35%, respectively. In October 2016, the Fund completed the first capital contribution of RMB10 million (equivalent to US$1.49 million) to Jinlanmei Travel.

As of the end of 2019, the carrying value of the Fund's interest in Jinlanmei Travel was US$0.85 million, representing a decrease of 23.42% from the value at the end of last year of US$1.11 million.

Jinlanmei Travel convened a shareholders meeting in June 2019. At the meeting, the shareholders of the company reached a decision to make the second registered capital contribution of RMB50 million by the end of August 2019 in accordance with the capital contribution agreement signed in 2016. Pursuant to this decision, the Fund completed its second capital contribution of RMB10 million in August 2019. However, other shareholders (including Yunnan Metropolitan) did not meet this deadline due to failure to pass through their respective internal approval processes. Hence, Jinlanmei Travel refunded the capital contribution of RMB10 million in December 2019, as requested by the Fund.

REVIEW OF INVESTMENTS (CONTINUED)

In 2019, Jinlanmei Travel continued to move forward with the sales and reception work for its 20/40-seat cruise ship, and with product promotions as well. At the same time, the company has continued to optimise and improve all aspects of its one-day tour products, encompassing the overall guest experience, the quality and breadth of services, and operating costs. In addition, it has actively expanded its product marketing and strengthened the promotion of its brand name.

Rong Bao Zhai Culture Co., Ltd. ("Rong Bao Zhai Culture") was established in Beijing in December 2015. Its main businesses include the sale of art supplies, handicrafts, calligraphy artwork, framed calligraphy artwork, and carving artwork, as well as the sponsorship of art exhibits and cultural/artistic exchange activities. In addition, Rong Bao Zhai Culture will be an important business development platform for its controlling shareholder, Rong Bao Zhai, in the future. The Fund agreed to advance cash of RMB300 million in total to Rong Bao Zhai Culture for a period of 5 years, with the right to convert the loan into an equity interest in Rong Bao Zhai Culture during the term of the loan, subject to the fulfillment of certain precedent conditions. In December 2016 and April 2017, the Fund disbursed RMB200 million (equivalent to US$28.86 million) and RMB100 million (equivalent to US$14.50 million), respectively, amounting to RMB300 million (equivalent to US$43.36 million) in aggregate.

As of the end of 2019, the carrying value of the Fund's debt in Rong Bao Zhai Culture was US$42.88 million, representing an increase of 3.52% over US$41.42 million at the end of last year. The Fund's unrealised gain attributable to its investment in Rong Bao Zhai Culture for 2019 was US$2.15 million, down 41.28% year-over-year.

In 2019, against the backdrop of sluggish domestic economic growth and continuing weakness in the artwork market, Rong Bao Zhai Culture took steps to reorganise its business and to substantially reduce the procurement of artwork, especially calligraphy and painting. By increasing efforts to expand into new markets, focusing on sales of the existing inventory of artwork, and cultivating its own group of calligraphers and painters based on its existing gallery business, while reducing various costs and expenses, seven branches achieved notable improvement in their financial performance compared to last year, including a full turnaround from loss to profit for some. At the same time, Rong Bao Zhai Culture continues to push forward with its corporate restructuring, as it further standardises its corporate management practices and reinforces its internal systems, established in an effort to lay the foundation for an eventual listing.

Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd. ("Qinghai Lake Tourism") was established in Xining, Qinghai in 2008. It is a tourism operator with a focus on Qinghai Lake, a national 5A-class scenic spot, and is principally engaged in product development, business operations and provision of services related to tourism in Qinghai Lake and the surrounding regions. The Fund agreed to advance cash of RMB200 million in total to Qinghai Lake Tourism for a period of 3 years, with the right to convert the loan into an equity interest in Qinghai Lake Tourism during the term of the loan, subject to the fulfillment of certain precedent conditions. In August and September 2017, the Fund disbursed RMB50 million (equivalent to US$7.50 million) and RMB150 million (equivalent to US$22.93 million), respectively, amounting to RMB200 million (equivalent to US$30.43 million) in aggregate. Pursuant to a supplemental agreement dated 9 May 2019, Qinghai Lake Tourism undertook to repay a loan of RMB190 million in aggregate to the Fund by 30 June 2019, while the Fund retains the right to recover the outstanding loan of RMB10 million from Qinghai Lake Tourism, as well as to convert an amount up to RMB200 million into equity shares of Qinghai Lake Tourism during the joint-stock restructuring of Qinghai Lake Tourism. As of 31 December 2019, the Fund has received aggregate loan repayments of RMB195 million (including an additional loan repayment of RMB5 million) from Qinghai Lake Tourism.

REVIEW OF INVESTMENTS (CONTINUED)

As of the end of 2019, the carrying value of the Fund's debt in Qinghai Lake Tourism was US$6.04 million, representing a decrease of 82.79% from the value at the end of last year of US$35.10 million, for reasons as stated above.

Currently, Qinghai Lake Tourism is in the process of implementing a restructuring plan under the guidance of intermediaries. In June 2018, the Qinghai Provincial People's Government officially approved the spin-off of Qinghai Lake Tourism. In September 2018, Qinghai Lake Tourism obtained a new business license. After the spin-off, Qinghai Lake Tourism continues to retain core assets and related businesses, while the newly established company has taken over non-operating assets and related personnel. In 2019, one major work task by Qinghai Lake Tourism, among others, was to complete a review of its operations with respect to the environmental compliance and put them in order.

The Qinghai Provincial People's Government has explicitly requested the relevant departments to begin asset divestitures and conversion to a joint-stock limited company, and to strive for the listing of Qinghai Lake Tourism as soon as possible. The Fund will consider whether suitable conditions have been achieved for the exercise of conversion rights during the joint-stock restructuring of Qinghai Lake Tourism.

Xi'an Jinpower Electrical Co., Ltd. ("Jinpower Electrical") was established in Xi'an, Shaanxi in 2001 and is a high technology enterprise principally engaged in the research and development, and production, of intelligent online monitoring systems for transmission lines and substation equipment for the power grid. The stock of Jinpower Electrical was listed for trading on the New Third Board in January 2016. The Fund invested RMB20 million (equivalent to US$3.03 million) in January 2011 and held 2.89 million shares in Jinpower Electrical as of 31 December 2019, accounting for 4.83% of the issued share capital of Jinpower Electrical.

As of the end of 2019, the carrying value of the Fund's interest in Jinpower Electrical was US$0.68 million, representing an increase of 15.25% over US$0.59 million at the end of last year.

On 23 August 2019, Jinpower Electrical announced that its unaudited net loss for the first half of 2019 was RMB6.36 million, which was lower than in the same period last year, due mainly to a decrease in interest payment and loss from asset impairment.

In 2019, affected by various factors such as changes in economic conditions and the industry environment, especially changes to the bidding approach by the State Grid Corporation of China and increasingly intense competition, it is estimated that the operating performance of Jinpower Electrical in 2019 will fail to meet expectations. Presently, the company is focusing on a market-oriented approach to its business, while accelerating the research, development and innovation of its products. At the same time, it is striving to boost sales, while enhancing its internal management and financial controls, with an aim to drive the development of the company's various businesses. In 2019, Jinpower Electrical refined several of its product lines through on-going research and development, such as its comprehensive monitoring system for cable tunnels and its HD video and photo products. Meanwhile, it has released a newly developed intelligent patrol robot for cable tunnels, a central image analysis system based on AI technology, a 3D visual monitoring platform for cable tunnels and other products based on Internet of Things (IoT), all of which lay a sound foundation for the company's future business development.

REVIEW OF INVESTMENTS (CONTINUED)

Anhui Iflytek Venture Capital LLP ("Iflytek Venture Capital") was established in Hefei, Anhui in December 2015, with an investment horizon of 7 to 9 years and with a fund size of RMB602 million. Its major investment targets are industries related to the Internet and applications of artificial intelligence (AI) in China, primarily to areas including education, healthcare, tourism, motor vehicles, Internet of Things (IoT), smart hardware, information security, e-commerce, interactive entertainment, smart toys, robotics and Internet advertising. The general partner and investment manager of Iflytek Venture Capital is Wuhu Iflytek Investment Management LLP, which is responsible for defining and executing the investment strategy for Iflytek Venture Capital, as well as for managing their operations. The Fund has committed to subscribe to an aggregate of RMB90 million by installment, for a 14.95% interest in Iflytek Venture Capital. In December 2016, August 2017, April 2018 and January 2019, the Fund completed capital contributions of RMB36 million (equivalent to US$5.19 million), RMB13.50 million (equivalent to US$2.01 million), RMB13.50 million (equivalent to US$2.15 million) and RMB13.50 million (equivalent to US$1.99 million) to Iflytek Venture Capital, respectively, representing an aggregate of RMB76.50 million (equivalent to US$11.34 million) or 85% of the subscription amount committed by the Fund. In addition, through the end of December 2019, the Fund received cash distributions from Iflytek Venture Capital in a cumulative amount of RMB19.76 million.

As of the end of 2019, the carrying value of the Fund's interest in Iflytek Venture Capital was US$9.77 million, representing an increase of 17.57% over US$8.31 million at the end of last year.

As of the end of 2019, the unaudited net asset value of Iflytek Venture Capital was RMB578 million, representing an increase of 54.10% compared to the end of last year.

By the end of December 2019, Iflytek Venture Capital has made investments in a total of twenty four projects, including five new investments in 2019. Among the existing projects, Iflytek Venture Capital has exited entirely from two projects and has exited partially from two projects. Furthermore, two projects completed their listing on the Shenzhen Stock Exchange in 2019, while one project is planning to apply for an IPO on the main board of the secondary stock market in Mainland China and two other projects are planning to apply for an IPO on the Shanghai Sci-Tech Board.

Iflytek Co., Ltd. ("Iflytek") was established in 1999 and is headquartered in Hefei, Anhui. It was listed on the SME Board of the Shenzhen Stock Exchange in May 2008. It is a national key software enterprise dedicated to the research of intelligent speech, language technologies, and AI technologies; the development of software and chip products; the provision of speech information services; and the integration of e-government systems. During the period of November to December 2016, the Fund acquired 4.54 million A shares of Iflytek at an average price of RMB19.09 (adjusted) per share on the secondary stock market of Mainland China with an aggregate invested amount of RMB130 million (equivalent to US$18.83 million). As of 31 December 2019, the Fund held a total of 6.81 million A shares of Iflytek, as a result of the receipt of 2.27 million new shares via a capitalisation issue from Iflytek in 2018, accounting for 0.309% of the issued share capital of Iflytek. In October 2019, the Fund received a cash dividend (net of tax) of RMB0.65 million from Iflytek for the first half of 2019.

As of the end of 2019, the carrying value of the Fund's interest in Iflytek was US$33.62 million, representing an increase of 37.67% over US$24.42 million at the end of last year.

REVIEW OF INVESTMENTS (CONTINUED)

On 17 July 2019, Iflytek announced that it had completed the issuance of a total of 108 million new shares to ten designated investors at an issue price of RMB27.10 per share. The funds raised amounted to RMB2.93 billion, which were mainly used in the business development of the company and the replenishment of working capital.

On 3 February 2020, Iflytek pre-announced that its unaudited net profit for 2019 ranged from RMB732 million to RMB894 million, up 35% to 65% year-over-year. The increase in results was mainly due to the ongoing development of the AI industry, as well as repeated success in achieving the corporate strategic plan and the continuing enhancement of profitability, driven by its innovative technologies. The company estimates that the sales revenue in 2019 will exceed RMB10 billion, reaching a new milestone in terms of scale.

Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP (the "Jiangmen Ventures Fund") was established in Ningbo, Zhejiang in September 2016, with an investment horizon of 5 to 7 years and with a total fund subscription amount of RMB410 million (presently, the paid-in capital amounted to RMB242.5 million). Its major investment targets are chiefly early-stage business ventures related to machine intelligence, Internet of Things (IoT), natural user interface, and enterprise computing. The general partner and investment manager of the Jiangmen Ventures Fund is Jiangmen Capital Management (Beijing) Co., Ltd., which is responsible for defining and executing the investment strategy for the Jiangmen Ventures Fund, as well as for managing their operations. The Fund completed a capital contribution of RMB30 million (equivalent to US$4.74 million) in January 2018, representing 12.37% of the paid-in capital of the Jiangmen Ventures Fund. The Fund received a cash distribution from the Jiangmen Ventures Fund of RMB0.19 million in June 2019.

As of the end of 2019, the carrying value of the Fund's interest in the Jiangmen Ventures Fund was US$5.11 million, representing an increase of 0.79% over US$5.07 million at the end of last year.

By the end of December 2019, the Jiangmen Ventures Fund has made investments in nineteen projects for a total of RMB219 million. Of these, investments amounting to RMB72.2 million were completed in 2019, including seven new projects and a debt-equity swap of one existing convertible loan. Another seven projects completed new rounds of financing, while another project was exited completely with a multiple of 4.02 during 2019.

CAS Cambricon Technology Co., Ltd. ("Cambricon") was established in 2016 in Beijing. The company grew out of a research and development project of the Smart Chips Research Group at the Institute of Computing Technology, Chinese Academy of Sciences, and is a high technology company that focuses on the research, development and design of AI chips. In June 2018, the Fund, via a partnership entity, invested approximately RMB38 million (equivalent to US$5.94 million) for a 0.246% beneficial equity interest in Cambricon. Cambricon completed a new round of equity financing in September 2019, and the Fund's beneficial equity interest in Cambricon was diluted to 0.229%, accordingly.

As of the end of 2019, the carrying value of the Fund's interest in Cambricon was US$7.26 million, representing an increase of 31.05% over US$5.54 million at the end of last year.

REVIEW OF INVESTMENTS (CONTINUED)

Cambricon launched its second-generation cloud chip MLU270 and its first-generation edge chip MLU220, along with their corresponding PCB products, in June and November 2019, respectively. Together with its existing endpoint IP products, Cambricon has achieved comprehensive multi-dimensional coverage of cloud, edge and endpoint AI accelerated computation. In response to AI inference tasks, MLU270 and MLU220 adopted the newest generation of the MLUv02 instruction set, independently developed by Cambricon, which supports highly diversified AI applications such as vision, audio, natural language processing and traditional machine learning. In particular, the theoretical peak performance and capacity of chip MLU270 has been increased to 4 times that of the previous generation MLU100, reaching 128TOPS (INT8). Coupled with its compatibility with both INT4 and INT16 operations, as well as its support for floating-point operations and mixed-precision operations, the chip MLU270 has demonstrated faster speed, lower power consumption and a better performance-to-price ratio, and millions-worth orders have been obtained since its launch. The chip MLU220 features a maximum computation capacity of 32TOPS (INT4), compatibility with both INT4 and INT16, power consumption of only 10W and extensive I/O interfaces. With its acceleration card, the chip MLU220 can achieve intelligent deployment for edge applications such as retail, transportation, factory production lines and sales outlets in a palm-sized AI box. In addition, Cambricon's second-generation endpoint structure of 1H16 has been integrated into Spreadtrum's new 5G mobile phone main chips.

Cambricon completed its conversion into a joint-stock limited company in November 2019 and has changed its name to "CAS Cambricon Technology Co., Ltd." It also plans to apply for an IPO on the Shanghai Sci-Tech Board.

Pony AI Inc. ("Pony AI") was established in Silicon Valley, the United States, in December 2016 and is a research and development company that focuses on technology solutions for autonomous driving. In July 2018, the Fund invested US$8 million for a 0.889% equity interest in Pony AI. In April 2019, the Fund exercised its anti-dilution rights and invested US$0.61 million in Pony AI during a new round of equity financing, with the equity interest remaining unchanged after the investment. As such, the Fund has invested a total of US$8.61 million and held a 0.889% equity interest in Pony AI as of 31 December 2019.

As of the end of 2019, the carrying value of the Fund's interest in Pony AI was US$8.61 million, representing an increase of 7.63% over US$8 million at the end of last year. The Fund's unrealised gain attributable to its investment in Pony AI for 2019 was US$3,433.

Pony AI is presently a leader in the field of autonomous driving technology in China. Through the end of 2019, Pony AI has achieved an accumulated total autonomous driving distance of over 1 million kilometres, covering complicated and diversified scenarios of different roads and under a wide range of climatic and traffic conditions. In particular, PonyPilot Robotaxi has operated successfully for one year, receiving over 70,000 orders in total, and its operational efficiency, fleet scale and the width and breadth of coverage areas continued to expand. Furthermore, Pony AI has launched its fourth-generation autonomous driving software and hardware system, namely PonyAlpha 2.0, with substantial improvement in the stability of both software and hardware, as well as the level of integration and system security. Testing has been carried out on various vehicle platforms.

REVIEW OF INVESTMENTS (CONTINUED)

In 2019, Pony AI obtained the Yangtze River Delta's intelligent connected vehicle testing license to carry out autonomous driving testing on public roads in Shanghai, Anhui, Jiangsu and Zhejiang. Furthermore, it obtained a California autonomous driving operating license to provide autonomous driving mobility services for the public within California. In addition, Pony AI has also entered into collaboration with Toyota Motor of Japan and Hyundai Motor of Korea in areas of research and development of autonomous driving technology and testing for commercial applications.

Shenzhen Arashi Vision Co., Ltd. ("Arashi Vision") was established in Shenzhen, Guangdong in September 2014 and is striving to become a global leader engaged in the research, development and manufacture of 360-degree video products. The Fund invested RMB20 million (equivalent to US$2.83 million) in September 2019 for a 1% equity interest in Arashi Vision, and entered into an equity transfer agreement with an existing shareholder of Arashi Vision in October 2019 for the acquisition of another 0.625% equity interest in Arashi Vision at a price of RMB10 million, bringing the Fund's total investment in Arashi Vision to RMB30 million, accounting for a 1.625% equity interest in the company.

As of the end of 2019, the carrying value of the Fund's interest in Arashi Vision was US$2.87 million.

The 360-degree camera brand of "Insta360" created by Arashi Vision is a global leader in the field of 360-degree cameras and covers both the professional-grade and consumer-grade 360-degree imaging markets, including professional 3D/360-degree cameras, consumer 360-degree action cameras and camera products for mobile phones. Arashi Vision successfully launched four new products in 2019, including Insta360 EVO, a 3D anti-shake camera; Insta360 Titan, a professional 360-degree camera; Insta360 Go, a thumb-sized anti-shake camera; and Insta360 One R, an HD anti-shake action camera with interchangeable-lens, among which Titan and Go won the fifth and sixth annual CES Innovation Awards for Arashi Vision. Insta360 One X, its flagship product launched in 2018, continued to record remarkable sales volume worldwide, especially in the US, China, Japan and Germany. The sales revenue of Arashi Vision in 2019 is expected to increase by more than 120% as compared to last year.

Shenzhen Geesun Intelligent Technology Co., Ltd. ("Geesun Intelligent") was established in Shenzhen, Guangdong in 2006 and is a leading professional manufacturer of production equipment and automated production lines for lithium ion batteries and super capacitors in China. Its name was changed to Shenzhen Geesun Zhiyun Technology Co., Ltd. in April 2015 as a result of an acquisition and capital increase, and was further changed to its present name as a result of a transfer of its entire equity interest by its then controlling shareholder to CAS Investment Management Co., Ltd., then the second largest shareholder, in October 2016. The Fund invested RMB20 million (equivalent to US$2.93 million) in May 2010. As of 31 December 2019, the Fund's equity interest in Geesun Intelligent was diluted from 6.78% to 5.32%, subsequent to an employee share incentive scheme completed in January 2019.

As of the end of 2019, the carrying value of the Fund's interest in Geesun Intelligent was US$4.65 million, representing a decrease of 11.09% from the value at the end of last year of US$5.23 million.

