China Merchants China Direct Investments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

CREATING VALUE IN

CHINA

ANNUAL REPORT 2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

INVESTMENT COMMITTEE

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

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
Registered Public Interest Entity Auditor
35/F, One Pacific Place,
88 Queensway,
Hong Kong

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 2020 amounted to US$775.43 million, representing an increase of 19.47% compared to US$649.05 million in 2019. The net asset value per share was US$5.090, representing the same percentage increase of 19.47% compared to US$4.261 in 2019. The Group's audited consolidated profit after taxation for 2020 was US$89.79 million, representing a decrease of 11.81% compared to an audited consolidated profit after taxation of US$101.81 million for last year.

The Board has recommended the payment of a final dividend of US$0.07 per share for the year 2020, the same as last year. In addition, a special dividend of US$0.01 per share will be proposed, while no special dividend was distributed last year. As there were no interim dividends during 2020, total dividends payable for the year 2020 were US$0.08 per share, compared to US$0.07 per share last year, representing an increase of 14.29%.

In 2020, amid the impact of the trade protectionism and the novel coronavirus (COVID-19) pandemic, the World Bank estimated that the US economy would drop by 3.6%, that the overall economy of the Eurozone countries would decrease by 7.4%, and that Japan's economy would decline by 5.3%, while China became the only major economy in the world to record positive growth. China's Gross Domestic Product (GDP) growth in 2020 was 2.3%, and the GDP growth rates were -6.8%, 3.2%, 4.9% and 6.5% for the first, second, third and fourth quarter, respectively, showing a signs of a continuing recovery in the economy. According to a preliminary report by the National Bureau of Statistics, China's gross GDP for 2020 exceeded RMB100 trillion for the first time, reaching RMB101.6 trillion. Investment became the major driving force for economic growth and gross capital formation drove GDP to increase by 2.2 percentage points in 2020. In contrast to investment demand, consumption was more significantly affected by the pandemic, and total annual consumption expenditures led to a decrease in GDP of 0.5 percentage points, while the net export of goods and services boosted GDP by 0.7 percentage points. Furthermore, the Consumer Price Index of China for 2020 rose by 2.5%, representing a decrease of 0.4 percentage points as compared to the growth rate last year.

In 2020, the A shares market of China recovered strongly, following a period of weakness early in the year. The SSE Composite Index declined in the beginning of the year and fell to 2647 points at its lowest level of the year on 19 March 2020, then staged a strong, but volatile, recovery. It finally closed at 3473 points at the end of 2020, representing an increase of 13.87% as compared to the end of 2019. In 2020, the Hong Kong stock market generally experienced a downward trend early in the year, followed by a period of volatility, then finally a rally late in the year. The Hang Seng Index dropped in the beginning of the year, and decreased to 21139 points at its lowest level of the year on 19 March 2020, and then fluctuated between 23000 and 26000 points for many months after that. It finally began to recover in November, and eventually closed at 27231 points at the end of 2020, representing a decrease of only 3.40% as compared to the end of 2019.

At the end of 2020, the Group's total holdings in investment projects amounted to US$909.27 million (US$713.97 million at the end of 2019), accounting for 93.58% of the Group's total asset value and representing an increase of US$195.30 million. This was largely due to a net increase in the fair value of investment projects as well as an increase in the Renminbi exchange rate. Meanwhile, cash and cash equivalents were US$60.36 million, accounting for 6.21% of the total asset value of the Group.

In 2020, the Investment Manager actively sought new investment opportunities, with intensive due diligence and the screening of many prospects. Consequently, the Group completed direct investments in five new projects, across a range of industries that included financial payment, information technology and pharmaceutical—namely, China UnionPay Co., Ltd., Anhui iFlytek Healthcare Information Technology Co., Ltd., CASREV FUND III-RMB L.P., Nanning Huiyou Xingyao Equity Investment Fund L.P. and Flexiv Ltd. The amount invested in the above projects, both completed and committed, was US$55.95 million in total.

In 2020, the Group decided to exit from two direct investment projects due to the future prospects of the projects being less than expected. Therefore, the Group sold all of its equity interest in Jiangsu Huaer Quartz Materials Co., Ltd. and, in addition, transferred all of its equity interest in Guangxi Xinhua Preschool Education Investment Corporation Limited to the project's major shareholder. The net proceeds of the above projects were US$5.78 million in total.