REVIEW OF INVESTMENTS (CONTINUED)

In 2019, Geesun Intelligent adhered to its business strategy, adopted the previous year, with a focus on customer restructuring. The company has been enhancing cooperation with top-tier lithium battery plants, while focusing on the research and development of next-generation thermal compound stacking machines. Presently, although Geesun Intelligent has not yet received large orders from testing customers as the customer testing period for its new products took longer than expected, the company has received preliminary orders for thermal compound stacking machines from certain sizable companies, and new orders and further cooperation are expected in the future. Due to an expected significant increase in orders, Geesun Intelligent is currently facing tight funding and has initiated a new round of equity financing. Geesun Intelligent recorded an unaudited net loss of RMB79.14 million for 2019, which was mainly attributable to the relatively long customer testing period for the new products.

Jiangsu Huaer Quartz Materials Co., Ltd. ("Jiangsu Huaer") was established in Yangzhou, Jiangsu and is principally engaged in the research and development, and production, of high purity silica crucibles. Jiangsu Huaer is a manufacturer producing silica crucibles with comprehensive specifications in China, and has the capability to produce 28-inch silica crucibles, or larger, on a vast scale. The silica crucible products are currently consumable auxiliary equipment required to produce single crystalline silicon ingots, which are used in turn to produce single crystalline silicon solar cells and semiconductor chips. The Fund invested RMB15 million (equivalent to US$2.23 million) in September 2010 for a 7.50% equity interest in Jiangsu Huaer.

As of the end of 2019, the carrying value of the Fund's interest in Jiangsu Huaer was US$0.25 million, representing an increase of 4.17% over US$0.24 million at the end of last year.

Since a new photovoltaic policy was introduced on 31 May 2018, price subsidies for electricity have been reduced and the construction of photovoltaic power plants has slowed. As a result, the company's customers have successively reduced production, which in turn has reduced demand for single crystalline silicon electric cells and silica crucibles. Meanwhile, due to past-due trade receivables, turnover of Jiangsu Huaer's working capital has been slow and its financing costs have remained high, greatly affecting its normal business production and operations. The operations of Jiangsu Huaer did not experience a turnaround in 2019 and the company is now on the brink of liquidation or bankruptcy.

Hwagain Group Co., Ltd. ("Hwagain") was formed by the merger of two paper manufacturers located in Nanning, Guangxi in 1998. It is principally engaged in the research and development, production, and sale of high quality printing paper and tissue paper. The Fund invested RMB119.99 million (equivalent to US$19.00 million) in January 2012 for a 7.10% equity interest in Hwagain.

As of the end of 2019, the carrying value of the Fund's interest in Hwagain was US$7.88 million, representing a decrease of 37.41% from the value at the end of last year of US$12.59 million.

Hwagain recorded an unaudited net profit of RMB64.67 million for 2019, down 51.20% year-over-year.

REVIEW OF INVESTMENTS (CONTINUED)

Against the backdrop of increasing downward pressure on the domestic economy, both revenues and earnings for the domestic paper manufacturing and paper products industries recorded a decrease year-over-year in 2019, according to data released by the Ministry of Industry and Information Technology. In 2019, Hwagain achieved relatively stable development in both production and operations through enhanced management, increased production capacity, reduced energy consumption and a greater focus on technological transformation and innovation.

Wuhan Rixin Technology Co., Ltd. ("Wuhan Rixin") was established in Wuhan, Hubei in 2001 and is a state-accredited high technology enterprise engaged in the design, production and installation of solar modules and Building Integrated Photovoltaic (BIPV) products, as well as in the operation, maintenance and management of solar powered electric systems. The stock of Wuhan Rixin was listed for trading on the New Third Board in February 2016. The Fund invested RMB15 million (equivalent to US$2.20 million) in July 2009. As of 31 December 2019, the Fund held a total of 4.95 million shares in Wuhan Rixin, as a result of the receipt of 1.65 million new shares via a capitalisation issue from Wuhan Rixin in May 2019, accounting for 4.24% of the issued share capital of Wuhan Rixin.

As of the end of 2019, the carrying value of the Fund's interest in Wuhan Rixin was US$2.17 million, representing an increase of 30.72% over US$1.66 million at the end of last year.

On 29 July 2019, Wuhan Rixin announced that its unaudited net profit for the first half of 2019 was RMB6.38 million (including extraordinary items), as compared to a net loss of RMB16.23 million for the same period last year. The reversal was mainly due to the disposal of a project for a gain on sale, along with a reduction in costs and expenses during the period.

In 2019, domestic demand for photovoltaic installations was significantly impacted by the new photovoltaic policy introduced on 31 May 2018. As a result, Wuhan Rixin has slowed its investment in and the construction of photovoltaic power plant projects, and the sale of certain photovoltaic power plant projects could not be realised. The photovoltaic market improved mildly in 2019, but the recovery will need more time and market opportunities before growth can resume, following the introduction of new photovoltaic policy. As such, currently, Wuhan Rixin is primarily striving to reduce the backlog of projects from last year for full capacity, grid-connected, photovoltaic power generation.

Guangxi Xinhua Preschool Education Investment Corporation Limited ("Xinhua Preschool Education") was established in Nanning, Guangxi in 2014, with registered capital of RMB300 million. Xinhua Preschool Education is based in Guangxi and is dedicated to investing in the preschool education sector, as well as supplying cultural and educational products. Xinhua Preschool Education was jointly established by the Fund and Guangxi Xinhua Bookstore Group Share Corporation Limited, with stakes of 30% and 70%, respectively. In December 2014, the Fund completed the first capital contribution of RMB30 million (equivalent to US$4.90 million), with the remaining RMB60 million of capital to be disbursed according to the development progress of Xinhua Preschool Education.

REVIEW OF INVESTMENTS (CONTINUED)

As of the end of 2019, the carrying value of the Fund's interest in Xinhua Preschool Education was US$7.08 million, representing an increase of 39.10% over US$5.09 million at the end of last year.

Xinhua Preschool Education sustained an unaudited net loss of RMB4.67 million for 2019, representing a decrease in the loss as compared to last year.

As the result of a new policy on preschool education introduced in November 2018, the listing of private for-profit kindergartens has been restricted and the Nanning Education Bureau has slowed the approval process for the construction of private for-profit kindergartens. Xinhua Preschool Education is actively responding to the new policy by adjusting its strategies and adopting a greater focus on the stability of operations, pursuant to which sizable new developments will be considered only when there is more certainty in the industry with respect to the outlook for preschool education. Currently, Xinhua Preschool Education's Xinhua Kindergarten in Hanlin Yujing, Nanning has begun trial operations, and Xinhua Kindergarten in Xingbin District, Laibin has commenced operations, and preparatory work for Xinhua Kindergarten in Port District, Fangchenggang have been moving forward.

PROSPECTS

The market, presently, is cautious about global economic development in 2020 and, in particular, pays attention to the ultimate impact of the novel coronavirus on the major global economies. In 2020, the China's economy may still be exposed to downward risks with the possibility of further deterioration, mainly attributable to a few factors. In terms of external demand, manufacturing industries in developed economies are still in a downward cycle. The growth of fiscal revenue in China is under pressure, with little room for tax and fee reductions. The growth in real estate investment has been slowing. And, lastly, other factors, including the spread of the novel coronavirus, create a backdrop of uncertainty. Given that China's economic growth in 2020 continues to show signs of slowing and its economic restructuring is in a critical period, it is expected that the operating results of the investment projects (mainly operating in China) held by the Fund will be impacted to a certain degree.

The Central Economic Working Conference convened in December 2019 has identified that government policies in 2020 will closely follow the objective of building a prosperous society in a well-rounded way. They will uphold the general principle of growth and new development concept, while ensuring stability as well. They will also uphold supply-side structural reforms as a major objective, along with greater openness as an impetus to promote quality development. They will strive to complete the "three critical missions" and work well with the "six stabilities." In particular, "stability" will be the first priority, with stability in growth and employment as core requirements. In addition, efforts will be made to push ahead with counter-cyclical adjustments and optimise the synergy, transmission and implementation mechanisms for fiscal, monetary and employment policies. They will also work aggressively to deepen reforms in the economic system with respect to state-owned assets, state-owned enterprises and fiscal and taxation systems, etc. As the country is still fighting hard against the novel coronavirus, it may be difficult to make a complete and accurate assessment of the impact of the epidemic on China's economy. Given that China's economy shows both resilience and great potential, its long-term economic outlook for prosperity has not changed and the potential for investment demand remains strong. As an example, the AI industry and new-type infrastructure construction will continue to receive greater support from government policies, as well as more attention from capital markets. With the advent of the big data era, along with improvements in algorithms and enhancements in the accuracy of unsupervised learning, AI may enter a period of rapid growth in which "big data + AI" will profoundly change the structure of traditional industries. It is here that the Fund will continue to seek out the best opportunities for investment.

BUSINESS STRATEGY AND INVESTMENT RESTRICTIONS

The Fund is an investment company listed on the Hong Kong Stock Exchange. Its main business is to invest directly in quality unlisted enterprises in China, as well as in China-concept shares listed on domestic and overseas markets. Our strategies are: to primarily invest in quality and mature investment projects while also seizing good opportunities in emerging industries; to invest in outstanding and leading listed enterprises and cooperate with them so as to explore quality unlisted projects in their respective industry supply chains; to closely monitor changes in global financial conditions and in China's economic policies for diverse investments; to continue to view industry developments from a broad perspective and avoid the risk of investing in overheated sectors, to focus on relatively regulated industries and relatively large projects, and to pay more attention to key projects with government support and with the backing of state-owned enterprises or listed companies; to constantly optimise the investment portfolio and to manage the level of risk; to avoid blindly engaging in price competition when bidding on investment projects; and to fulfill our goal of long-term capital preservation and appreciation. Our future investment focus is on the financial industry with an emphasis on the insurance sector, on emerging technology industries featuring AI, on great cultural industry with an emphasis on culture and tourism, and on great healthcare industry with an emphasis on medicine and healthcare. We continue to explore the means for proper participation in investments in potential listed companies, as guided by our direct investment concepts.

For investment restrictions of the Fund, please refer to the prospectus dated 15 July 1993 issued by the Fund which is available on the Fund's website.

KEY RISK FACTORS

The Fund faces various risks and uncertainties in its operations. Taking into account the operations of the Fund, the key risks and uncertainties considered to be faced by the Fund are listed below. Please note that in addition to those listed below, the Fund may also be exposed to other risks and uncertainties.

Economic Risk

The Fund invests in enterprises with businesses or incomes derived from China. The businesses, financial conditions, operational results and prospects of Chinese enterprises are largely subject to the macroeconomic development of China. As China is still an emerging economy, its economy is different from developed economies in many respects, including but not limited to the government regulations, the models of economic growth, foreign exchange controls and the allocation of resources.

Market Competition Risk

The main business of the Fund is equity investments. With a booming private equity investment market in China, more and more investment companies or funds in the industry are entering the market, which results in keener competition among investment institutions for potential investment targets. The Fund is also facing increasingly intense competition in the industry and the market challenges of rising prices of investment targets.

KEY RISK FACTORS (CONTINUED)

Operation Risk

In evaluating and screening investment projects, the Fund must select relevant investment tools, consider the investment size, and adapt its investment strategies in different stages of an enterprise. This involves many complicated processes and factors. Although the Fund strives to consider and manage risk with skill and experience, the potential risks and uncertainties in investment analysis cannot be fully mitigated.

The enterprises in which the Fund has invested face various risks in their businesses and operations, including changes in the market environment of the industry, economic recession, incorrect operational decisions (such as over expansion or premature diversification), improper internal controls, the failure of management to meet expectations, and unstable management teams. The risks from the businesses and operations of the enterprises in which the Fund has invested will have an effect on the investment time cost and investment returns of the Fund.

In addition, according to the relevant listing rules of the Hong Kong Stock Exchange, the Fund cannot, either on its own or in conjunction with any core connected parties, take legal or effective management control of enterprises in which the Fund has invested, and furthermore cannot own or control more than 30% of the voting rights in any one enterprise or body. As a result, the Fund may act only as a strategic investor in an enterprise, and cannot actively participate in the management or operations of the enterprise. Although the Fund strives to safeguard its rights according to applicable laws and regulations, it may incur investment losses if the controlling shareholder or management of an enterprise intentionally deceives or conceals significant matters related to the operations of the enterprise.

Stock Market Risk

The Fund currently holds a large quantity of stocks of listed companies and the Fund may also allocate a portion of its assets to the secondary stock market. The stock market is subject to political, economic, social and other macro factors, which will result in the fluctuation of stock prices. As the stocks of listed companies held by the Fund are marked to market, such fluctuations will affect the value of the listed stocks held by the Fund and will cause fluctuation in the net asset value of the Fund.

KEY RISK FACTORS (CONTINUED)

Legal Uncertainty

The enterprises and assets in which the Fund has invested are mainly located in China and are subject to the laws and regulations of China. China's legal system is based on written statutes. Prior court decisions may be cited as reference but have limited precedential value. In addition, since the late 1970s, with a view towards developing a comprehensive system of commercial law to deal with economic matters, the Central Government has promulgated relevant laws and regulations on the issuance and trading of securities, shareholders' rights, foreign investment, corporate organisation and governance, commerce, taxation, and trade, among other topics. However, as these laws and regulations are relatively new and the external environment continues to evolve, the effect of these laws and regulations on the rights and obligations of relevant institutions, enterprises and individuals may involve uncertainty. As a result, the legal protections for assets in China available to investors under Chinese commercial laws and regulations may be limited.

Policy and Regulatory Risk

The enterprises in which the Fund has invested involve different industries and their value is subject to the development of or changes in government policies, taxation, laws and regulations. The relevant policies, laws and regulations, or relevant interpretations of these statues, may change in the future, which may affect the value of the enterprises in which the Fund has invested.

Exchange Rate Fluctuation Risk

Most of the Fund's investments are located in China where the official currency is the RMB. The conversion rates of RMB against US dollar and other currencies may fluctuate as they are subject to domestic and international political and economic conditions, as well as to the fiscal and monetary policies of governments, among other factors. The businesses, financial conditions, operational results and prospects of the enterprises in which the Fund has invested may be affected by fluctuations in the RMB, which will in turn affect the value of the enterprises in which the Fund has invested. In addition, the Fund is also subject to fluctuations in the RMB exchange rate on currency swaps and conversions, which will eventually affect the net asset value of the Fund reported in US dollars.

Foreign Exchange Control Risk

The RMB is not a freely convertible currency currently. The remittance of profits, dividends, investment principal and returns by overseas investors to jurisdictions outside of China is subject to relevant regulations of China. Generally speaking, overseas investors can remit their profits, dividends, investment principal and returns to jurisdictions outside of China, but they must first obtain approval from the relevant national foreign exchange authorities. The Fund, as an overseas investor, cannot make assurances as to when it can obtain such approval if an application is made, which may limit the ability of the Fund to pay dividends or make other distributions.

SUB-PARTICIPATION SCHEME

In order to strengthen the investment management process, and to align the interests of management and staff with the interests of the Fund in entering new investment projects, the Investment Manager, with the consent of the Fund, has administered the sub-participation scheme (the "**Scheme**") since 2009.

Under the Scheme, the Fund has entered into sub-participation agreements (the "**Agreements**") with certain Directors of the Fund, certain Directors and employees of the Investment Manager, and persons nominated by shareholders of the Investment Manager (collectively the "**Participants**"), with respect to new investments made by the Fund beginning in 2009. Pursuant to the Agreements, the Participants will receive a portion of the return (in the form of dividends, interest, or other distributions or proceeds from realisation) from the Fund's investment in the project company that is proportional to the amount provided by the Participants to the Fund as a percentage of the total Fund's investment in the project company. If the Fund suffers a loss from its investment in the project company, the Participants will correspondingly share a loss in the amount they provided to the Fund on a pro rata basis. The Agreements will terminate upon either the realisation of the investment in the project company by the Fund, or upon the Investment Manager, who provides a guarantee to the Participants for the performance of the Fund's obligations under the Agreements, ceasing to be investment manager of the Fund. In the former case, the Participants shall receive a pro rata portion of the proceeds from disposal of the Fund's interest in the project company. In the latter case, the Participants will receive a pro rata portion of the value of the equity interest in the project company held by the Fund as of 90 days prior to the termination date of the Agreements. The value of the equity interest in the project company will be assessed by an independent valuer appointed jointly by the Fund and the Investment Manager. In addition, the costs and expenses incurred for the preparation and execution of the Agreements, the costs incidental to the implementation of the Scheme, and the relevant portion of the identifiable costs related to the Fund's investment in the project company that corresponds to the amount provided by the Participants to the Fund under the Agreements will be borne by the Investment Manager.

Under the Scheme, it was originally determined that the aggregate amount provided by the Participants in each of the Fund's new investment projects should not exceed 2% of the Fund's investment in each project (the "**Ceiling of Relative Proportion**"). In order to further strengthen the investment management process, with the consent of the Fund and starting from 26 August 2011, the Ceiling of Relative Proportion for each of the Fund's new investment projects is revised as follows: 1) for projects with an investment amount of RMB30 million or less, the Ceiling of Relative Proportion will be 5%; 2) for projects with an investment amount of more than RMB30 million and up to RMB100 million, the Ceiling of Relative Proportion will be RMB1.50 million or 2%, whichever is higher; and 3) for projects with an investment amount of more than RMB100 million, the Ceiling of Relative Proportion will be 2%.

SUB-PARTICIPATION SCHEME (CONTINUED)

As of 31 December 2019, details of aggregate amounts actually provided by the Participants and their relative proportion to the investment amounts actually paid by the Fund were as follows:

Name of projects	Original investment amount of the Fund *US$**	Original amounts actually paid by the Participants *US$**	Relative proportion
Unibank Media (1st round capital injection)	6,585,600	129,000	1.959%
Wuhan Rixin	2,195,500	43,900	2.000%
Unibank Media (2nd round capital injection)	4,394,100	87,500	1.991%
China Media Management	676,100	4,500	0.666%
Geesun Intelligent	2,929,500	58,000	1.980%
China Media Investment (1st installment capital contribution)	5,858,300	38,800	0.662%
Jiangsu Huaer	2,226,200	43,800	1.966%
Jinpower Electrical	3,033,500	60,300	1.988%
China Media Investment (2nd installment capital contribution)	953,500	6,100	0.638%
Liaoning Zhenlong	2,974,500	59,000	1.986%
NTong	10,409,700	130,300	1.252%
Hwagain	19,004,900	161,100	0.847%
China Media Investment (3rd installment capital contribution)	1,075,300	6,200	0.575%
China Media Investment (4th installment capital contribution)	4,566,600	26,300	0.577%
Chengtian	4,733,300	74,100	1.566%
China Media Investment (5th installment capital contribution)	484,900	2,800	0.580%
China Media Investment (6th installment capital contribution)	5,555,100	32,200	0.579%
China Media Investment (7th installment capital contribution)	3,352,500	18,900	0.562%
China Media Investment (8th installment capital contribution)	2,055,100	11,500	0.559%
China Media Investment (9th installment capital contribution)	859,600	4,830	0.562%
Xinhua Preschool Education (1st installment capital contribution)	4,898,200	28,400	0.580%
Oriental Pearl	19,619,100	255,510	1.302%
JIC Leasing	38,781,800	65,810	0.170%
China Re	19,308,300	41,290	0.214%
Jinlanmei Travel (1st installment capital contribution)	1,489,000	14,180	0.952%

SUB-PARTICIPATION SCHEME (CONTINUED)

Name of projects	Original investment amount of the Fund *US$**	Original amounts actually paid by the Participants *US$**	Relative proportion
Iflytek	18,827,500	33,500	0.178%
Iflytek Venture Capital (1st installment capital contribution)	5,193,900	9,270	0.178%
Rong Bao Zhai Culture (1st installment capital contribution)	28,855,000	86,790	0.301%
Rong Bao Zhai Culture (2nd installment capital contribution)	14,505,400	43,240	0.298%
Iflytek Venture Capital (2nd installment capital contribution)	2,008,800	3,480	0.178%
Qinghai Lake Tourism (1st installment capital contribution)	7,502,800	9,590	0.128%
Qinghai Lake Tourism (2nd installment capital contribution)	22,927,700	28,800	0.126%
Iflytek Venture Capital (3rd installment capital contribution)	2,146,800	3,480	0.178%
The Jiangmen Ventures Fund	4,741,800	20,470	0.432%
Cambricon	5,940,100	90,480	1.523%
Pony AI (1st round capital injection)	8,000,000	35,680	0.446%
Iflytek Venture Capital (4th installment capital contribution)	1,991,910	3,480	0.178%
Pony AI (2nd round capital injection)	607,270	10,200	1.680%
Arashi Vision	2,827,650	26,820	0.948%
iFlytek Healthcare	8,600,700	48,790	0.567%

* *Calculated with prevalent exchange rates at the time of the amounts paid*

SUB-PARTICIPATION SCHEME (CONTINUED)

In addition, as of 31 December 2019, details of the amounts actually paid by some of the Directors of the Fund as well as a Director of the Investment Manager for the Scheme were as follows:

Name of projects	Mr. ZHANG Rizhong (Note 1) *US$*	Mr. WANG Xiaoding (Note 2) *US$*	Mr. TSE Yue Kit (Note 3) *US$*	Mr. LAW Hung Kuen, Janson (Note 4) *US$*
Unibank Media (1st round capital injection)	N/A	20,640	1,290	N/A
Wuhan Rixin	N/A	3,510	1,290	N/A
Unibank Media (2nd round capital injection)	N/A	6,950	1,290	N/A
China Media Management	N/A	1,160	30	N/A
Geesun Intelligent	N/A	5,780	1,290	N/A
China Media Investment (1st installment capital contribution)	N/A	10,040	250	N/A
Jiangsu Huaer	N/A	4,380	1,290	N/A
Jinpower Electrical	N/A	6,030	1,280	N/A
China Media Investment (2nd installment capital contribution)	N/A	1,570	40	N/A
Liaoning Zhenlong	N/A	4,620	1,280	N/A
NTong	N/A	12,830	1,280	N/A
Hwagain	N/A	12,880	1,290	N/A
China Media Investment (3rd installment capital contribution)	N/A	1,710	40	N/A
China Media Investment (4th installment capital contribution)	N/A	7,260	180	N/A
Chengtian	N/A	6,440	1,290	N/A
China Media Investment (5th installment capital contribution)	N/A	780	20	N/A
China Media Investment (6th installment capital contribution)	N/A	8,880	220	N/A
China Media Investment (7th installment capital contribution)	N/A	5,200	130	N/A
China Media Investment (8th installment capital contribution)	N/A	3,170	80	N/A
China Media Investment (9th installment capital contribution)	N/A	1,330	30	N/A
Xinhua Preschool Education (1st installment capital contribution)	N/A	4,310	440	N/A
Oriental Pearl	N/A	38,870	1,390	N/A
JIC Leasing	N/A	12,900	1,290	N/A

SUB-PARTICIPATION SCHEME (CONTINUED)

Name of projects	Mr. ZHANG Rizhong (Note 1) *US$*	Mr. WANG Xiaoding (Note 2) *US$*	Mr. TSE Yue Kit (Note 3) *US$*	Mr. LAW Hung Kuen, Janson (Note 4) *US$*
China Re	N/A	12,900	1,290	1,290
Jinlanmei Travel (1st installment capital contribution)	N/A	3,220	640	640
Iflytek	N/A	12,890	1,290	1,290
Iflytek Venture Capital (1st installment capital contribution)	N/A	6,440	1,290	1,290
Rong Bao Zhai Culture (1st installment capital contribution)	N/A	8,590	860	860
Rong Bao Zhai Culture (2nd installment capital contribution)	N/A	4,290	420	420
Iflytek Venture Capital (2nd installment capital contribution)	N/A	970	190	190
Qinghai Lake Tourism (1st installment capital contribution)	640	3,200	320	320
Qinghai Lake Tourism (2nd installment capital contribution)	1,920	9,600	960	960
Iflytek Venture Capital (3rd installment capital contribution)	N/A	970	190	190
The Jiangmen Ventures Fund	1,280	3,840	1,280	1,280
Cambricon	6,370	22,940	1,270	1,270
Pony AI (1st round capital injection)	1,270	6,370	1,270	2,550
Iflytek Venture Capital (4th installment capital contribution)	N/A	970	190	190
Pony AI (2nd round capital injection)	1,280	1,280	1,280	1,280
Arashi Vision	1,280	3,830	1,280	2,550
iFlytek Healthcare	6,420	19,260	1,280	5,140

Note 1: Director of the Fund and Chairman of the Investment Manager
Note 2: Director of the Fund and Director & General Manager of the Investment Manager
Note 3: Director of the Fund and Director of the Investment Manager
Note 4: Director of the Investment Manager

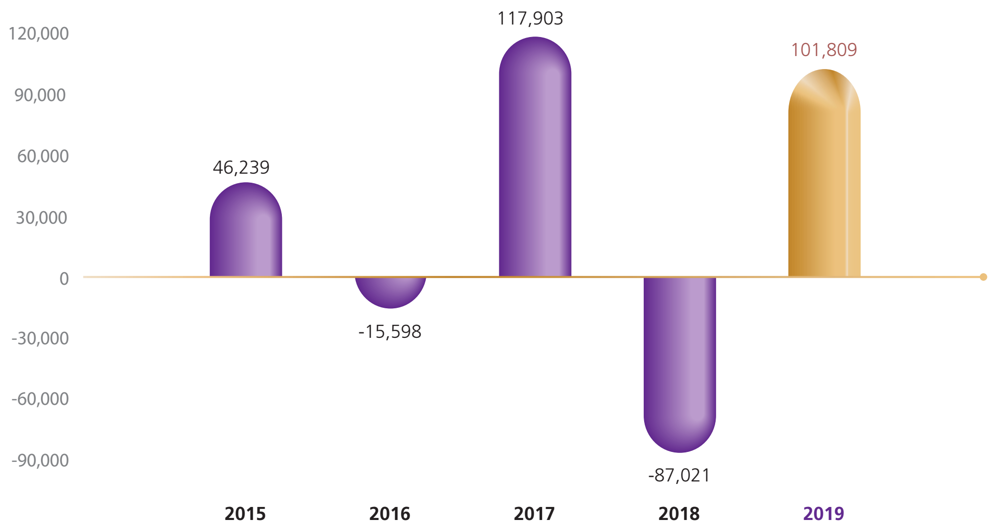
Mr. WANG Xiaoding
Director & General Manager
China Merchants China Investment Management Limited

Hong Kong, 30 March 2020

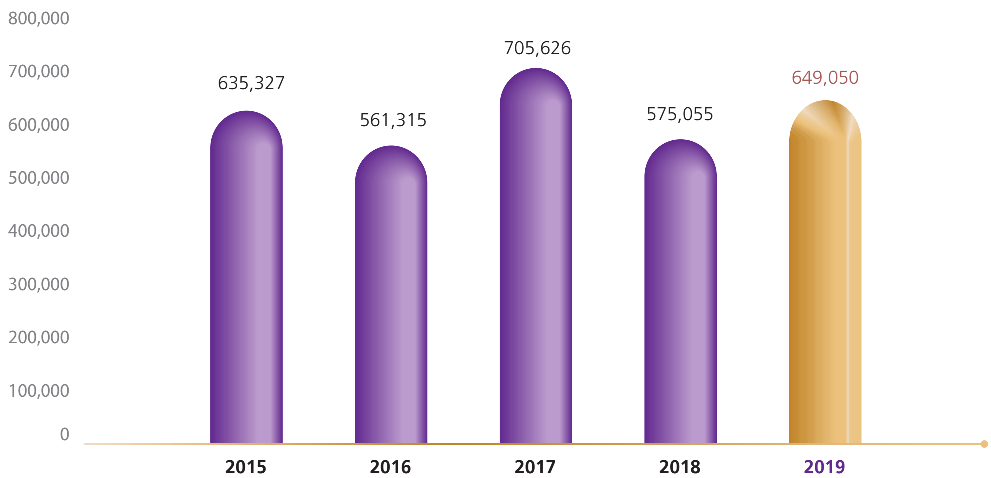
FINANCIAL HIGHLIGHTS

YEAR	NET PROFIT (LOSS) *US$'000*	NET ASSETS *US$'000*
2019	**101,809**	**649,050**
2018	(87,021)	575,055
2017	117,903	705,626
2016	(15,598)	561,315
2015	46,239	635,327

NET PROFIT (LOSS) (US$'000)



NET ASSETS (US$'000)



DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the subsidiaries are set out in note 30 to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group during the year and a discussion on the Group's prospects are provided in the Chairman's Statement and the Investment Manager's Discussion and Analysis on pages 4 to 5 and pages 7 to 28 of the Annual Report, respectively. Description of key risk factors and uncertainties that the Group is facing is provided in the Investment Manager's Discussion and Analysis on pages 29 to 31 of the Annual Report and in note 4 to the consolidated financial statements while the financial risk management objectives and policies of the Group can be found in note 5 to the consolidated financial statements. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Summary on page 126 of the Annual Report. In addition, discussions on the Group's compliance with relevant laws and regulations which have a significant impact on the Group, relationships with its key stakeholders and environmental policy are contained in the Corporate Governance Report on pages 52 to 66 of the Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 76 to 77.

The Directors recommend the payment of a final dividend of US$0.07 per share (2018: a final dividend of US$0.07 per share and special dividends of US$0.10 per share), totaling US$0.07 per share (2018: US$0.17) for 2019 to the shareholders on the register of members on 3 June 2020 amounting to US$10,663,311 (2018: US$25,896,613).

FIVE YEARS FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 126 of the Annual Report.

DISTRIBUTABLE RESERVES OF THE COMPANY AND DIVIDEND POLICY

The Company has an amount of US$25,945,745 (31 December 2018: US$47,652,713) available for distribution as at 31 December 2019.

In consideration of maintaining a balance between investing for business growth and sharing the investment results with our shareholders, the Company intends to, under normal circumstances, adopt a relatively stable dividend policy and the dividends will be paid out in cash once a year, usually in the form of final dividends payable in July in each year. The Directors may also from time to time declare interim dividends as they see justified by the profits of the Company. In addition, the Company will give due consideration, including status of the investment portfolio, investment opportunities, commitments, etc., to the distribution of a special dividend upon receiving a satisfactory return from the realisation of its investments.

ISSUED SHARES

Details of movements during the year in the issued shares of the Company are set out in note 24 to the consolidated financial statements.

EMOLUMENT POLICY

The emoluments of the Directors of the Company are fixed by the Board of Directors with the authorisation by the shareholders meeting.

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Mr. ZHANG Jian* *(Chairman)*
Mr. ZHANG Rizhong*
Mr. CHU Lap Lik, Victor#
Mr. WANG Xiaoding#
Mr. TSE Yue Kit#
Ms. KAN Ka Yee, Elizabeth
(alternate to Mr. CHU Lap Lik, Victor#)
Mr. KE Shifeng*
Mr. LIU Baojie**
Mr. TSANG Wah Kwong**
Dr. LI Fang**

\# *Executive Directors*
* *Non-executive Directors*
** *Independent Non-executive Directors*

As at the date of this report, in accordance with Article 105 of the Articles of Association of the Company, Mr. WANG Xiaoding, Mr. KE Shifeng and Mr. TSANG Wah Kwong retire and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the Independent Non-executive Directors as regards their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and considers that each of the Independent Non-executive Directors is independent to the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Directors:

Mr. ZHANG Jian, aged 55, has been the Chairman and Non-executive Director of the Company since September 2018. He is currently the Chief Digital Officer and General Manager of Financial Equity Management Department of China Merchants Group Limited, Standing Vice Chairman of the Executive Committee of China Merchants Financial Services Business Unit as well as Director of China Merchants Finance Holdings Company Limited, both of the companies are substantial shareholders of the Company. He is also the Vice Chairman of China Merchants Capital Investment Co., Ltd., and a Director of China Merchants Bank Co., Ltd. (its shares are listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange), Shijinshi Credit Service Co., Ltd., Four Rivers Investment Management Co., Ltd. and China Merchants Innovation Investment Management Co., Ltd., and the Chairman of China Merchants Fintech Co., Ltd. Prior to joining China Merchants Finance Holdings Company Limited in September 2015, Mr. ZHANG worked with China Merchants Bank as the General Manager of Suzhou Branch, Deputy General Manager (Department In-charge) of Corporate Banking Department of Head Office, Business Director and General Manager of Corporate Banking Department of Head Office, Business Director and General Manager of Credit Risk Management Department of Head Office, Business Director and General Manager of Comprehensive Risk Management Office of Head Office. Mr. ZHANG obtained his bachelor's degree in Economics & Management from the Department of Economics of Nanjing University and master's degree in Econometrics from the Nanjing University Business School. He is also a qualified senior economist in China.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. ZHANG Rizhong, aged 51, has been a Non-executive Director of the Company since April 2017. He is the Chairman of the Investment Manager. He is currently the Director and Chief Executive Officer of China Merchants Capital Investment Co., Ltd. He is also a Director of China Merchants Union (BVI) Limited. He was the Deputy Financial Controller, Financial Controller, Deputy General Manager and Chief Financial Officer of China Merchants Port Holdings Company Limited (the shares of which are listed on the Hong Kong Stock Exchange), Assistant General Manager and Financial Controller of China Merchants Holdings (UK) Limited, Deputy General Manager of Finance Department of the China Merchants Group. Mr. ZHANG has joined the China Merchants Group over 20 years. He has extensive experience in corporate comprehensive management, financial management, risk management and control, investment negotiations, domestic and overseas asset management with significant scale. He on several occasions led a team responsible for issuing bonds and conducting equity financing in the international capital markets, and organised or deeply participated in merger and acquisition and fund-raising activities. He also has extensive experience in the investment of "One Belt One Road" strategic overseas projects and establishment of investment and fund-raising platform of the China Merchants Group. Mr. ZHANG served as a Supervisor of Shanghai International Port (Group) Co., Ltd. (the shares of which are listed on the Shanghai Stock Exchange) from December 2005 to March 2016, a Director of Shenzhen Chiwan Wharf Holdings Limited (the shares of which are listed on the Shenzhen Stock Exchange) from May 2014 to March 2015 and a Supervisor of Shenzhen Chiwan Wharf Holdings Limited from March to October 2015. Mr. ZHANG is a qualified accountant in China and a member of The Association of Chartered Certified Accountants, UK. Mr. ZHANG obtained his bachelor's degree in Economics from Central University of Finance and Economics, PRC and MBA degree from The University of Westminster, UK.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. CHU Lap Lik, Victor, aged 62, has been an Executive Director of the Company since June 1993 and holds directorship in the Investment Manager. He is also Chairman of First Eastern Investment Group which is a pioneer of private equity investments in the PRC. Mr. CHU is currently Chairman of the Hong Kong-Europe Business Council. He has formerly served on the Central Policy Unit of the Hong Kong Government, the Council of the Hong Kong Stock Exchange, the Takeovers and Mergers Panel and the Advisory Committee of the Securities and Futures Commission. Outside of Hong Kong, Mr. CHU was a Foundation Board Member of the World Economic Forum in Geneva from 2003 to 2015 and currently co-chairs the Forum's International Business Council. He is a Director of Grand Harbour Marina PLC, a company listed on the Malta Stock Exchange and Airbus SE, a company listed on the major European stock exchanges. Mr. CHU took his law degree at University College London where he is now an Honorary Fellow.

Mr. WANG Xiaoding, aged 51, has been an Executive Director of the Company since September 2014 and holds directorship in a number of subsidiaries of the Company. He has also been the Director and General Manager of the Investment Manager since May 2014. He served as the Chief Representative of the Investment Manager's Shenzhen Representative Office from March 2009 to May 2017. He served as the Chief Investment Officer of the Investment Manager from June 2011 to May 2014. Before joining the Investment Manager, Mr. WANG served as Chief Executive Officer of Guangxi Baihe Chemicals Corp., Chief Financial Officer of Guangxi Fenglin Group Co., Ltd., Senior Software Engineer of Thrive Media Corporation in Canada, Finance Manager of Wellkent International Corporation in Canada. Currently, Mr. WANG serves as a Director of Wuhan Rixin Technology Co., Ltd., China Media (Tianjin) Investment Management Co., Ltd., Jiangsu Huaer Quartz Materials Co., Ltd., Hwagain Group Co., Ltd. and China Credit Trust Co., Ltd., and a Supervisor of JIC Leasing Co., Ltd. Mr. WANG is licensed with the Securities and Futures Commission in Hong Kong as responsible officer. Mr. WANG studied in Peking University, People's (Renmin) University of China and University of Alberta in Canada, where he obtained his bachelor's degree in Geo-economics, master's degree in Regional Economics and master's degree in Economics, respectively.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. TSE Yue Kit, aged 58, has been an Executive Director of the Company since November 2000 and holds directorship in the Investment Manager and a subsidiary of the Company. Mr. TSE is the General Manager in the Private Equity Department of China Merchants Finance Holdings Company Limited, which is a substantial shareholder of the Company. Mr. TSE has a number of years extensive experiences in accounting, auditing, corporate finance as well as investment. Mr. TSE is licensed with the Securities and Futures Commission in Hong Kong as responsible officer. Mr. TSE obtained his bachelor's degree with honours in Accountancy from the University of Exeter, UK.

Ms. KAN Ka Yee, Elizabeth (alternate to Mr. CHU Lap Lik, Victor), aged 62, has been an Alternate Director of the Company since May 1999. She is Managing Director of First Eastern Investment Group with which she is a founding member since its establishment in 1988. She serves on boards of various companies which include Camper & Nicholsons Marina Investments Limited, Camper & Nicholsons Marina (Malta) Limited, Sustainable Development Capital (Asia) Limited and Grand Harbour Marina PLC, a company listed on the Malta Stock Exchange. Ms. KAN was Deputy Managing Director and a Director of the Investment Manager from 1993 to 2006. She was re-appointed as a Director of the Investment Manager in October 2017. Ms. KAN is licensed with the Securities and Futures Commission in Hong Kong. She is a Certified Public Accountant (U.S.A.) and a Fellow Member of the Hong Kong Institute of Certified Public Accountants. Ms. KAN is also a Member of the Hong Kong Securities and Investment Institute and a Fellow Member of the Hong Kong Institute of Directors. She began her professional career with the Hong Kong office of Arthur Andersen & Co. in the area of audit and business advisory services. Ms. KAN obtained her Bachelor of Science degree in Business Administration and Accounting and Bachelor of Arts degree in Economics from the University of Minnesota, Minneapolis, USA.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. KE Shifeng, aged 54, has been a Non-executive Director of the Company since December 2009. He has 23 years investment experience. Between 1997 and 2011, Mr. KE was the senior portfolio manager for Martin Currie Investment Management Limited providing research and investment management services to its clients investing in the Greater China (including Taiwan) markets. Mr. KE and his team ran a range of China strategies, including the China Fund Inc. (CHN US, a NYSE listed company), Martin Currie China Hedge Fund, Taiwan Opportunities Fund and Martin Currie China A Share Fund with total assets under management reaching US$5.5 billion at the end of 2011. In November 2011, Mr. KE as a founding partner co-founded Open Door Group providing investment management services to foreign institutional clients investing in the Greater China area. In May 2017, Mr. KE with three senior investment analysts co-founded Hangzhou Heartland Investment Management Limited, an onshore investment management platform providing Renminbi investment management services to domestic high-net-worth clients and institutional investors investing in the Greater China area. Mr. KE holds a law degree from Renmin University of China and an MBA degree from The University of Edinburgh, UK.