Looking ahead to 2021, there will be challenges as well as opportunities. The World Bank anticipates that the global economy in 2021 may rise by 4%, following the sharp decline caused by the novel coronavirus pandemic last year. However, this outlook remains lower than the 4.2% previously forecasted last June. The downside risks include the possibility of a reoccurrence of the pandemic, a delay in vaccinations, or greater-than-expected collateral damage to the broader economy as a result of the pandemic. It is expected that the weak recovery of US economy may develop into a more stable and stronger recovery as the new administration takes office and as vaccines become more widely available—to be followed, potentially, by a strong recovery once the impact of the pandemic has been eliminated. With respect to China, there are three underlying factors that may continue to support the steady recovery of the economy. The first is the gradual introduction of favourable policies as part of the "14th Five-Year" plan, with a strong focus on technological innovation, industry upgrades and the reform of factor markets. The second is an improvement in the corporate profits driven by a transition from passive destocking to active restocking. And the third is the expansion of global trade, promoted by the weakening of the US dollar which further drives China's import and export trade. Although we expect that various asset price risks, arising from slowing growth in the global economy (including China) in medium- to long-term 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, with the Board, will continue to give our best effort in leading the Group as we seek to create value for shareholders in the coming year.

Mr. ZHANG Jian
Chairman

Hong Kong, 29 March 2021


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$89.79 million for the year ended 31 December 2020, compared to a profit attributable to equity shareholders of US$101.81 million for last year, representing a decrease of US$12.02 million or 11.81%—with the profit decrease largely attributable to a smaller gain in the overall value of the financial assets at fair value through profit or loss (the "**Financial Assets**") and to an increase in administrative expenses. As of 31 December 2020, the net assets of the Fund were US$775.43 million (31 December 2019: US$649.05 million), with a net asset value per share of US$5.090 (31 December 2019: US$4.261).

The net gain on the Financial Assets for the year was US$126.20 million, compared to a net gain of US$131.85 million for last year, representing a decrease of 4.29%. The listed and unlisted investments recorded net gains of US$61.82 million and US$64.38 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 increased by 3.73% to US$16.11 million (2019: US$15.53 million) as compared to last year, due mainly to an increase in dividend income from investments.

ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In 2020, the Fund continued to seek out and rigorously evaluate investment opportunities. During the year, the Fund made new investments in the financial payment, information technology and pharmaceutical industries. The new direct investments completed include the following:

On 4 December 2019, the Fund entered into a share transfer agreement and other relevant agreements in relation to China UnionPay Co., Ltd. ("**China UnionPay**"), pursuant to which the Fund agreed to acquire a 0.17% equity interest in China UnionPay from an existing shareholder at a price of RMB220 million. The Fund remitted the consideration of RMB220 million (equivalent to US$31.12 million) on 27 April 2020 and the equity transfer was duly completed on 1 June 2020. China UnionPay is a leading enterprise in the financial payment industry.

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.

On 4 September 2020, the Fund entered into a partnership agreement and other relevant agreements in relation to CASRF Fund L.P. ("**CASRF Fund**"), pursuant to which the Fund agreed to contribute capital of RMB50 million in total by installment to CASRF Fund, to be used for an investment in CASREV FUND III-RMB L.P. ("**CASREV Fund III**"), indirectly representing 1.11% of the current paid-in capital of RMB4,500 million of CASREV Fund III. As of 31 December 2020, the Fund had completed its capital contribution of RMB25 million (equivalent to US$3.75 million) in aggregate. The major investment targets of CASREV Fund III include enterprises related to smart manufacturing, smart products and services, big data and cloud computing, AI, Internet of Things (IoT), blockchain, biological engineering, chips and sensors, operating system, kernel modules, communication networks, materials, and other emerging technologies.

ACQUISITIONS AND DISPOSALS OF INVESTMENTS (CONTINUED)

On 24 September 2020, the Fund entered into a partnership agreement in relation to Nanning Huiyou Xingyao Equity Investment Fund L.P. ("**Huiyou Xingyao Fund**"), pursuant to which the Fund agreed to contribute capital of RMB24 million in total by installment to Huiyou Xingyao Fund, representing 21.24% of the paid-in capital of RMB113 million of Huiyou Xingyao Fund. The Fund completed the first capital contribution of RMB16.31 million (equivalent to US$2.47 million) on 16 November 2020. Huiyou Xingyao Fund is a single-project equity investment fund, making equity investments solely in Wuhan YZY Biopharma Co., Ltd. ("**YZY Biopharma**"). YZY Biopharma is a pharmaceutical company with a bispecific antibody platform and related biopharmaceutical research and development capabilities.