Mr. LIU Baojie, aged 56, has been an Independent Non-executive Director of the Company since December 2009. He has over 20 years of experience in the financial services industry. He is currently Chief Executive Officer of Huaneng Invesco WLR (Beijing) Investment Fund Management Company Ltd., and prior to this, he had worked for two other investment management companies focusing on China investment. Before that he held various positions with financial institutions, including Bank of America, ICEA Capital Limited and J.P. Morgan. Mr. LIU holds an MBA degree from University of Utah, USA.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. TSANG Wah Kwong, aged 67, has been an Independent Non-executive Director of the Company since September 2012. He is a former partner of Hong Kong and China firm of PricewaterhouseCoopers. He has over 30 years of experience in auditing and providing support for initial public offerings and acquisition transactions. Currently, Mr. TSANG is an Independent Non-executive Director of a number of companies, including Sihuan Pharmaceutical Holdings Group Ltd. (Stock Code: 460.HK), TK Group (Holdings) Limited (Stock Code: 2283.HK) and China Animation Characters Company Limited (Stock Code: 1566.HK). Mr. TSANG was an Independent Director of Agria Corporation (formerly listed on the New York Stock Exchange) from August 2011 to October 2017, a Director of PGG Wrightson Limited (listed on the New Zealand Stock Exchange) from December 2014 to October 2017, an Independent Non-executive Director of PanAsialum Holdings Company Limited (Stock Code: 2078.HK) from January 2013 to January 2016 and an Independent Non-executive Director of Ping An Securities Group (Holdings) Limited (Stock Code: 231.HK) from February 2016 to March 2020. Mr. TSANG is a Fellow Member of the Hong Kong Institute of Certified Public Accountants, a Member of the Chinese Institute of Certified Public Accountants, and a Fellow Member of The Association of Chartered Certified Accountants, UK. Mr. TSANG received a bachelor's degree of Business Administration from the Chinese University of Hong Kong.

Dr. LI Fang, aged 62, has been an Independent Non-executive Director of the Company since October 2014. She is currently the Managing Director of Yuanta Securities (Hong Kong) Company Limited. Dr. LI has over 20 years of professional experience in securities, asset management, insurance and banking. Dr. LI was a Senior Research Assistant in Financial Research Bureau at the headquarters of the People's Bank of China, a Research Fellow at the Asia-Pacific Operations of Aetna International Inc., the Head of Research Centre for Asian/Pacific Regional Pensions of ING Group, a Senior Business Advisor of Global Retirement Services of ING Group and the Chief Strategist at Corporate Finance of Yuanta Securities (Hong Kong) Company Limited. Dr. LI holds a doctorate degree in Economics from Monash University in Australia, a master's degree in Banking and Finance from the Graduate School of the People's Bank of China (now known as PBC School of Finance, Tsinghua University) and a master's degree in Public Administration from the International Christian University in Japan.

DIRECTORS OF SUBSIDIARIES

The name of persons who have served on the board of the subsidiaries of the Company during the year and up to the date of this report are set out in note 30 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2019, the interests of the Directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "**SFO**") or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of Director	Number of ordinary shares interested	Capacity	Percentage of total issued shares
Mr. CHU Lap Lik, Victor	3,030,024	Interest of controlled corporation	1.99%

Save as disclosed above, none of the Directors or chief executives, or their associates, had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as recorded in the register required to be kept under Section 352 of the SFO as at 31 December 2019, and none of the Directors or chief executives, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company or its associated corporations, or had exercised any such right during the year ended 31 December 2019.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company at any time during the year or subsisted at the end of the year.

ARRANGEMENTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its parent company, its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Details of the sub-participation scheme are set out on pages 32 to 36 of the Annual Report. Save as disclosed, no transactions, arrangements or contracts of significance, to which the Company, its parent company, its subsidiaries or fellow subsidiaries was a party and in which a Director of the Company or his/her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

Mr. ZHANG Jian is the Vice Chairman of and Mr. ZHANG Rizhong is the Director and Chief Executive Officer of China Merchants Capital Investment Co., Ltd. which is actively involved in direct investments and which may compete, either directly or indirectly, with business of the Group. Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth (being alternate to Mr. CHU Lap Lik, Victor) are Directors of various companies within First Eastern Investment Group which is actively involved in direct investments in the PRC and which may compete, either directly or indirectly, with business of the Group. However, the Company is capable of carrying on its business independently of, and at arm's length from, the businesses of China Merchants Capital Investment Co., Ltd. and First Eastern Investment Group. If conflict of interest arises on the part of Mr. ZHANG Jian, Mr. ZHANG Rizhong, Mr. CHU Lap Lik, Victor, or Ms. KAN Ka Yee, Elizabeth, as the case may be, he or she shall, pursuant to the Articles of Association of the Company, not vote nor be counted in the quorum on the relevant resolution of the Board.

Save as disclosed, in so far as the Directors are aware, none of the Directors or any of their respective associates has an interest in a business that competes or may compete with the business of the Group.

DIRECTORS' SERVICE CONTRACTS

The Directors proposed for re-election at the forthcoming annual general meeting do not have service contracts which are not determinable by the Company within one year without payment of compensation (other than statutory compensation).

PERMITTED INDEMNITY PROVISION

The Articles of Association of the Company provides that subject to the provisions of the Hong Kong Companies Ordinance and so far as may be permitted by the Hong Kong Companies Ordinance, every Director of the Company shall be entitled to be indemnified by the Company out of the assets of the Company against all losses or liabilities (except any liability in relation to a Director as mentioned in section 469(2) of the Hong Kong Companies Ordinance) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Company has taken out insurance against the liabilities and costs associated with defending any proceedings which may be brought against the Directors of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2019, the following persons, other than a Director or chief executives of the Company, had interests in the shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO:

Name of shareholder	Long/short position	Capacity	Number of ordinary shares interested	Percentage of total issued shares
China Merchants Group Limited (Note 2)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Steam Navigation Company Limited (Note 3)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Holdings (Hong Kong) Company Limited (Note 1)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Finance Holdings Company Limited (Note 2)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Financial Services Limited (Note 2)	Long position	Interest of controlled corporation	42,022,041	27.59%
Good Image Limited	Long position	Beneficial owner	42,022,041	27.59%
Lazard Asset Management LLC	Long position	Investment manager	27,564,206	18.09%

Note 1: China Merchants Holdings (Hong Kong) Company Limited is deemed to have corporate interests in the shares by virtue of its controlling shareholding (i.e. 99.34%) in the company whose name is set out immediately under it.

Note 2: China Merchants Group Limited, China Merchants Finance Holdings Company Limited and China Merchants Financial Services Limited are deemed to have corporate interests in the shares by virtue of its entire shareholding in the company whose name is set out immediately under it.

Note 3: China Merchants Steam Navigation Company Limited is deemed to have corporate interests in the shares by virtue of its controlling shareholding (i.e. 89.45%) in the company whose name is set out immediately under it.

Save as disclosed above, there was no person, other than a Director or chief executives of the Company, who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, throughout the year of 2019, there is sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

CONTINUING CONNECTED TRANSACTION

During the year, the Group had the following continuing connected transaction, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

Investment Management Agreement

China Merchants China Investment Management Limited, a company incorporated in Hong Kong, is the Investment Manager of the Company for both listed and unlisted investments. Mr. ZHANG Rizhong, Mr. CHU Lap Lik, Victor, Mr. WANG Xiaoding, Mr. TSE Yue Kit and Ms. KAN Ka Yee, Elizabeth, are Directors of both the Company and the Investment Manager. Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth have indirect beneficial interests in the Investment Manager. The Investment Manager is a subsidiary of a substantial shareholder of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. The existing Investment Management Agreement entered into between the Company and the Investment Manager (the "**Existing Management Agreement**") on 18 October 2018 became effective on 1 January 2019 and is for a fixed term ending on 31 December 2021.

For the year ended 31 December 2019, the management fees which were calculated based on a fixed percentage on the value of the Group's adjusted assets on a quarterly basis as stipulated in the Existing Management Agreement totaling US$11,032,351 (2018: US$12,206,666) were paid or payable to the Investment Manager.

The Independent Non-executive Directors have reviewed the above continuing connected transaction and have confirmed that the transaction has been entered into:

1. in the ordinary and usual course of the business of the Company and its subsidiaries;

2. on normal commercial terms or better; and

3. in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

CONTINUING CONNECTED TRANSACTION (CONTINUED)

Investment Management Agreement (continued)

Pursuant to Rule 14A.56 of the Listing Rules, the Company engaged its external auditor to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transaction set out above in accordance with Rule 14A.56 of the Listing Rules.

Save as disclosed above, details of significant related party transactions are disclosed in note 29 to the consolidated financial statements. The Company has complied with the disclosure requirements in accordance with chapter 14A of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 32 to the consolidated financial statements.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Mr. ZHANG Jian
Chairman

Hong Kong, 30 March 2020

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to protect shareholders' interests and to promote investor confidence. The Company complies with the relevant requirements under the Hong Kong Companies Ordinance, the Hong Kong Securities and Futures Ordinance, the Listing Rules and the US Foreign Account Tax Compliance Act. Further, the Company has complied with all the code provisions set out in Appendix 14 to the Listing Rules (Corporate Governance Code (the "**Code**")) throughout the year under review, except for the deviations as stated below:

According to the Investment Management Agreement, the portfolio and day-to-day administration of the Company are handled by the Investment Manager. Meanwhile, except the qualified accountant whose remuneration package is determined and borne by the Investment Manager, the Company has no salaried employees. The Stock Exchange of Hong Kong Limited has granted a waiver to the Company for establishment of remuneration committee on condition that the Executive Directors and senior management of the Company will not receive any Directors' fee or emolument from the Company. Thus, no remuneration committee has been established by the Company. In addition, it is suitable for the Company to hold regular Board meeting twice a year at a minimum.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance.

BOARD OF DIRECTORS

As at 31 December 2019, the Board consisted of three Executive Directors, three Non-executive Directors and three Independent Non-executive Directors as defined by the Listing Rules. The biography of the Directors are set out on pages 41 to 46 of the Annual Report.

The Company has appointed an Investment Manager to manage its investment portfolio and day-to-day administration of the Company. According to the Investment Management Agreement entered into between the Company and the Investment Manager, the Investment Manager undertakes all investment and management duties arising pursuant to the operation of the Company and its responsibilities include identifying and evaluating investment opportunities, executing investment decisions, monitoring and enhancing investments of the Company, making decisions on investments and realisations for the Company, managing the corporate affairs of the Company and dealing with its day-to-day administration.

BOARD OF DIRECTORS (CONTINUED)

The Board is responsible for formulating the Company's overall investment strategy and guidelines that the Investment Manager shall follow to make the investments. The Board is also responsible for performing the following corporate governance duties as required under the Code:

- developing and reviewing the Company's policies and practices on corporate governance;
- reviewing and monitoring the training and continuous professional development ("**CPD**") of the Directors and senior management;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to the employees and Directors; and
- reviewing the Company's compliance with the Code and disclosure in the corporate governance report.

During the year under review, the Board had performed the above duties.

For the regular Board meetings, at least 14 days' notice is given for all Directors to attend. Directors are also consulted to include matters in the agenda for every Board meeting. The Board held two regular meetings during the year under review. The attendance of each of the Directors and Alternate Director is as follows:

	Attendance/number of regular meetings during the Director's term of office in 2019
Mr. ZHANG Jian* *(Chairman)*	2/2
Mr. ZHANG Rizhong*	1/2
Mr. CHU Lap Lik, Victor#	1/2
Mr. WANG Xiaoding#	2/2
Mr. TSE Yue Kit#	2/2
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor#)*	1/2
Mr. KE Shifeng*	2/2
Mr. LIU Baojie**	2/2
Mr. TSANG Wah Kwong**	2/2
Dr. LI Fang**	2/2

\# *Executive Directors*
* *Non-executive Directors*
** *Independent Non-executive Directors*

BOARD OF DIRECTORS (CONTINUED)

All Directors have access to the services of the Company Secretary or his assistant who regularly updates the Board on governance and regulatory matters so as to ensure that all applicable rules and regulations are followed. Any Directors, or any members of the Audit Committee, Nomination Committee or Investment Committee may take independent professional advice if they so wish at the expense of the Company, as arranged by the Company Secretary.

The Board has three committees during the year under review, namely the Audit Committee, Nomination Committee and Investment Committee for assisting to monitor the management of the Company. The details of the Committees are as below:

Audit Committee

The Board has established an Audit Committee with specific written terms of reference which follow the guidelines set out by the Hong Kong Institute of Certified Public Accountants and the requirements of the Code. The latest version terms of reference of the Audit Committee are available on the Company's website. All the Committee members, including the Chairman, are Independent Non-executive Directors. The duties of the Audit Committee include but not limited to the following:

- considering the appointment of the independent auditor, the audit fee, and any questions of resignation or dismissal of that auditor;
- reviewing the interim and annual results and reports;
- reviewing financial and internal controls and risk management system;
- considering major investigation findings on risk management and internal control matters; and
- reviewing the arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters.

The Audit Committee is provided with sufficient resources enabling it to perform its duties.

The Audit Committee held two meetings during the year under review. The attendance of individual members of the Audit Committee is as follows:

	Attendance/ number of meetings
Mr. TSANG Wah Kwong *(Chairman of the Audit Committee)*	2/2
Mr. LIU Baojie	2/2
Dr. LI Fang	2/2

BOARD OF DIRECTORS (CONTINUED)

Audit Committee (continued)

The scope of work done by the Audit Committee during the year under review includes the following:

- reviewed and recommended the Board to approve the audit fee proposal for the year 2019;
- reviewed the interim report and the interim results announcement for the six months ended 30 June 2019;
- reviewed the audit plan for the year 2019 to assess the general scope of audit work;
- reviewed the annual report (including audited consolidated financial statements) and the final results announcement for the year 2018; and
- considered the internal controls assessment report prepared by the international accountancy firm.

Nomination Committee and Nomination Policy

The Board has established a Nomination Committee with specific terms of reference in accordance with the Code and it comprises a majority of Independent Non-executive Directors. The terms of reference of the Nomination Committee are available on the Company's website. The Nomination Committee is responsible for reviewing the structure, size and composition of the Board and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy. It shall consider the suitability of a candidate to become Board member and assess the independence of Independent Non-executive Directors taking into account the independence requirements set out in Rule 3.13 of the Listing Rules. When considering a candidate to be appointed or re-elected as a Director of the Company, the Nomination Committee shall follow the nomination criteria and process as described below and as adopted by the Board from time to time. It is also provided with sufficient resources enabling it to perform its duties.

In identifying and selecting a suitable candidate, the Nomination Committee will follow the nomination criteria set out below: (a) character and integrity; (b) qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; (c) willingness to devote adequate time to discharge duties as Board member; (d) board diversity policy and any measurable objectives adopted for achieving diversity on the Board; (e) requirement for the Board to have Independent Non-executive Directors in accordance with the Listing Rules; and (f) such other perspectives appropriate to the Company's business or as suggested by the Board.

BOARD OF DIRECTORS (CONTINUED)

Nomination Committee and Nomination Policy (continued)

The nomination process is as follows:

(a) For nomination by the Nomination Committee: (i) the Nomination Committee will review the structure, size and composition of the Board periodically and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; (ii) when it is necessary to fill a casual vacancy or appoint an additional Director, the Nomination Committee will identify, evaluate or select candidates as recommended to the Nomination Committee, with or without assistance from external agencies or the Company, pursuant to the criteria as mentioned above; (iii) if the process yields one or more desirable candidates, the Nomination Committee will rank them by order of preference based on the needs of the Company and make reference check of each candidate (where applicable); (iv) the Nomination Committee will make recommendation to the Board including the terms and conditions of appointment; (v) the Board will consider and decide on the appointment based on the recommendations made by the Nomination Committee.

(b) For re-election of retiring Directors at annual general meeting ("**AGM**") of the Company: (i) according to the Articles of Association of the Company, at each AGM, one-third of the Directors for the time being (or, if their number is not three nor a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years; (ii) the Nomination Committee will review the overall contributions and services to the Company of the retiring Directors. The Nomination Committee will also review the expertise and professional qualifications of the retiring Directors, who offer themselves for re-election at the AGM, to determine whether such Directors continue to meet the criteria as mentioned above; (iii) based on the review made by the Nomination Committee, the Board will make recommendations to shareholders on candidates standing for re-election at the AGM and will provide the biographical information of the retiring Directors in a shareholder circular in accordance with the requirements of the Listing Rules to enable shareholders to make the informed decision on the re-election of such candidates at the AGM.

(c) For nomination by shareholders: shareholders of the Company may propose a person for election as a Director in accordance with the Articles of Association of the Company, details of which are set out in the "Procedures for Shareholders to Propose a Person for Election as a Director" which is available on the Company's website.

BOARD OF DIRECTORS (CONTINUED)

Nomination Committee and Nomination Policy (continued)

During the year under review, the Nomination Committee has reviewed the structure, size and composition of the Board in a meeting. The attendance of individual members of the Nomination Committee is as follows:

	Attendance/ number of meetings
Mr. ZHANG Jian* *(Chairman of the Nomination Committee)*	1/1
Mr. TSANG Wah Kwong**	1/1
Dr. LI Fang**	1/1

* *Non-executive Director*
** *Independent Non-executive Directors*

According to the Articles of Association of the Company, any Directors appointed by the Board shall hold office only until the next following AGM or until the next following general meeting of the Company in the case of filling a casual vacancy, and shall then be eligible for re-election.

Investment Committee

The Board has established an Investment Committee, of which currently has four members, to approve transactions (investments or realisations) of over US$20 million each (effective from 5 February 2010) and to supervise the day-to-day management functions of the Investment Manager. Currently, the Committee members include two Executive Directors and two Non-executive Directors.

During the year under review, the Investment Committee has considered and approved the proposal relating to recall of part of the loan to Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd. and the investment proposal relating to a new financial services project.

BOARD DIVERSITY POLICY

The Company has a board diversity policy (the "**Policy**") since August 2013. A summary of the Policy, together with the measurable objectives set for implementing the Policy, and the progress made towards achieving those objectives are disclosed as below.

Summary of the Policy

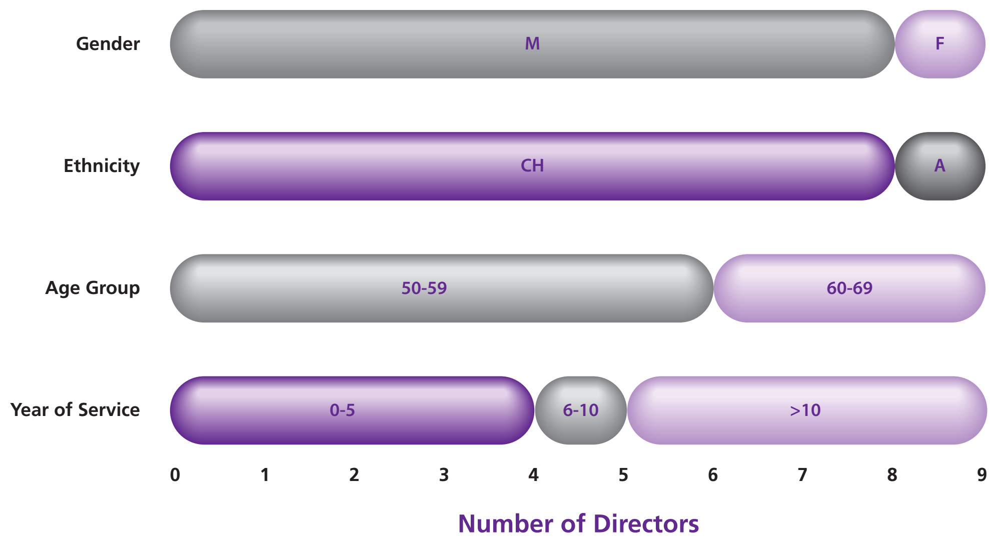
The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Implementation

As at 31 December 2019, the Board's composition under major diversified perspectives was summarised as follows:



M – Male
F – Female
CH – Chinese
A – Australian

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. ZHANG Jian is the Chairman of the Company. The functions of the Chief Executive Officer have been undertaken by the Investment Manager. The Director and General Manager of the Investment Manager is Mr. WANG Xiaoding, who is also a Director of the Company. The roles of the Chairman and Chief Executive Officer are segregated and are not exercised by the same individual.

NON-EXECUTIVE DIRECTORS

The term of office of each Non-executive Director (including Independent Non-executive Director) is for a period of three years.

TRAINING AND SUPPORT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed Director or Alternate Director shall receive an induction package covering the Company's businesses and the statutory and regulatory obligations of a director of a listed company. The Company continuously updates the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices. Circulars or guidance notes are issued to the Directors and senior management, where appropriate, to ensure awareness of best corporate governance practices.

Participation of the Directors and Alternate Director in the CPD during the year under review is as follows:

	Type of CPD
Mr. ZHANG Jian* *(Chairman)*	a,c
Mr. ZHANG Rizhong*	a,c
Mr. CHU Lap Lik, Victor#	a,c
Mr. WANG Xiaoding#	a,c
Mr. TSE Yue Kit#	a,c
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor#)*	a,c
Mr. KE Shifeng*	a,b,c
Mr. LIU Baojie**	a,c
Mr. TSANG Wah Kwong**	a,c
Dr. LI Fang**	a,c

\# *Executive Directors*
* *Non-executive Directors*
** *Independent Non-executive Directors*

TRAINING AND SUPPORT FOR DIRECTORS (CONTINUED)

Notes:

a: attending training courses, in-house briefings, seminars, conferences, or forums

b: giving talks at seminars, conferences, or forums

c: reading newspapers, journals and updates relating to the economy, general business, investment, or director's duties and responsibility, etc.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors and relevant employees of the Company. Having made specific enquiry to all Directors, the Company confirms that all Directors have complied with the Model Code throughout the year under review.

REMUNERATION OF DIRECTORS

The Company has no salaried employees, except the qualified accountant whose remuneration package is determined and borne by the Investment Manager. The Company has applied for and The Stock Exchange of Hong Kong Limited has granted a waiver to the Company for establishment of remuneration committee on condition that the Executive Directors and senior management of the Company will not receive any Directors' fee or emolument from the Company. Thus, no remuneration committee has been established by the Company.

The remuneration of the Directors is determined by the shareholders at the AGM of the Company. At the AGM of the Company held on 28 May 2019, it was resolved that the remuneration of the Directors for the year ended 31 December 2019 be fixed by the Board. All the Executive Directors did not receive any remuneration from the Company for the year ended 31 December 2019 (2018: Nil). The total remuneration payable to other Directors for the year ended 31 December 2019 is disclosed in note 10 to the consolidated financial statements.

AUDITOR'S REMUNERATION

The Company has appointed Deloitte Touche Tohmatsu as the Company's independent auditor. During the year under review, the fees paid or payable to the Company's independent auditor for audit services provided is US$167,024 and for non-audit services provided is US$21,446 which was mainly for the purpose of reviewing the internal control systems of the Company.

FINANCIAL REPORTING

The Directors acknowledge their responsibility to prepare financial statements in accordance with generally accepted accounting principles in Hong Kong for each financial year which gives a true and fair view of the financial position of the Company and its subsidiaries and in presenting the interim results, annual financial statements, and related announcements to shareholders.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 73 to 75.

RISK MANAGEMENT AND INTERNAL CONTROL

To manage and monitor the various risk factors which the Company may be exposed, the Board is responsible for establishing and overseeing the Company's risk management and internal control systems on an ongoing basis, and ensuring the review of the effectiveness of the risk management and internal control systems has been properly conducted. The main features of this system, which continue to operate, are described below.

As required by the Listing Rules, the Company has reviewed its risk management framework and processes and has implemented relevant measures resulting from this exercise that aim to enhance its framework and processes. In particular, the Company has developed, approved and implemented a risk management system, which is defined and supported by its risk management policy. The terms of reference of the Audit Committee has included its responsibility for effective systems of risk management and internal control.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Risk Governance Structure

The Company's governance structure for its risk management system is shown below. Each party has well defined and detailed roles and responsibilities.

Risk Assessment Methodology

The Company's methodology for its risk assessment comprises four core stages (i.e. Risk Identification, Risk Assessment, Risk Responses, and Risk Monitoring and Reporting). These processes are performed at least once a year to address changes in the Company's business environment.

Review on Effectiveness of Risk Management and Internal Control Systems

The Board conducted an annual review on the effectiveness of risk management and internal control systems, covering all material controls such as financial, operational and compliance controls.

In addition, the Board has appointed an international accountancy firm to review the internal control systems of the Company on an on-going basis. The review covered all material controls, including financial, operational and compliance controls, as well as risk management functions.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Board's Responsibility

The Board has the overall responsibility to ensure that effective and sound risk management and internal control systems are maintained, while management is responsible for designing and implementing an internal control system to manage risks. The Board is also responsible for reviewing the effectiveness of the Company's risk management and internal control systems.

The risk management and internal control systems can provide reasonable and not absolute assurance against material misstatement or loss, and are designed to manage rather than eliminate the risk of failure in the process of attaining business objectives. Based on the results of the annual review, the Board is satisfied and confident with the effectiveness of risk management and internal control systems currently put in place for the Company.

Communication of Risk Events

Where risk events arise, our communications, both within the Company and to external parties, are an integral part of the risk management system. To enable the Company to make the appropriate decisions and responses to mitigate or address any risk event, relevant information on the incident needs to be communicated by and to the right functions and individuals, completely and accurately, and in a timely manner.

With respect to procedures and internal controls for handling and dissemination of inside information, the Company:

- has set out written policies and procedures in relation to the handling of inside information under the regulatory requirements of Hong Kong, including but not limited to maintenance of confidentiality, prohibition of insider dealings by the management;
- is aware of its obligation under the Listing Rules;
- conducts its affairs with closely reference to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission of Hong Kong; and
- has set out rules and procedures in dealing with enquiries from regulatory bodies, trading halt and additional disclosures to correct a false market.

COMPANY SECRETARY

The Company Secretary, Mr. LEUNG Chong Shun, is a practicing solicitor in Hong Kong. Although he is not a full time employee of the Company, he reports to the Board and is responsible for advising the Board on governance matters. The primary contact person of the Company with the Company Secretary is Mr. TSE Yue Kit, Executive Director of the Company. The Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training during the year.

CONSTITUTIONAL DOCUMENTS

During the year under review, there was no significant change in the Company's constitutional documents.

SHAREHOLDERS' RIGHTS

Set out below is a summary of certain rights of the shareholders of the Company as required to be disclosed pursuant to the mandatory disclosure requirements under Paragraph O of the Code.

Convening of General Meeting on Request

Shareholder(s) may request the Directors to call a general meeting pursuant to Sections 566 to 568 of the Hong Kong Companies Ordinance.

In accordance with Section 566 of the Hong Kong Companies Ordinance, the Directors are required to call a general meeting if the Company has received requests to do so from members of the Company representing at least 5% of the total voting rights of all the members having a right to vote at general meeting. Such requests (a) must state the general nature of the business to be dealt with at the meeting; and (b) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 1609, Three Pacific Place, 1 Queen's Road East, Hong Kong for the attention of the Board) or in electronic form (by email: info@cmcdi.com.hk); and (b) must be authenticated by the person or persons making it. In accordance with Section 567 of the Hong Kong Companies Ordinance, the Directors must call a meeting within 21 days after the date on which they become subject to the requirement under Section 566 of the Hong Kong Companies Ordinance and such meeting must be held on a date not more than 28 days after the date of the notice convening the meeting.

Putting Forward Proposals at AGM/General Meeting

To put forward a resolution at an AGM, shareholders are requested to follow the requirements and procedures set out in Sections 615 and 616 of the Hong Kong Companies Ordinance.

Section 615 of the Hong Kong Companies Ordinance provides that the Company must give notice of a resolution if it has received requests that it do so from (a) the members of the Company representing at least 2.5% of the total voting rights of all the members who have a right to vote on the resolution at the AGM to which the requests relate; or (b) at least 50 members who have a right to vote on the resolution at the AGM to which the requests relate. Such requests (a) may be sent to the Company in hard copy form (by depositing at the registered office of the Company at 1609, Three Pacific Place, 1 Queen's Road East, Hong Kong for the attention of the Board) or in electronic form (by email: info@cmcdi.com.hk); (b) must identify the resolution of which notice is to be given; (c) must be authenticated by the person or persons making it; and (d) must be received by the Company not later than (i) 6 weeks before the AGM to which the requests relate; or (ii) if later, the time at which notice is given of that meeting. Section 616 of the Hong Kong Companies Ordinance provides that the Company that is required under Section 615 of the Hong Kong Companies Ordinance to give notice of a resolution must send a copy of it at the Company's own expense to each member of the Company entitled to receive notice of the AGM (a) in the same manner as the notice of the meeting; and (b) at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting.

SHAREHOLDERS' RIGHTS (CONTINUED)

Putting Forward Proposals at AGM/General Meeting (continued)

Pursuant to Article 100 of the Articles of Association of the Company, no person, other than a retiring Director, shall, unless recommended by the Directors for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been given to the Company provided that the minimum length of the period, during which such notices are given, shall be at least 7 days. The period for lodgment of such notices shall commence no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting. Detailed procedures for shareholders to propose a person for election as a Director can be found on the Company's website.

Enquiries to the Board

Shareholders have been provided with contact details of the Company on the Company's website, such as telephone number, fax number, email address and postal address, in order to enable them to make any enquiries that they may have with respect to the Company. They can also send their enquiries to the Board using these means. In addition, shareholders can contact Computershare Hong Kong Investor Services Limited, the share registrar of the Company, if they have any enquiries about their shareholdings and entitlements to dividend.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavours to maintain a high level of transparency when communicating with shareholders and the investment community at large. The Company is committed to maintaining an open and effective communication policy, and updates its shareholders and investors on relevant information on our business through general meetings, annual and interim reports, notices, announcements and circulars. The Company (through the Investment Manager) has also actively responded to the investors' queries by emails or letters and held a number of meetings with shareholders and institutional investors on their requests throughout the year under review so as to discuss and explain the Company's investment strategies and hear their opinions. Shareholders may refer to the "Shareholders Communication Policy" that posted on the Company's website for more details.

General meetings, including AGM, provide a useful forum for shareholders to exchange their views with the Board. Separate resolutions are proposed at general meetings on each substantially separate issue.

General meeting proceedings are reviewed from time to time to ensure that the Company follows good corporate governance practices. The notice of general meeting is distributed to all shareholders at least 20 clear business days prior to an AGM and at least 10 clear business days prior to an extraordinary general meeting and the accompanying circular also sets out details of each proposed resolution and other relevant information as required under the Listing Rules. The chairman of a general meeting exercises his power under the Articles of Association of the Company to put each proposed resolution to the vote by way of a poll. The procedures for demanding and conducting a poll are explained at the meeting prior to the polls being taken. Voting results are posted on the Company's website on the day of the general meeting.

INVESTOR RELATIONSHIP AND COMMUNICATION (CONTINUED)

The Company held a general meeting during the year under review. The attendance of each of the Directors and Alternate Director is as follows:

	Attendance/number of meetings AGM held on 28 May 2019
Mr. ZHANG Jian* *(Chairman)*	1/1
Mr. ZHANG Rizhong*	0/1
Mr. CHU Lap Lik, Victor#	0/1
Mr. WANG Xiaoding#	1/1
Mr. TSE Yue Kit#	1/1
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor#)*	1/1
Mr. KE Shifeng*	0/1
Mr. LIU Baojie**	0/1
Mr. TSANG Wah Kwong**	1/1
Dr. LI Fang**	0/1

\# *Executive Directors*
* *Non-executive Directors*
** *Independent Non-executive Directors*

ENVIRONMENTAL POLICY

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Company has appointed an Investment Manager to manage its investment portfolio as well as corporate affairs and to deal with its day-to-day administration under the Investment Management Agreement. The Company, therefore, has no salaried employees, premises, manufacturing or other operations. The Investment Manager is requested to take into account the environmental matters (for example, minimising use of paper, the using of recycled paper, etc.) when managing the corporate affairs of the Company and to take into account the environmental, social and governance policies of potential investee companies as part of its investment process. Please refer to pages 67 to 70 of the Annual Report for the Company's Environmental, Social and Governance Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In accordance with the requirements set forth in Appendix 27 to the Listing Rules, the Company hereby presents this Environmental, Social and Governance ("**ESG**") Report.

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Company has appointed China Merchants China Investment Management Limited (the "**Investment Manager**") as its investment manager to manage its investment portfolio as well as corporate affairs and to deal with its day-to-day administration under the Investment Management Agreement. The Company, therefore, has no salaried employees, premises, manufacturing or other operations.

The Company discharges its corporate social responsibility through balancing the interests between its stakeholders, including its shareholders, and the community to optimise its investment portfolio, maximise shareholders' return and at the same time minimise the related social and environmental impact, in order to achieve the ultimate goal of operating as a sustainable corporation.

This report summarises the ESG policies in addressing the material ESG issues, as well as the compliance with laws and regulations relevant to those issues, of the Company and the Investment Manager, for the year ended 31 December 2019.

ENVIRONMENTAL PROTECTION

The Company supports environmental protection and is committed to minimising the impact of its existing business activities on the environment by supporting conservation and environmental protection programs even though it generates minimal pollutant.

To reduce the environmental impact, the Company has requested the Investment Manager to implement green office practices. Such measures include the using of energy-saving lightings and recycled paper, minimising use of paper, reducing energy consumption by switching off idle lightings, computers and electrical appliances, etc.

In 2019, the Company has implemented the following environmental initiatives:

- using recycled paper for printing the 2019 interim report;
- using double-sided printing and recycled paper for photocopying as much as possible;
- using electronic storage and communication wherever possible; and
- reducing travel through teleconferencing.

There were no non-compliance cases noted in relation to environmental laws and regulations for the year 2019.

SOCIAL COMMITMENT

For social commitment, the Company has requested the Investment Manager to take into account of the following in its operations:

Employment

To be an equal opportunity employer, the Investment Manager should provide a work environment that is free from all forms of discrimination on the basis of race, colour, creed, sex, age, religion, national origin, or disability. This includes all of its employment practices, such as hiring, transfer, recruitment, training, promotion, discipline, rates of pay and benefits, in order to ensure all employees and job applicants enjoy equal opportunities and fair treatment.

The salary and benefit levels of the Investment Manager's employees should be reviewed annually on a performance related basis within the general framework of the Investment Manager's or its parent company's salary system. A wide range of benefits, including comprehensive medical, life and disability insurance coverage and retirement schemes, should also be provided to the employees. Social, sporting, recreational and health activities should be arranged for the employees on a company-wide basis annually.

There were no non-compliance cases noted in relation to employment laws and regulations for the year 2019.

Health and Occupational Safety

The Investment Manager should strive to provide a safe and healthy work environment for all employees. It should manage the hygiene and safety of the office in accordance with the relevant laws and regulations of occupational health and safety. First aid, fire extinguishing, evacuation, leakage and escape exercises should be regularly performed.

There were no non-compliance cases noted in relation to health and safety laws and regulations during the year 2019.

Development and Training

The Investment Manager should aim to create an environment of continuous learning to facilitate their staff in developing their careers and equipping the knowledge and skills to better fulfil their roles and responsibilities. Training and development programs, including induction program, in-house training course, external course/seminar, should be provided on an ongoing basis throughout the Investment Manager.

SOCIAL COMMITMENT (CONTINUED)

Labour Standards

The Investment Manager should hire employees in accordance with the minimum working age with valid citizen identity in strict compliance with the requirements of the local labour law. Employment should be based on the principle of fairness, openness and willingness, and the Investment Manager should enter into labour contracts for legal employments without acts of forced labour.

There were no non-compliance cases noted in relation to labour standards laws and regulations during the year 2019.

Supply Chain Management

The Company and the Investment Manager have the highest respect for the laws and regulations that govern the way it goes about its business. The suppliers are encouraged to align their values with the Company and the Investment Manager, in respect of ESG issues, including but not limited to:

- employment to be based solely on the ability to perform the job and without any discrimination due to ethnicity, gender, age, disability or marital status;
- fair wages and all other legally mandated benefits be paid;
- provision of a safe and hygienic working environment which complies with local laws or practices;
- integration of environmental sustainability principles into business decisions; and
- community involvement.

Responsible Investment

The Company and the Investment Manager believe that attention to ESG matters is a prerequisite for long-term value creation. The Company and the Investment Manager always aim to invest responsibly as it executes its investment strategy.

As reflected in its mission statement, the Company strives to maximise investment returns to its investors while upholding the highest standards of integrity and acting in a way that enhances the reputation of the industry.

The Company and the Investment Manager take into consideration the ESG performance during the evaluation of potential investee companies, and request the investee companies to disclose significant non-compliance issues relating to ESG in a timely basis.

There were no non-compliance cases noted in relation to the Company's investment practices during the year 2019.

SOCIAL COMMITMENT (CONTINUED)

Anti-corruption

The Company and the Investment Manager are committed to achieving and maintaining the highest standards of openness, uprightness and accountability and all Directors of the Company and the Investment Manager and all staff of the Investment Manager are expected to observe the highest standards of ethical, personal and professional conduct. In addition to the guidelines on anti-bribery and anti-corruption, the Company and the Investment Manager have issued relevant whistle-blowing procedures and have conducted ongoing review of the effectiveness of the risk management and internal control systems on a regular basis.

There were no non-compliance cases noted in relation to corruption related laws and regulations during the year 2019.

Community Investment

In respect of community investment, the Company and the Investment Manager strive to be a part of the communities, to serve and contribute by promoting corporate social responsibility. The core values include:

- showing love, to give hope and to support the disadvantaged;
- encouraging compassion and empathy in the Investment Manager's employees;
- fostering a sense of community within the Company and the Investment Manager; and
- empowering through education.