On 14 December 2020, the Fund entered into a preferred share purchase agreement and other relevant agreements in relation to Flexiv Ltd. ("**Flexiv**"), pursuant to which the Fund agreed to contribute capital of US$5 million to Flexiv to acquire a 1.67% equity interest in Flexiv upon completion of capital increase. The Fund completed its capital contribution of US$5 million on 24 December 2020. Flexiv is a technology company that focuses on the development and application of adaptive robots.

In addition, the Fund exited from two direct investment projects and traded a stock on the secondary market during the year.

On 26 May 2020, the Fund entered into an equity transfer agreement in relation to Jiangsu Huaer Quartz Materials Co., Ltd. ("**Jiangsu Huaer**"), pursuant to which the Fund agreed to transfer its entire 7.50% equity interest in Jiangsu Huaer to an assignee designated by the de facto controlling shareholder of Jiangsu Huaer at a price of RMB1.96 million. The Fund received the full transfer price of RMB1.96 million (equivalent to US$0.27 million) on 28 May 2020. The pre-tax internal rate of return to the Fund from Jiangsu Huaer was negative 18.91%.

The Fund, upon negotiation, invoked a repurchase provision and entered into an equity repurchase agreement in relation to Guangxi Xinhua Preschool Education Investment Corporation Limited ("**Xinhua Preschool Education**") on 18 December 2020, whereby the Fund agreed to transfer its entire 30% equity interest in Xinhua Preschool Education to the major shareholder of Xinhua Preschool Education at a price of RMB36 million. The Fund received the full repurchase price of RMB36 million (equivalent to US$5.51 million) on 18 December 2020. The pre-tax internal rate of return to the Fund from Xinhua Preschool Education was 1.99%.

During the month of January 2020, the Fund acquired 14.46 million shares of Beijing Energy International Holding Co., Ltd. ("**Beijing Energy International**", formerly Panda Green Energy Group Limited) at an average price of HK$0.241 per share on the Hong Kong secondary stock market, for an aggregate invested amount of HK$3.49 million (equivalent to US$0.45 million). During the period of November to December 2020, the Fund disposed of its entire holding of 14.46 million shares of Beijing Energy International for net proceeds of HK$4.00 million (equivalent to US$0.52 million). The pre-tax internal rate of return to the Fund from Beijing Energy International was 16.90%.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND COMMITMENTS

The Fund's cash and cash equivalents decreased by 5.89%, from US$64.14 million at the end of last year to US$60.36 million (representing 6.21% of the Fund's total assets) as of 31 December 2020, due mainly to the investment payments made to the projects greater than the funds received from the projects.

As of 31 December 2020, the Fund had no outstanding bank loans (31 December 2019: Nil).

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND COMMITMENTS (CONTINUED)

As of 31 December 2020, the Fund had commitments of US$5.01 million (31 December 2019: US$44.56 million) for investments that were approved but not yet provided for in the financial statements—specifically, for future payments related to investments in CASREV Fund III and Huiyou Xingyao Fund.

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 an increase of 6.47% in 2020, which had a favourable 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.