Deloitte. 德勤

TO THE MEMBERS OF
CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED
(incorporated in Hong Kong with limited liability)

Opinion

We have audited the consolidated financial statements of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 76 to 125, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Valuation of Level 3 financial instruments	
We identified the valuation of Level 3 financial instruments as a key audit matter due to the degree of complexity involved in valuing the financial assets and liabilities, the significance of the judgment and estimates made by the management and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data as disclosed in note 5 to the consolidated financial statements. Please refer to note 5 to the consolidated financial statements for further details of the valuation techniques and significant unobservable inputs of material Level 3 financial instruments. The total fair value of financial assets and liabilities measured at fair value through profit or loss classified as Level 3, amounted to US$370.2 million and US$1.1 million respectively as at 31 December 2019 as disclosed in note 5 to the consolidated financial statements. The valuations of the aforesaid Level 3 financial instruments were performed by an independent valuer.	We obtained an understanding of the valuation techniques and the processes performed by the independent valuer and the management's review process of the work of the independent valuer with respect to the valuation of Level 3 financial instruments. We evaluated the competence, integrity and independence of the independent valuer; and their experience in conducting valuation of similar financial instruments. We obtained the respective independent valuation reports and discussed with management about the valuation of the Level 3 financial instruments, and together with our own internal valuation specialists, where necessary: (i) reviewed the appropriateness of the valuation techniques and assumptions based on the industry knowledge; (ii) tested the appropriateness of the key inputs by independently checking to the relevant external market data and/or relevant historical financial information; (iii) inquired and assessed the rationale of the management's judgment on the key inputs, which are specific to the respective investees; and (iv) performed sensitivity analysis to evaluate the reasonableness of the valuation, when appropriate.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is HO Chung Kai.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 US$	2018 US$
Net gain (loss) on financial assets at fair value through profit or loss	6	131,848,627	(111,123,083)
Investment income	7	15,528,387	18,884,552
Other gains		911,774	656,419
Administrative expenses		(11,933,451)	(13,684,505)
Profit (loss) before taxation	9	136,355,337	(105,266,617)
Taxation	12	(34,546,363)	18,245,492
Profit (loss) for the year		101,808,974	(87,021,125)
Other comprehensive expense for the year			
Item that will not be reclassified subsequently to profit or loss			
Exchange difference arising on translation to presentation currency		(9,533,938)	(26,793,189)
Total comprehensive income (expense) for the year		92,275,036	(113,814,314)
Profit (loss) for the year attributable to owners of the Company		101,808,974	(87,021,125)
Total comprehensive income (expense) for the year attributable to owners of the Company		92,275,036	(113,814,314)
Basic earnings (loss) per share	14	0.668	(0.571)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 US$	2018 US$
Non-current assets			
Financial assets at fair value through profit or loss	15	**663,028,975**	579,151,538
Investment deposits	16	**14,907,829**	—
		677,936,804	579,151,538
Current assets			
Financial assets at fair value through profit or loss	15	**50,944,637**	55,058,638
Other receivables and prepayments	17	**1,008,385**	5,239,397
Cash and cash equivalents	18	**64,143,034**	48,450,040
		116,096,056	108,748,075
Current liabilities			
Other payables	19	**27,538,766**	27,620,833
Taxation payable	20	**994,825**	396,223
		28,533,591	28,017,056
Net current assets		**87,562,465**	80,731,019
Total assets less current liabilities		**765,499,269**	659,882,557
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	21	**1,190,048**	1,306,574
Deferred taxation	22	**115,258,979**	83,520,815
		116,449,027	84,827,389
Net assets		**649,050,242**	575,055,168
Capital and reserves			
Share capital	24	**139,348,785**	139,348,785
Reserves		**62,080,654**	70,366,095
Retained profits		**447,620,803**	365,340,288
Equity attributable to owners of the Company		**649,050,242**	575,055,168
Net asset value per share	26	**4.261**	3.775

The consolidated financial statements on pages 76 to 125 were approved and authorised for issue by the Board of Directors on 30 March 2020 and are signed on its behalf by:

Mr. WANG Xiaoding
Director

Mr. TSE Yue Kit
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital *US$*	Translation reserve *US$*	General reserve *US$*	Retained profits *US$*	Equity attributable to owners of the Company *US$*
Balance at 1 January 2018	139,348,785	85,655,523	14,215,816	466,405,990	705,626,114
Loss for the year	—	—	—	(87,021,125)	(87,021,125)
Exchange difference on translation to presentation currency	—	(26,793,189)	—	—	(26,793,189)
Total comprehensive expense for the year	—	(26,793,189)	—	(87,021,125)	(113,814,314)
2017 final dividend paid (note 13)	—	—	—	(9,139,981)	(9,139,981)
2018 special interim dividend paid (note 13)	—	—	—	(7,616,651)	(7,616,651)
Reversal of transfer to general reserve in prior year	—	—	(2,712,055)	2,712,055	—
Balance at 31 December 2018	139,348,785	58,862,334	11,503,761	365,340,288	575,055,168
Balance at 1 January 2019	**139,348,785**	**58,862,334**	**11,503,761**	**365,340,288**	**575,055,168**
Profit for the year	—	—	—	**101,808,974**	**101,808,974**
Exchange difference on translation to presentation currency	—	**(9,533,938)**	—	—	**(9,533,938)**
Total comprehensive (expense) income for the year	—	**(9,533,938)**	—	**101,808,974**	**92,275,036**
2018 final and special dividends paid (note 13)	—	—	—	**(18,279,962)**	**(18,279,962)**
Transfer to general reserve	—	—	**1,248,497**	**(1,248,497)**	—
Balance at 31 December 2019	**139,348,785**	**49,328,396**	**12,752,258**	**447,620,803**	**649,050,242**

The general reserve represents the general reserve fund set aside by subsidiaries in accordance with relevant laws and regulations of The People's Republic of China ("**PRC**"), which is not available for distribution.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 US$	2018 US$
OPERATING ACTIVITIES		
Profit (loss) before taxation	136,355,337	(105,266,617)
Adjustments for:		
Interest income	(905,655)	(723,039)
Dividend income from equity investments	(14,622,732)	(18,161,513)
Net (gain) loss on financial assets at fair value through profit or loss	(131,848,627)	111,123,083
Operating cash flows before movements in working capital	(11,021,677)	(13,028,086)
Proceeds from disposal of financial assets at fair value through profit or loss	18,306,983	66,701,236
Return of capital from financial assets at fair value through profit or loss	29,029,919	2,403,866
Purchases of financial assets at fair value through profit or loss	(5,409,313)	(19,874,030)
Increase in investment deposits	(14,907,829)	—
(Increase) decrease in other receivables and prepayments	(16,330)	33,512
Decrease in other payables	(132,346)	(10,805,990)
(Decrease) increase in financial liabilities designated at fair value through profit or loss	(86,934)	109,652
Cash generated from operations	15,762,473	25,540,160
Interest received	920,417	675,852
Dividends received	18,855,312	13,031,926
Income taxes paid	(428,562)	(19,582,377)
NET CASH GENERATED FROM OPERATING ACTIVITIES	35,109,640	19,665,561
CASH USED IN FINANCING ACTIVITIES		
Dividends paid	(18,279,962)	(16,756,632)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,829,678	2,908,929
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	48,450,040	47,767,265
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,136,684)	(2,226,154)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER	64,143,034	48,450,040

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

China Merchants China Direct Investments Limited (the "**Company**") is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information of the Annual Report. The Company and its subsidiaries are collectively referred to as the "**Group**".

The Company acts as an investment holding company. The activities of the subsidiaries are set out in note 30. The major sources of income of the Group arising in the course of the ordinary activities which are the revenue of the Group are net gain (loss) on financial assets at fair value through profit or loss ("**FVTPL**") and investment income.

The functional currency of the Company is Renminbi ("**RMB**"). For the purpose of convenience of the consolidated financial statements users, the consolidated financial statements are presented in United States dollars ("**USD**").

2. APPLICATION OF AMENDMENTS AND INTERPRETATION TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments and interpretation to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments and interpretation to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year that are relevant to the business operation of the Group:

HK(IFRIC) - Int 23	Uncertainty over income tax treatments
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 - 2017 Cycle

The application of the above amendments and interpretation to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective that are relevant to the business operation of the Group:

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of material[3]

1 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the first annual period beginning on or after 1 January 2020.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2020.

2. APPLICATION OF AMENDMENTS AND INTERPRETATION TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKFRSs in issue but not yet effective (continued)

In addition to the above amendments to HKFRSs, a revised *Conceptual framework for financial reporting* was issued in 2018. Its consequential amendments, *the Amendments to references to the conceptual framework in HKFRS standards*, will be effective for annual periods beginning on or after 1 January 2020.

Except for the amendments to HKFRSs mentioned below, the management anticipates that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 *Definition of a Business*

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;
- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

2. APPLICATION OF AMENDMENTS AND INTERPRETATION TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 1 and HKAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "**New Framework**") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

2. APPLICATION OF AMENDMENTS AND INTERPRETATION TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

Amendments to HKFRSs in issue but not yet effective (continued)

Conceptual Framework for Financial Reporting 2018 (the "**New Framework**") and the Amendments to References to the Conceptual Framework in HKFRS Standards (continued)

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in HKAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, for financial reporting purposes, fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When an investment in an associate or a joint venture is held by, or is held indirectly through, a group entity that is a venture capital organisation and similar entities, the Group may elect to measure investments in those associates and joint ventures at FVTPL in accordance with HKFRS 9.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL and financial liabilities designated at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL or financial liabilities designated at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments other than those classified as financial assets at FVTPL, for which interest income is included in net gain or loss on financial assets at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition, it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss, excludes any dividend earned on the financial assets but includes the interest earned on the financial assets and is included in the "Net gain (loss) on financial assets at fair value through profit or loss" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including other receivables and cash and cash equivalents), which are subjected to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience, market condition, financial health of counterparty and other forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default; ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Definition of default

The Group considers that default has occurred when the instrument is more than 90 days past due, unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

The Group considers a financial asset being credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired may include observable data about the following events:

(a) significant financial difficulty of the issuer;

(b) a breach of contract, such as a default;

(c) it is becoming probable that the issuer of the financial asset will enter bankruptcy or other financial reorganisation; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability weighted amount that is determined with the respective risks of default occurring as the weights.

ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified either as financial liability or as equity according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using effective interest method or FVTPL.

Financial liabilities designated at FVTPL

A financial liability may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract (asset or liability) to be measured at FVTPL.

For financial liabilities that are designated at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in OCI, unless the recognition of the effects of changes in the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in OCI are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities, including other payables, are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. USD) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in OCI and accumulated in equity under the heading of translation reserve.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit (loss) before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items of income or expense that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group as a parent is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied on the same taxable entity by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in OCI or directly in equity, in which case the current and deferred tax are also recognised in OCI or directly in equity, respectively.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are as follows:

Fair value of financial assets at FVTPL and financial liabilities designated at FVTPL

As indicated in notes 5, 15 and 21, the Group selects appropriate valuation techniques for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The fair values of unlisted financial assets at FVTPL and financial liabilities designated at FVTPL are determined in accordance with generally accepted pricing models. To the extent practical, models use only observable data. However, areas such as credit risk of the Group and counterparties, volatilities of relevant underlying securities and liquidity and marketability discount require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments. The values assigned to the financial assets and liabilities are based upon available information and professional judgment. They do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realised.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2019 ***US$***	2018 *US$*
Financial assets		
At FVTPL	**728,881,441**	634,210,176
Amortised cost	**65,132,027**	53,689,437
Financial liabilities		
Amortised cost	**7,398,800**	8,013,346
Designated at FVTPL	**1,190,048**	1,306,574

5. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objective and policies

The Group's major financial instruments include financial assets at FVTPL, investment deposits at FVTPL, other receivables, cash and cash equivalents, other payables and financial liabilities designated at FVTPL. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Currency risk

The Group undertakes certain transactions which expose the Group to foreign currency risk. The related balances include other receivables, cash and cash equivalents and other payables, denominated in a currency other than the functional currency, and so exposures to exchange rate fluctuations arise.

The Group currently does not have any foreign currency hedging policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's monetary assets and monetary liabilities which are denominated in a currency other than the functional currency of the relevant group entities at the reporting date are as follows:

	2019	2018
	US$	*US$*
Monetary assets		
USD	**16,465,564**	28,259,664
Hong Kong Dollar	**9,431,037**	404,312
Monetary liabilities		
USD	**4,248,008**	4,389,992
Hong Kong Dollar	**22,324**	482,480

5. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity

For the currency risk of the Group, if the exchange rate of RMB against USD had increased/decreased by 5%, the Group's after taxation result for the year would increase/decrease by US$612,000 (2018: decrease/increase by US$1,196,000). If the exchange rate of RMB against Hong Kong Dollar had increased/decreased by 5%, the Group's after taxation result for the year would increase/decrease by US$472,000 (2018: US$4,000).

In the opinion of the management, the sensitivity analysis is unrepresentative of the foreign currency risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group is exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets (mainly short-term bank deposits at market rate) at market rates.

At 31 December 2019, bank balances of US$29,413,596 (2018: US$43,404,937) were interest-bearing and withdrawable on demand. Since the prevailing market interest rates are minimal, the fluctuation of interest rate will have minimal impact to the Group's change in bank balances and other interest-bearing assets.

Interest rate sensitivity

No sensitivity analysis on cash flow interest rate risk is prepared as the Group's interest bearing cash and cash equivalents at the end of the reporting period are mainly at fixed rate.

Price risk

The Group is exposed to price risk through its investments as disclosed in notes 15 and 16 and financial liabilities in note 21 which are measured at FVTPL.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (continued)

Price risk (continued)

Price sensitivity

The sensitivity analyses below have been determined based on the exposure to price risks at the end of the reporting period.

If the market bid prices of the listed equity securities had been 20% (2018: 20%) higher/lower, the Group's after taxation result for the year would increase/decrease by US$53,112,000 (2018: decrease/increase by US$39,374,000). This is mainly attributable to the changes in fair values of the listed equity investments held by the Group.

If the fair value of the investments other than listed equity securities had been 20% (2018: 20%) higher/lower, the Group's after taxation result for the year would increase/decrease by US$60,466,000 (2018: decrease/increase by US$58,271,000). This is mainly attributable to the changes in fair values of the investments held by the Group.

In the opinion of the management, the sensitivity analysis is unrepresentative of the price risk as the year end exposure does not reflect the exposure during the year.

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's financial assets include financial assets at FVTPL, investment deposits at FVTPL, other receivables, and cash and cash equivalents.

As at 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Although the cash and cash equivalents are concentrated with certain counterparties, the credit risk on liquid funds is limited because the counterparties are banks with good credit ratings assigned by international credit rating agencies. In this regard, the management considers that the Group's credit risk on such authorised institutions is low. Accordingly, cash and cash equivalents are subject to 12m ECL assessment. In the opinion of the management, the 12m ECL's balance is not significant.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk and impairment assessment (continued)

For the purpose of internal credit risk management, the Group uses past due information and available financial background of the debtors to assess whether credit risk has increased significantly since initial recognition of other receivables of US$988,993 (2018: US$5,239,397). As such balance is not past due, the Group considers there is no significant change in credit risks of these balances since initial recognition. Accordingly, they are subject to 12m ECL assessment. In the opinion of the management, the 12m ECL balance is not significant.

The table below details the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	External credit rating	12m or lifetime ECL	2019 Gross carrying amount US$	2018 Gross carrying amount US$
Cash and cash equivalents	18	A	12m ECL	**64,143,034**	48,450,040
Other receivables	17	N/A	12m ECL	**988,993**	5,239,397

The Group has concentration of credit risk in a single geographic area in the PRC.

Liquidity risk

Liquidity risk is the risk that the Group is unable to meet their payment obligations associated with its financial liabilities when they fall due. The Group manages liquidity risk by maintaining adequate reserves, as well as continuously monitoring forecast and actual cash flows.

Internally generated cash flow is the main source of funds to finance the operations of the Group. The Group regularly reviews the major funding positions to ensure adequate financial resources are available to meet its financial obligations.

The Group's financial liabilities represent other payables (management fee accruals) and financial liabilities designated at FVTPL related to sub-participation agreements. Apart from financial liabilities designated at FVTPL which is repayable upon realisation of the corresponding investments, the other financial liabilities are all interest free and repayable on demand. In the opinion of the management, the liquidity risk of the Group is not significant.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments

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

Most of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Financial assets	31 December 2019 US$	31 December 2018 US$	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	31 December 2019 Range	31 December 2018 Range	Relationship of unobservable inputs to fair value	31 December 2019 Increase(+)/ decrease(-) in fair value of assets if 10% increase/ decrease of the unobservable inputs (Note 2) US$	31 December 2018 Increase(+)/ decrease(-) in fair value of assets if 10% increase/ decrease of the unobservable inputs (Note 2) US$
Financial assets at FVTPL										
Listed equity securities (Note 1)	343,741,290	247,736,786	Level 1	Quoted bid prices in active market	N/A	N/A	N/A	N/A	N/A	N/A
Investment deposits	14,907,829	—	Level 2	Recent transaction price	N/A	N/A	N/A	N/A	N/A	N/A
Listed equity securities within lock-up period (Note 1)	4,540,862	9,909,689	Level 3	Quoted bid price in active market and adjusted for lack of marketability	- Discount rate for lack of marketability	2.2% - 6.2%	4.7% - 4.9%	The higher the discount rate, the lower the fair value	-19,000/ +19,000	-51,000/ +51,000
Equity securities (including equity securities traded on the National Equities Exchange and Quotations ("**New Third Board**") and unlisted equity securities) and unlisted participating preferred unit (Note 1)	243,036,583	219,314,975	Level 3	Market comparable companies	– Earnings multiples – Revenue multiples – Book value multiples	20.4x - 28.9x 3.7x 1.3x - 5.2x	16.6x - 42.0x 2.3x - 3.5x 1.3x - 3.2x	The higher the multiples, the higher the fair value	+24,499,000/ -24,499,000	+21,340,000/ -21,340,000
					– Discount rate for lack of marketability and specific risk	51%	51%	The higher the discount rate, the lower the fair value	-15,090,000/ +15,090,000	-22,402,000/ +22,402,000
Unlisted debt investments (Notes 1 and 4)	48,926,349	76,519,700	Level 3	Discounted cash flow	– Discount rate	5.2%	5.2%	The higher the discount rate, the lower the fair value	-438,000/ +438,000	-870,000/ +870,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2019

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (continued)

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

Financial assets	31 December 2019 US$	31 December 2018 US$	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	31 December 2019 Range	31 December 2018 Range	Relationship of unobservable inputs to fair value	31 December 2019 Increase(+)/ decrease(-) in fair value of assets if 10% increase/ decrease of the unobservable inputs (Note 2) US$	31 December 2018 Increase(+)/ decrease(-) in fair value of assets if 10% increase/ decrease of the unobservable inputs (Note 2) US$
Unlisted equity (Note 1)	50,692,353	62,822,008	Level 3	Net asset value	– Net asset value of the underlying investments	252,286-33,400,705	5,067,607-41,487,936	The higher the net asset value, the higher the fair value	+5,069,235/ -5,069,235	+6,282,201/ -6,282,201
Unlisted equity securities (Note 1)	14,425,470	17,907,018	Level 3	Recent transaction price with discount/ premium	– Discount/premium for events/changes after transaction price	0%	0%	The higher the discount/premium, the lower/higher the fair value	+1,442,547/ -1,442,547	+1,790,702/ -1,790,702
Unlisted equity securities (Notes 1 and 5)	8,610,705	–	Level 3	Investment cost with discount/premium	– Discount/premium	0%	N/A	The higher the discount/premium, the lower/higher the fair value	+861,071/ -861,071	N/A
Closing balance	728,881,441	634,210,176								

Note 1: Financial assets at FVTPL represent those are measured at fair value with subsequent fair value gains or losses to be recognised in profit or loss.

Note 2: Amount represents increase(+)/decrease(-) in fair value of the financial assets if the unobservable inputs were 10% increase/decrease while all the other variables were held constant.

Note 3: The analysis of financial liabilities is set out in note 21.

Note 4: Pursuant to the agreements, the loans, subject to the fulfillment of certain precedent conditions which are not under the control of the Group, could be converted into equity interest of Rong Bao Zhai Culture Co., Ltd. and Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd., respectively. Given that the conditions are not under the control of the Group, the Directors consider that the conditions of conversion were not fulfilled as at 31 December 2019.

Note 5: As at 31 December 2019, it is considered that the original investment cost remains the best estimate of fair value.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (continued)

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

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values at the both year ends.

	Level 1 *US$*	Level 2 *US$*	Level 3 *US$*	2019 Total *US$*
Financial assets at FVTPL	**343,741,290**	**14,907,829**	**370,232,322**	**728,881,441**
Financial liabilities designated at FVTPL	**106,007**	**—**	**1,084,041**	**1,190,048**

	Level 1 *US$*	Level 2 *US$*	Level 3 *US$*	2018 Total *US$*
Financial assets at FVTPL	247,736,786	—	386,473,390	634,210,176
Financial liabilities designated at FVTPL	137,801	—	1,168,773	1,306,574

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (continued)

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

Reconciliation of Level 3 fair value measurements of financial assets:

	Financial assets at FVTPL *US$*
Balance at 1 January 2018	461,486,344
Losses recognised in profit or loss	(63,374,348)
Exchange difference arising on translation to presentation currency	(17,498,512)
Purchases	19,874,030
Return of capital	(2,403,866)
Transfer out of Level 3 to Level 1	(11,610,258)
Balance at 31 December 2018	386,473,390
Balance at 1 January 2019	**386,473,390**
Gains recognised in profit or loss	**19,600,225**
Exchange difference arising on translation to presentation currency	**(5,474,841)**
Purchases	**5,409,313**
Return of capital	**(29,029,919)**
Transfer out of Level 3 to Level 1	**(6,745,846)**
Balance at 31 December 2019	**370,232,322**

Of the total gains for the year included in profit or loss, gain of US$17,769,642 (2018: loss of US$64,938,544) relates to financial assets at FVTPL categorised in Level 3 held at year end. Fair value gains or losses on financial assets at FVTPL are included in "Net gain (loss) on financial assets at fair value through profit or loss". Transfers between levels of the fair value measurement hierarchy are recognised as of the date of the event or change in circumstances that caused the transfer.

During the year ended 31 December 2019 and 2018, the Group's financial assets at FVTPL were transferred from Level 3 to Level 1 since the lock-up period for those assets (i.e. listed shares with quoted bid prices in active market) has expired during the year.

5. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement of financial instruments (continued)

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

Reconciliation of fair value measurements of financial liabilities:

	Financial liabilities designated at FVTPL *US$*
Balance at 1 January 2018	1,451,162
Issuances	146,621
Change in fair value	(291,209)
Balance at 31 December 2018	1,306,574
Balance at 1 January 2019	**1,306,574**
Issuances	**98,027**
Redemptions	**(78,380)**
Change in fair value	**(136,173)**
Balance at 31 December 2019	**1,190,048**

Fair value measurements and valuation processes

A guideline on the fair value measurements has been applied to the regular assessment of fair value of an asset. Fair value of listed investments, except those listed on the New Third Board, is determined based on the quoted market bid prices available on the relevant exchanges. Fair value of listed investments within lock-up period is assessed based on the quoted market bid prices available on the relevant exchanges and adjusted for lack of marketability. Fair value of certain unlisted investments is arrived at by reference to their recent transaction prices and investment cost. For unlisted investments and investments listed on the New Third Board with no recent transactions noted, their fair values are arrived at on the basis of valuations carried out by an independent valuer on a half-yearly basis. Determination of fair value is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability. Factors considered in determining the fair value of these investments include multiples of comparable companies listed on stock exchanges and discount rates based on market information. The valuation report prepared by the independent valuer is reported to and reviewed by the management on a half-yearly basis.

6. NET GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following is the analysis of net gain (loss) on investments of the Group for the year ended 31 December 2019. The amounts of realised gain (loss) represent the difference between the fair value at the beginning of the year or purchase date in the year and the disposal date of financial instruments while the amounts of unrealised gain (loss) represent the change of fair value during the year of financial instruments held by the Group as at the year end:

	2019 ***US$***	2018 *US$*
Net gain (loss) on financial assets at FVTPL		
Listed investments		
Realised	**8,215,192**	4,463,675
Unrealised	**106,134,385**	(61,422,643)
Unlisted investments		
Unrealised	**17,499,050**	(54,164,115)
Total	**131,848,627**	(111,123,083)

7. INVESTMENT INCOME

	2019 ***US$***	2018 *US$*
Interest income on bank deposits	**905,655**	723,039
Dividend income on financial assets at FVTPL		
Listed equity investments	**8,099,357**	7,878,780
Unlisted equity investments	**6,523,375**	10,282,733
	14,622,732	18,161,513
Total	**15,528,387**	18,884,552

7. INVESTMENT INCOME (CONTINUED)

The following is an analysis of investment income earned on financial assets, by category of asset:

	2019 US$	2018 US$
Interest income for financial assets at amortised cost	905,655	723,039
Dividend income on financial assets at FVTPL	14,622,732	18,161,513
Total	15,528,387	18,884,552

8. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessment are as follows:

(a) Financial services: investees engaged in financial services activities.

(b) Culture, media and consumption: investees engaged in culture, media and consumption activities.

(c) Information technology: investees engaged in information technology activities.

The Group also invested in manufacturing, energy and resources, agriculture and education activities, and none of these segments met the quantitative thresholds for the reportable segments in both current and prior years. Accordingly, these were grouped in "Others" during the current year.

Information regarding the above segments is reported below.

8. SEGMENTAL INFORMATION (CONTINUED)

The following is an analysis of the Group's reportable and operating segments for the year under review.

For the year ended 31 December 2019

	Reportable segments					
	Financial services *US$*	Culture, media and consumption *US$*	Information technology *US$*	Total reportable segments *US$*	Others *US$*	Total *US$*
Net gain (loss) on financial assets at FVTPL	121,951,428	258,921	12,025,260	134,235,609	(2,386,982)	131,848,627
Dividend income on financial assets at FVTPL	9,933,301	4,590,671	98,760	14,622,732	—	14,622,732
Other gains	—	761,612	—	761,612	—	761,612
Segment profit (loss)	131,884,729	5,611,204	12,124,020	149,619,953	(2,386,982)	147,232,971
Unallocated:						
– Administrative expenses						(11,933,451)
– Interest income on bank deposits						905,655
– Other gains						150,162
Profit before taxation						136,355,337

For the year ended 31 December 2018

	Reportable segments					
	Financial services *US$*	Culture, media and consumption *US$*	Information technology *US$*	Total reportable segments *US$*	Others *US$*	Total *US$*
Net loss on financial assets at FVTPL	(70,719,453)	(20,642,973)	(12,869,034)	(104,231,460)	(6,891,623)	(111,123,083)
Dividend income on financial assets at FVTPL	15,646,461	2,445,364	69,688	18,161,513	—	18,161,513
Other gains	—	656,419	—	656,419	—	656,419
Segment loss	(55,072,992)	(17,541,190)	(12,799,346)	(85,413,528)	(6,891,623)	(92,305,151)
Unallocated:						
– Administrative expenses						(13,684,505)
– Interest income on bank deposits						723,039
Loss before taxation						(105,266,617)

8. SEGMENTAL INFORMATION (CONTINUED)

Segment profit (loss) represents the net gain (loss) on financial assets at FVTPL including net gain (loss) on investments, the corresponding dividend income and other gains earned by each segment without allocation of central administrative expenses (including fees to China Merchants China Investment Management Limited (the "**Investment Manager**")), interest income on bank deposits and certain other gains. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment. No separate segment revenue (i.e. investment income) is disclosed as it had been presented in the computation of segment profit (loss).

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

	2019 ***US$***	2018 *US$*
Segment assets		
Financial services	**522,812,932**	406,212,808
Culture, media and consumption	**104,105,646**	152,030,035
Information technology	**76,518,883**	51,919,568
Total assets for reportable segments	**703,437,461**	610,162,411
Others	**26,340,987**	29,177,353
Unallocated	**64,254,412**	48,559,849
Consolidated assets	**794,032,860**	687,899,613
Segment liabilities		
Financial services	**87,975**	129,624
Culture, media and consumption	**437,920**	612,394
Information technology	**299,916**	218,821
Total liabilities for reportable segments	**825,811**	960,839
Others	**4,664,572**	4,716,874
Unallocated	**139,492,235**	107,166,732
Consolidated liabilities	**144,982,618**	112,844,445

8. SEGMENTAL INFORMATION (CONTINUED)

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments other than assets of non-reportable segments, certain other receivables and prepayments, cash and cash equivalents, and all liabilities are allocated to reportable segments other than liabilities of non-reportable segments, certain other payables, current and deferred tax liabilities.

During the year, the Group was principally involved in investing in companies with significant business involvement in the PRC, and hence no geographical information in relation to the investing activities is presented.

9. PROFIT (LOSS) BEFORE TAXATION

	2019 **US$**	2018 US$
Profit (loss) before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**184,249**	179,761
Net foreign exchange (gain) loss	**(70,548)**	344,106
Investment Manager's management fee (note 29 (a))	**11,032,351**	12,206,666
Directors' fees	**128,426**	127,686

10. DIRECTORS' EMOLUMENTS

The Group has no chief executives and the Directors' fees paid or payable to each of the 10 (2018: 11) Directors were as follows:

	2019 **US$**	2018 US$
Executive Directors:		
Mr. CHU Lap Lik, Victor (Note a)	**—**	—
Mr. WANG Xiaoding	**—**	—
Mr. TSE Yue Kit	**—**	—
Ms. KAN Ka Yee, Elizabeth (Alternate Director) (Note a)	**—**	—
Mr. HONG Xiaoyuan#	**N/A**	—
	—	—

10. DIRECTORS' EMOLUMENTS (CONTINUED)

	2019 US$	2018 US$
Non-executive Directors (Note b):		
Mr. ZHANG Jian*	—	—
Mr. ZHANG Rizhong	—	—
Mr. KE Shifeng	30,822	30,645
	30,822	30,645
Independent Non-executive Director and Chairman of the Audit Committee (Note b):		
Mr. TSANG Wah Kwong	35,960	35,751
Independent Non-executive Directors (Note b):		
Mr. LIU Baojie	30,822	30,645
Dr. LI Fang	30,822	30,645
	61,644	61,290
Total	128,426	127,686

* The Director was appointed during the year 2018.

\# The Director resigned during the year 2018.

Notes:

(a) Mr. CHU Lap Lik, Victor and Ms. KAN Ka Yee, Elizabeth have indirect beneficial interests in the Investment Manager which entered into an Investment Management Agreement with the Company on 18 October 2018 and became effective on 1 January 2019 and is for a fixed term of three years. The details of the existing investment management agreement can be referred to the circular dated 8 November 2018. The amount of management fee paid or accrued to the Investment Manager is disclosed in note 29 to the consolidated financial statements.

(b) The emoluments for Non-executive Director and Independent Non-executive Directors shown above were for their services as Directors of the Company.

(c) There was no arrangement under which the above Directors waived or agreed to waive any remuneration during the both years.

(d) There was no amount as inducement for the above Directors to join the Company and compensation for the loss of office as Directors in connection with the management of the affairs of the Group during the both years.

11. EMPLOYEES' EMOLUMENTS

The four (2018: four) highest paid individuals in the Group were all Directors of the Company and details of their emoluments are included in note 10 above.

12. TAXATION

The tax (charge) credit for the year comprises:

	2019 **US$**	2018 US$
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	**(173,958)**	(15,479,471)
Withholding tax for distributed earnings	**(985,578)**	(364,262)
Underprovision in prior year	**—**	(47,589)
Deferred taxation (note 22)		
Current year	**(33,386,827)**	34,136,814
Total	**(34,546,363)**	18,245,492

No provision for taxation in Hong Kong has been made as the Company and its subsidiaries do not have assessable profits for both years. PRC Enterprise Income Tax in the PRC is calculated at the rates prevailing in the relevant regions.

Under the Law of the PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries.

12. TAXATION (CONTINUED)

The tax (charge) credit for the year can be reconciled to the profit (loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 **US$**	2018 *US$*
Profit (loss) profit before taxation	**136,355,337**	(105,266,617)
Tax at the domestic income tax rate of 25% (2018: 25%) (Note)	**(34,088,834)**	26,316,654
Tax effect of expenses not deductible for tax purpose	**(3,008,057)**	(3,878,956)
Tax effect of income not taxable for tax purpose	**4,139,664**	4,214,013
Underprovision in prior year	**—**	(47,589)
Tax effect of tax losses/deductible temporary differences not recognised	**(94,448)**	(586,634)
Utilisation of tax losses previously not recognised	**706,743**	—
Utilisation of deductible temporary difference previously not recognised	**67,647**	—
Effect of different tax rates of the Company and its subsidiaries operating in other regions in the PRC	**1,908,101**	(3,230,485)
Withholding tax for undistributed earnings of PRC subsidiaries	**(3,845,576)**	4,804,954
Withholding tax for distributed earnings	**(985,578)**	(364,262)
Effect of different tax rates applied for deferred tax liability recogonised for the year	**738,475**	(9,709,495)
Others	**(84,500)**	727,292
Taxation	**(34,546,363)**	18,245,492

Note: The domestic tax rate (which is PRC Enterprise Income Tax rate applicable to the Company's major subsidiaries in the PRC) represents the tax rate in the jurisdiction where the investments of the Group are substantially located.

13. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of US$0.07 per share (2018: a final dividend of US$0.07 per share and special dividends of US$0.10 per share), totaling US$0.07 per share (2018: US$0.17), in an aggregate amount of US$10,663,311 (2018: US$25,896,613), in respect of the year ended 31 December 2019 (2018: year ended 31 December 2018) has been proposed by the Directors and are subject to approval by the shareholders at the forthcoming annual general meeting.

Final and special dividends of US$18,279,962 (2018: final dividend of US$9,139,981) for the year ended 31 December 2018 (2018: year ended 31 December 2017) were paid in cash on 25 July 2019 (2018: 26 July 2018) and a special interim dividend of US$7,616,651 for the year ended 31 December 2018 was paid in cash on 8 November 2018.

14. BASIC EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the following data:

	2019	2018
Profit (loss) for the purpose of basic earnings (loss) per share (US$)	**101,808,974**	(87,021,125)
Number of ordinary shares for the purpose of basic earnings (loss) per share	**152,333,013**	152,333,013
Basic earnings (loss) per share (US$)	**0.668**	(0.571)

No diluted earnings (loss) per share for the both years were presented as there were no potential ordinary shares outstanding at the both year ends.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 *US$*	2018 *US$*
Equity and debt securities at FVTPL:		
– listed equities in PRC (Note a)	**332,688,867**	234,086,665
– listed equity in HK (Note a)	**11,052,423**	13,650,121
– listed equities within lock-up period in PRC (Note a)	**4,540,862**	9,909,689
– listed equities on New Third Board (Note a)	**2,849,689**	2,243,852
– unlisted equities (Note b and c)	**299,285,422**	282,760,149
– unlisted participating preferred unit (Note b)	**14,630,000**	15,040,000
– unlisted debt investments (Note b)	**48,926,349**	76,519,700
Total	**713,973,612**	634,210,176
Analysed to reporting purposes as		
Current assets	**50,944,637**	55,058,638
Non-current assets	**663,028,975**	579,151,538
Total	**713,973,612**	634,210,176

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

Notes:

(a) The listed equity securities represent the Group's interest held in China Merchants Bank Co., Ltd., China Reinsurance (Group) Corporation, Iflytek Co., Ltd. and Oriental Pearl Media Co., Ltd. whose fair values are determined based on the quoted market bid prices available on the relevant exchanges. The listed equity securities within lock-up period represent the Group's interest held in Oriental Pearl Media Co., Ltd. subject to trading moratorium and whose fair values are determined based on the quoted market bid prices available on the Shanghai Stock Exchange and adjusted for lack of marketability due to their non-circulation. For equity securities listed on the New Third Board, namely Wuhan Rixin Technology Co., Ltd. and Xi'an Jinpower Electrical Co., Ltd., their fair values were arrived at by reference to the basis of valuation carried out by an independent valuer not connected with the Group. Determination of fair value is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability. Factors considered in determining the fair value of these investments include multiples of comparable companies listed on stock exchanges.

(b) As at 31 December 2019, fair values of unlisted equities and debt investments amounting to US$63,351,819 (2018: US$94,426,718) were arrived at by reference to their recent transaction prices or discounted cash flows. For other unlisted investments, their fair values were arrived at on the basis of valuations (including net asset value and investment cost) carried out by an independent valuer not connected with the Group. Determination of fair value is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability. Factors considered in determining the fair value of these investments include multiples of comparable companies listed on stock exchanges and/or latest available information about financial performance or financial position of investees.

(c) As at 31 December 2019, included in unlisted equities investments amounting to US$7,929,819 (2018: US$6,199,732) were investments in associates. The management considers that they are exempted from applying the equity method and are recognised as financial assets at FVTPL.

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

The following are the details of all investments with a value of more than 5% of the Group's total assets as at 31 December 2019 and 31 December 2018 and also details of ten largest investments of the Group.

For the year ended 31 December 2019

Name of investees	Description of the business	Proportion of investee's capital owned	Investment cost *US$ million*	Carrying value *US$ million*	Dividend/ distribution received during the year *US$ million*	% of the Group's net assets as at year end attributable to the investment
China Merchants Bank Co., Ltd.	Banking	0.22%	19.79	297	7.56	45.80%
China Credit Trust Co., Ltd.	Trust management	6.94%	50.49	176	6.31	27.06%
Rong Bao Zhai Culture Co., Ltd.	Artwork marketing	N/A	43.36	43	Nil	6.60%
Iflytek Co., Ltd.	Intelligent speech technology	0.31%	18.83	34	0.09	5.18%
China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Media investment	10.13%	0.00	33	3.66	5.14%
JIC Leasing Co., Ltd.	Finance leasing	6.46%	38.78	29	Nil	4.53%
NBA China, L.P.	Sports marketing	1% participating preferred unit	0.00	15	1.44	2.25%
China Reinsurance (Group) Corporation	Reinsurance	0.16%	19.31	11	0.27	1.70%
Anhui Iflytek Venture Capital LLP	Information technology investment	14.95%	8.36	10	0.59	1.51%
Pony AI Inc.	Autonomous driving	0.89%	8.61	9	Nil	1.33%

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

For the year ended 31 December 2018

Name of investees	Description of the business	Proportion of investee's capital owned	Investment cost *US$ million*	Carrying value *US$ million*	Dividend/ distribution received during the year *US$ million*	% of the Group's net assets as at year end attributable to the investment
China Merchants Bank Co., Ltd.	Banking	0.22%	19.79	202	6.95	35.23%
China Credit Trust Co., Ltd.	Trust management	6.94%	50.49	149	2.19	25.94%
China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Media investment	10.13%	0.00	42	1.70	7.22%
Rong Bao Zhai Culture Co., Ltd.	Artwork marketing	N/A	43.36	41	Nil	7.20%
Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd.	Travel	N/A	30.43	35	Nil	6.10%
JIC Leasing Co., Ltd.	Finance leasing	6.46%	38.78	28	Nil	4.82%
Iflytek Co., Ltd.	Intelligent speech technology	0.33%	18.83	24	0.07	4.25%
NBA China, L.P.	Sports marketing	1% participating preferred unit	0.00	15	0.50	2.62%
China Reinsurance (Group) Corporation	Reinsurance	0.16%	19.31	14	0.44	2.37%
Hwagain Group Co., Ltd.	Manufacture of printing paper & tissue paper	7.10%	19.00	13	Nil	2.19%

16. INVESTMENT DEPOSITS

A cash outlay for an investment in Anhui iFlytek Healthcare Information Technology Co., Ltd. ("**iFlytek Healthcare**") with an amount of RMB60 million (equivalent to approximately US$8.60 million) was made on 31 December 2019 and was classified as investment deposit at FVTPL as at the reporting date as the transfer of legal title of shareholding will be completed subsequent to the reporting date.