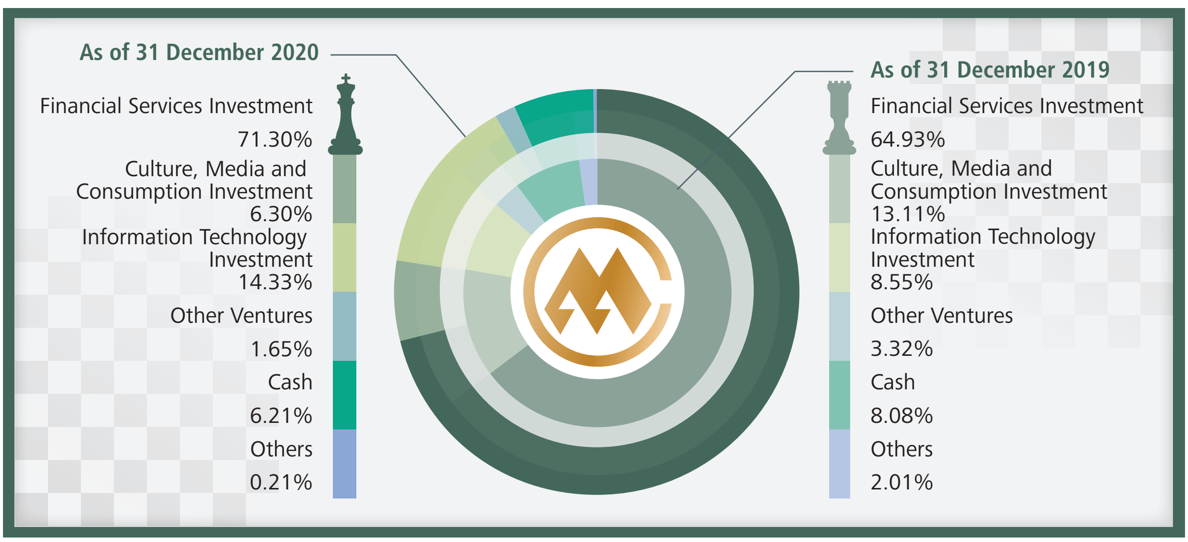
EMPLOYEES

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 2020, the Fund's total investments amounted to US$909.27 million. The sector distribution of investments was US$692.65 million in financial services (representing 71.30% of the Fund's total assets), US$61.13 million in culture, media and consumption (6.30%), US$139.29 million in information technology (14.33%), and US$16.20 million in other ventures (including manufacturing, energy and resources, and pharmaceutical, etc.) (1.65%). In addition, cash and cash equivalents were US$60.36 million, representing 6.21% of the Fund's total assets as of 31 December 2020.

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 2020:

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	372	38.26	47.94
#2. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	216	22.22	27.84
#3. JIC Leasing Co., Ltd.	Beijing	Finance leasing	Unlisted	50	5.11	6.40
4. China Reinsurance (Group) Corporation	Beijing	Reinsurance	Hong Kong Stock Exchange	7	0.71	0.88
#5. China UnionPay Co., Ltd.	Shanghai	Financial payment	Unlisted	47	4.86	6.09
6. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	1	0.14	0.17
			Sub-total:	**693**	**71.30**	**89.32**
Culture, Media & Consumption:						
#7. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	28	2.86	3.58
8. NBA China, L.P.	Beijing	Sports marketing	Unlisted	3	0.31	0.38
9. Oriental Pearl Media Co., Ltd.	Shanghai	Multimedia	Shanghai Stock Exchange	2	0.22	0.27
10. Yunnan Jinlanmei International Travel Investment Development Co., Ltd.	Xishuangbanna, Yunnan	Travel	Unlisted	1	0.07	0.09
#11. Rong Bao Zhai Culture Co., Ltd.	Beijing	Artwork marketing	Unlisted	22	2.27	2.85
12. Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd.	Xining, Qinghai	Travel	Unlisted	5	0.57	0.71
			Sub-total:	**61**	**6.30**	**7.88**

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	0.11
14. Anhui Iflytek Venture Capital LLP	Hefei, Anhui	Information technology investment	Unlisted	12	1.27	1.59
#15. Iflytek Co., Ltd.	Hefei, Anhui	Intelligent speech technology	Shenzhen Stock Exchange	43	4.39	5.50
16. Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP	Beijing	Information technology investment	Unlisted	5	0.50	0.63
#17. Cambricon Technologies Corporation Limited	Beijing	Artificial intelligence chips	SSE STAR Market	17	1.72	2.16
#18. Pony AI Inc.	Fremont, California	Autonomous driving	Unlisted	35	3.62	4.54
19. Arashi Vision Inc.	Shenzhen, Guangdong	360-degree video products	Unlisted	3	0.34	0.42
#20. Anhui iFlytek Healthcare Information Technology Co., Ltd.	Hefei, Anhui	Artificial intelligence medical	Unlisted	14	1.50	1.88
21. CASREV FUND III-RMB L.P.	Beijing	Technology & medical investment	Unlisted	4	0.39	0.49
22. Flexiv Ltd.	Shanghai	Adaptive robots	Unlisted	5	0.51	0.64
			Sub-total:	**139**	**14.33**	**17.96**
Others:						
(i) Manufacturing:						
23. Shenzhen Geesun Intelligent Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	0	0.03	0.04
24. Hwagain Group Co., Ltd.	Nanning, Guangxi	Printing paper & tissue paper	Unlisted	6	0.65	0.82
(ii) Energy & Resources:						
25. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	New Third Board Note	3	0.24	0.31
(iii) Pharmaceutical:						
26. Nanning Huiyou Xingyao Equity Investment Fund L.P.	Nanning, Guangxi	Biopharmaceutical investment	Unlisted	3	0.26	0.32
			Sub-total:	**12**	**1.18**	**1.49**
			Total:	**905**	**93.11**	**116.65**

\# ***Ten largest investments of the Fund as of 31 December 2020***

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 2020, 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 2020, the Fund received a cash dividend of RMB66.24 million from CMB for 2019.