A cash of RMB44 million (equivalent to approximately US$6.31 million) was kept in an escrow account as partial consideration for an investment in a new financial services project as at 31 December 2019 and was classified as investment deposit at FVTPL as at the reporting date. The cash consideration will be released to the counterparty subject to satisfaction of pre-requisite conditions according to the share transfer agreement.

17. OTHER RECEIVABLES AND PREPAYMENTS

	2019	2018
	US$	*US$*
Dividend receivable	**897,007**	5,129,587
Interest receivable	**91,986**	106,748
Other receivables and prepayments	**19,392**	3,062
Total	**1,008,385**	5,239,397

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise current accounts, savings accounts and short-term bank deposits at fixed prevailing market interest rates.

Cash and cash equivalents held by subsidiaries in the PRC are subject to exchange control restrictions. The carrying amount of such balances in the consolidated financial statements as at 31 December 2019 was approximately of US$38.08 million (2018: US$20.04 million).

19. OTHER PAYABLES

Other payables mainly comprise management fee payable to the Investment Manager as disclosed in note 29 and business tax payable of US$19,607,487 (2018: US$19,607,487) arising from disposal of listed equity securities.

20. TAXATION PAYABLE

The taxation payable represents applicable PRC taxes calculated at the rates prevailing in the relevant regions mainly for the withholding tax on dividends declared by PRC subsidiary.

21. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

The financial liabilities designated at FVTPL as at 31 December 2019 were related to the sub-participation agreements (the "**Sub-participation Agreements**") entered into between the Company and the participants in respect of the investments by the Group in 北京銀廣通廣告有限公司 (Unibank Media Group Inc.), 武漢日新科技股份有限公司 (Wuhan Rixin Technology Co., Ltd.), 華人文化 (天津) 投資管理有限公司 (China Media (Tianjin) Investment Management Co., Ltd.), 深圳吉陽智能科技有限公司 (Shenzhen Geesun Intelligent Technology Co., Ltd.), 華人文化產業股權投資 (上海) 中心 (有限合夥) (China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)), 江蘇華爾石英材料股份有限公司 (Jiangsu Huaer Quartz Materials Co., Ltd.), 西安金源電氣股份有限公司 (Xi'an Jinpower Electrical Co., Ltd.), 遼寧振隆特產股份有限公司 (Liaoning Zhenlong Native Produce Holding Company Ltd.), 能通科技股份有限公司 (NTong Technology Co., Ltd.), 華勁集團股份有限公司 (Hwagain Group Co., Ltd.), 新疆承天農牧業發展股份有限公司 (Xinjiang Chengtian Agriculture & Animal Husbandry Development Co., Ltd.), 廣西新華幼兒教育投資有限公司 (Guangxi Xinhua Preschool Education Investment Corporation Limited), 東方明珠新媒體股份有限公司 (Oriental Pearl Media Co., Ltd.), 中建投租賃股份有限公司 (JIC Leasing Co., Ltd.), 中國再保險 (集團) 股份有限公司 (China Reinsurance (Group) Corporation), 雲南金瀾湄國際旅遊投資開發有限公司 (Yunnan Jinlanmei International Travel Investment Development Co., Ltd.), 科大訊飛股份有限公司 (Iflytek Co., Ltd.), 安徽科訊創業投資基金合夥企業 (有限合夥) (Anhui Iflytek Venture Capital LLP), 榮寶齋文化有限公司 (Rong Bao Zhai Culture Co., Ltd.), 青海省青海湖旅遊集團有限公司 (Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd.), 寧波梅山保稅港區將門創業投資中心 (有限合夥) (Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP), 中科寒武紀科技股份有限公司 (CAS Cambricon Techonology Co., Ltd.), Pony AI Inc., 深圳嵐鋒創視網絡科技有限公司 (Shenzhen Arashi Vision Co., Ltd.) and 安徽科大訊飛醫療信息技術有限公司 (Anhui iFlytek Healthcare Information Technology Co., Ltd.) (collectively referred to as the "**Project Companies**"). All above mentioned investments by the Group in the Project Companies are classified as financial assets at FVTPL categorised in Level 1 or Level 3. The classification and fair value of the Sub-participation Agreements are associated directly with these underlying investments and their valuation details are set out in note 5. As the Group considers that the Group's exposure to price risk of such financial liabilities is insignificant, no sensitivity analysis on price risk of such financial liabilities is presented. As at 31 December 2019 and 2018, the financial liabilities designated at FVTPL are classified as non-current liabilities and presented in the consolidated statement of financial position.

Pursuant to the Sub-participation Agreements, the participants will receive a portion of the return (in the form of dividends, interest, or other distributions or proceeds from realisation) from the Group's investment in the Project Companies that is proportional to the amount provided by the participants to the Group as a percentage of the total Group's investment in the Project Companies. If the Group suffers a loss from its investment in the Project Companies, the participants will correspondingly share a loss in the amount they provided to the Group on a pro rata basis. In general, the Sub-participation Agreements would be terminated upon the realisation of the Group's investment in the Project Companies. Details of the Sub-participation Agreements are disclosed in the section of Investment Manager's Discussion and Analysis and under the heading of Sub-participation Scheme.

22. DEFERRED TAXATION

The following is the deferred tax liability recognised by the Group and movements thereon during the current and prior years:

	Unrealised capital gains for investments (Note) US$	Undistributed earnings of PRC subsidiaries US$	Total US$
Balance at 1 January 2018	97,975,045	24,316,433	122,291,478
Credited to profit or loss for the year	(29,331,860)	(4,804,954)	(34,136,814)
Exchange differences	(3,468,197)	(1,165,652)	(4,633,849)
Balance at 31 December 2018	**65,174,988**	**18,345,827**	**83,520,815**
Charged to profit or loss for the year	**29,541,251**	**3,845,576**	**33,386,827**
Exchange differences	**(1,351,499)**	**(297,164)**	**(1,648,663)**
Balance at 31 December 2019	**93,364,740**	**21,894,239**	**115,258,979**

Note: Deferred taxation has been provided for in the consolidated financial statements in respect of the unrealised capital gains for investments based on the tax rate of capital gain tax in the PRC or local income tax rate in Hong Kong or the PRC, whichever is applicable.

At the end of the reporting period, the Group has unused tax losses of US$3.61 million (2018: US$6.08 million) available for offsetting against future profits. Included in unrecognised tax losses are losses of US$0.37 million (2018: US$2.85 million) that will expire in 2024. Other tax losses may be carried forward indefinitely.

No deferred tax asset has been recognised in relation to tax losses due to the unpredictability of future relevant taxable profit against which the tax losses can be utilised and deductible temporary difference is nil (2018: US$0.27 million).

23. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2019 US$	2018 US$
Non-current assets			
Investments in subsidiaries		**44,840,375**	45,030,660
Financial assets at fair value through profit or loss		**84,288,539**	71,567,869
Amounts due from subsidiaries		**49,707,072**	54,743,412
		178,835,986	171,341,941
Current assets			
Amounts due from subsidiaries		**55,986,283**	64,263,132
Other receivables and prepayments		**990,557**	2,382,690
Cash and cash equivalents		**22,549,438**	23,948,109
		79,526,278	90,593,931
Current liabilities			
Amounts due to subsidiaries		**12,380,881**	10,946,469
Other payables		**3,532,766**	3,565,898
Taxation payable		**1,266,388**	782,342
		17,180,035	15,294,709
Net current assets		**62,346,243**	75,299,222
Total assets less current liabilities		**241,182,229**	246,641,163
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss		**1,190,048**	1,306,574
Deferred taxation		**6,898,980**	5,626,913
		8,089,028	6,933,487
Net assets		**233,093,201**	239,707,676
Capital and reserves			
Share capital	24	**139,348,785**	139,348,785
Reserves	25	**93,744,416**	100,358,891
Equity attributable to owners of the Company		**233,093,201**	239,707,676

Mr. WANG Xiaoding
Director

Mr. TSE Yue Kit
Director

24. SHARE CAPITAL OF THE COMPANY

	Number of shares	*US$*
Issued and fully paid:		
At 1 January and 31 December 2018,		
1 January and 31 December 2019		
– Ordinary shares with no par value	**152,333,013**	**139,348,785**

25. RESERVES OF THE COMPANY

	Exchange reserve and retained profits *US$*
Balance at 1 January 2018	134,952,409
Loss for the year	(17,527,102)
Exchange difference	(309,784)
Total comprehensive expense for the year	(17,836,886)
2017 final dividend paid	(9,139,981)
2018 special interim dividend paid	(7,616,651)
Balance at 1 January 2019	**100,358,891**
Profit for the year	**12,856,619**
Exchange difference	**(1,191,132)**
Total comprehensive income for the year	**11,665,487**
2018 final and special dividends paid	**(18,279,962)**
Balance at 31 December 2019	**93,744,416**

26. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share at the end of the reporting period is based on the net assets of US$649,050,242 (2018: US$575,055,168) and 152,333,013 ordinary shares (2018: 152,333,013 ordinary shares) with no par value in issue at 31 December 2019.

27. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividend payable *US$*
At 1 January 2018	—
Dividend declared	16,756,632
Financing cash flow	(16,756,632)
At 31 December 2018	—
At 1 January 2019	**—**
Dividend declared	**18,279,962**
Financing cash flow	**(18,279,962)**
At 31 December 2019	**—**

28. COMMITMENTS

At the end of the reporting period, the Group had commitments as follows:

(a) On 29 April 2010, the Group entered into an agreement with, among others, China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership) ("**China Media Investment**"), pursuant to which the Group agreed to make a cash injection of RMB200 million (equivalent to approximately US$30.69 million) in total by installment into the capital of China Media Investment in return for approximately 10% interest in China Media Investment. In addition, the other investors agreed to make cash injections proportionate to their holdings. As at 31 December 2019, the Group has injected RMB158.66 million (equivalent to approximately US$24.76 million) (2018: RMB158.66 million, equivalent to approximately US$24.76 million) into China Media Investment and classified the investment as a financial asset at FVTPL under non-current assets.

(b) On 31 October 2014, the Group entered into a joint venture agreement in relation to Guangxi Xinhua Preschool Education Investment Corporation Limited ("**Xinhua Preschool Education**"), pursuant to which the Group agreed to make a capital contribution of RMB90 million (equivalent to approximately US$13.50 million) in total by installment into the capital of Xinhua Preschool Education in return for a 30% interest in Xinhua Preschool Education. As at 31 December 2019, the Group has injected RMB30 million (equivalent to approximately US$4.90 million) (2018: RMB30 million, equivalent to approximately US$4.90 million) into Xinhua Preschool Education and classified the investment as a financial asset at FVTPL under non-current assets.

(c) On 25 April 2016, the Group entered into a joint venture agreement in relation to Yunnan Jinlanmei International Travel Investment Development Co., Ltd. ("**Jinlanmei Travel**"), pursuant to which the Group agreed to make a capital contribution of RMB20 million (equivalent to approximately US$2.92 million) in total by installment into the capital of Jinlanmei Travel in return for a 20% interest in Jinlanmei Travel. As at 31 December 2019, the Group has injected RMB10 million (equivalent to approximately US$1.49 million) (2018: RMB10 million, equivalent to approximately US$1.49 million) into Jinlanmei Travel and classified the investment as a financial asset at FVTPL under non-current assets.

(d) On 6 December 2016, the Group entered into a partnership agreement in relation to Anhui Iflytek Venture Capital LLP ("**Iflytek Venture Capital**"), pursuant to which the Group agreed to make a capital contribution of RMB90 million (equivalent to approximately US$13.28 million) in total by installment into the capital of Iflytek Venture Capital in return for a 14.95% interest in Iflytek Venture Capital. As at 31 December 2019, the Group has injected RMB76.50 million (equivalent to approximately US$11.34 million) (2018: RMB63 million, equivalent to approximately US$9.35 million) into Iflytek Venture Capital and classified the investment as a financial asset at FVTPL under non-current assets.

(e) On 31 October 2019, the Group entered into an equity transfer agreement in relation to Shenzhen Arashi Vision Co., Ltd. ("**Arashi Vision**"), pursuant to which the Group agreed to pay a consideration of RMB10 million (equivalent to approximately US$1.43 million) for a 0.625% interest in Arashi Vision.

(f) On 4 December 2019, the Group entered into a share transfer agreement in relation to a new financial services project, pursuant to which the Group agreed to pay a consideration of RMB220 million (equivalent to approximately US$31.54 million), of which RMB44 million (equivalent to approximately US$6.31 million) was kept in an escrow account as disclosed in note 16, for a 0.17% interest in the project.

29. RELATED PARTY TRANSACTIONS

The Company has appointed the Investment Manager for managing both listed and unlisted investments. Certain Directors of the Company are also Directors and/or shareholders of the Investment Manager.

During the year, other than as disclosed elsewhere in the consolidated financial statements, the Group has incurred the following related party transactions:

(a) The Company paid or accrued to the Investment Manager management fees totaling US$11,032,351 (2018: US$12,206,666). The fee is calculated based on a fixed percentage on the value of the Group's adjusted assets on a quarterly basis as stipulated in the Investment Management Agreement (Note).

The amount due to the Investment Manager included in other payables in the consolidated statement of financial position as at 31 December 2019 was US$2,740,492 (2018: US$2,775,726). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(b) Securities brokerage commission fee totaling US$7,283 (2018: US$19,989) was paid to a subsidiary of a substantial shareholder of the Company who has significant influence over the Company.

(c) Pursuant to the Sub-participation Agreements, the financial liabilities of the Group with Mr. ZHANG Rizhong, Mr. WANG Xiaoding and Mr. TSE Yue Kit, who are Directors of both the Company and the Investment Manager, as at 31 December 2019, were US$19,938, US$231,276 and US$23,755, respectively (31 December 2018: US$11,531, US$240,737 and US$21,367, respectively). Moreover, the financial liability of the Group with Mr. LAW Hung Kuen, Janson, a Director of the Investment Manager, was US$21,225 (31 December 2018: US$12,085).

(d) Key management compensation and services are disclosed in notes 10, 29(a) and (b) to the consolidated financial statements.

Note: These related party transactions also constitute continuing connected transactions and are disclosed in accordance with Chapter 14A of the Listing Rules.

30. PARTICULARS OF SUBSIDIARIES

Particulars of all subsidiaries at 31 December 2019 and 2018, which are all wholly-owned by the Company, are as follows:

Name	Classes of shares held	Place of incorporation/ registration and operation	Principal activities	Issued and paid-up capital	Name of Directors
CMCDI Zhaoyuan Limited	Ordinary	BVI/PRC	Inactive	US$1 (Directly owned limited liability company)	Mr. WANG Xiaoding Mr. NG Chi Keung
China Merchants Industry Development (Shenzhen) Limited	Registered capital	PRC/PRC	Investment holding	US$10,000,000 (Directly owned & wholly-owned foreign enterprise)	Mr. WANG Xiaoding Mr. NG Chi Keung* Ms. HO Man Yi* Mr. TSE Yue Kit Mr. CHOI King Yin, Christopher Mr. CHU Lap Lik, Victor# Ms. KAN Ka Yee, Elizabeth#
Everich Dynamic Investments Limited	Ordinary	BVI/PRC	Inactive	US$1 (Directly owned limited liability company)	Mr. WANG Xiaoding Ms. HO Man Yi
Goshing Investment Limited	Ordinary	BVI/PRC	Investment holding	US$1 (Directly owned limited liability company)	Mr. WANG Xiaoding Mr. NG Chi Keung
Leadman Investment Limited	Ordinary	HK/HK	Inactive	HK$1 (Directly owned limited liability company)	Mr. WANG Xiaoding Mr. NG Chi Keung
Main Star Investment Limited	Ordinary	HK/HK	Investment holding	HK$40,000,000 (Directly owned limited liability company)	Mr. WANG Xiaoding Mr. NG Chi Keung
Ryan Pacific Limited	Ordinary	BVI/PRC	Inactive	US$1 (Directly owned limited liability company)	Mr. WANG Xiaoding Mr. NG Chi Keung
Star Group Limited	Ordinary	HK/HK	Investment holding	HK$2 (Directly owned limited liability company)	Mr. WANG Xiaoding Mr. NG Chi Keung

30. PARTICULARS OF SUBSIDIARIES (CONTINUED)

Name	Classes of shares held	Place of incorporation/ registration and operation	Principal activities	Issued and paid-up capital	Name of Directors
Shenzhen Tian Zheng Investment Co., Ltd.	Registered capital	PRC/PRC	Investment holding	RMB700,000,000 (Indirectly owned limited liability company)	Mr. WEI Pengchong** Mr. SHEN Qi##
Wisetech Limited	Ordinary	BVI/PRC	Investment holding	US$1 (Directly owned limited liability company)	Mr. WANG Xiaoding Ms. HO Man Yi
Xinjiang Tian Hong Equity Investment Co., Ltd.	Registered capital	PRC/PRC	Investment holding	RMB30,000,000 (Indirectly owned limited liability company)	Mr. WEI Pengchong** Mr. SHEN Qi##

None of the subsidiaries had any debt securities subsisting at 31 December 2019 and 2018 or at any time during the year.

* The Director was appointed during the year 2019.

** The Director was appointed during the year 2018.

\# The Director resigned during the year 2019.

\#\# The Director resigned during the year 2018.

31. CAPITAL RISK MANAGEMENT

The Group manages the capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group is equity attributable to owners of the Company, comprising share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

The Directors review the capital structure by considering the cost of capital and the risks associated with capital. In view of this, the Group will balance its overall capital structure through new shares issues as well as the issue of new debt. The Group's overall strategy remains unchanged throughout the year.

32. SUBSEQUENT EVENTS AFTER REPORTING PERIOD

(a) On 27 February 2020, the transfer of a 3% equity interest in iFlytek Healthcare was duly completed.

(b) The Group primarily invests directly in investment projects in the PRC, mostly for long-term. The Group has made an assessment on the outbreak of novel coronavirus, and considers that as the Group has a relatively strong liquidity, the epidemic should not have a material impact on the Group's financial stability. However, various asset price risks, arising from volatility in the capital markets, will result in the fluctuation of fair value with respect to the investment projects held by the Group. It, in turn, will cause fluctuation in the net asset value of the Group.

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2015	2016	2017	2018	**2019**
	US$	*US$*	*US$*	*US$*	***US$***
Net gain (loss) on financial assets at fair value through profit or loss	31,492,599	(35,548,107)	174,206,045	(111,123,083)	**131,848,627**
Investment income	40,939,324	25,999,558	15,207,807	18,884,552	**15,528,387**
Profit (loss) from operations	58,251,266	(21,739,378)	168,834,048	(105,266,617)	**136,355,337**
Taxation	(12,012,654)	6,141,714	(50,931,214)	18,245,492	**(34,546,363)**
Profit (loss) attributable to owners of the Company	46,238,612	(15,597,664)	117,902,834	(87,021,125)	**101,808,974**
Basic earnings (loss) per share	0.304	(0.102)	0.774	(0.571)	**0.668**
Dividend per share					
– Final	0.06	0.06	0.06	0.07	**0.07**
– Special	0.09	—	—	0.10	**—**
– Total	0.15	0.06	0.06	0.17	**0.07**

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2015	2016	2017	2018	**2019**
	US$	*US$*	*US$*	*US$*	***US$***
Total assets	780,266,541	687,821,249	872,826,995	687,899,613	**794,032,860**
Total liabilities	(144,939,043)	(126,505,804)	(167,200,881)	(112,844,445)	**(144,982,618)**
Net assets	635,327,498	561,315,445	705,626,114	575,055,168	**649,050,242**
Net asset value per share	4.171	3.685	4.632	3.775	**4.261**