As of the end of 2020, the carrying value of the Fund's interest in CMB was US$371.70 million, representing an increase of 25.01% over US$297.34 million at the end of last year. The Fund's unrealised gain attributable to its investment in CMB for 2020 was US$50.88 million, down 48.60% year-over-year.

On 20 March 2021, CMB announced that its audited net profit for 2020 was RMB97.3 billion, up 4.82% year-over-year.

On 23 June 2020, CMB's capital plan targets for 2020-2022 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 reach and be maintained at levels greater than 9.5%, 10.5% and 12.5%, respectively. On 9 July 2020, with the consent of both the China Banking and Insurance Regulatory Commission (the "**CBIRC**") and the People's Bank of China, CMB completed the issuance of write-down undated capital bonds of RMB50 billion, which will be used to replenish its 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 any loss by means of a write-down, whether in whole or in part.

On 2 December 2020, CMB was awarded "Bank of the Year in China for 2020" as part of the "Bank of the Year Awards 2020," published by The Banker magazine. This is the second time that CMB has won this prize since 2016, reflecting widespread recognition by the international media for the bank's strong overall competitive position and outstanding performance in a complex economic environment.

On 12 December 2020, CMB announced that it had received approval from the CBIRC to jointly establish China Merchants Tuopu Bank Co., Ltd. with Wangyin Online (Beijing) Business Service Co., Ltd., a company under the JD Group, in Shanghai. It is the second independent legal entity operating as a direct sales bank to be approved in China. 70% of its capital will be contributed by CMB. The direct sales bank serves customers primarily via digital technologies. As such, it relies on the Internet or mobile Internet, rather than on physical branch offices.

In 2020, 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 2020, the Fund held a 6.94% equity interest in CCT, with a total investment cost of US$50.49 million. In June 2020, CCT declared a cash dividend for 2019, and the Fund is entitled to receive a total of US$1.47 million (pre-tax) from CCT.

As of the end of 2020, the carrying value of the Fund's interest in CCT was US$215.90 million, representing an increase of 22.91% over US$175.66 million at the end of last year. The Fund's unrealised gain attributable to its investment in CCT for 2020 was US$26.56 million, down 9.07% year-over-year.

For 2020, CCT recorded an unaudited net profit of RMB1,016 million, up 4.19% year-over-year. During the year, the company recorded a decrease in income from commissions and handling fees, as well as interest income, compared to last year. In addition, the loss due to asset impairment for the year rose, but investment income and the gain on change in fair value saw increases as well, compared to last year. In response to stronger regulation from regulatory bodies and a requirement to downsize the channel business, the total amount of CCT's trust assets declined as compared to last year, while income from commissions and handling fees decreased only marginally, due to a significant increase in the amount of CCT's actively managed trust assets. As a result of these changes, CCT saw a sizeable increase in actively managed trusts as a percentage of its total trust assets, as CCT continues to optimise its business mix.

Currently, among its traditional businesses, the real estate trust business is the primary source of income and profit for CCT, while the inter-financial institution business and securitised asset business also contribute to a certain extent. CCT has been striving to optimise its revenue structure. Over the past few years, CCT has successfully increased its income from the trust business as a percentage of total income, and from the actively managed trust business in particular. In order to ensure the on-going development of the company, CCT has steadily pushed ahead with innovative transformations and has continued to develop new lines of business such as trust services for standardised products, small and micro finance, securitised assets and international business, all with encouraging results. CCT is gradually developing its trust partnership in terms of insurance funds with the PICC Group, its single largest shareholder.

It is learnt that the CBIRC has continued to strengthen its regulation of real estate financing, and has further required that real estate trusts managed by trust companies may not grow beyond their size as of 31 December 2019. In addition, regulatory authorities continue to strengthen the financing restrictions that have been placed on real estate industry. For instance, "Limits for Three Financial Ratios" policy was launched in late August 2020, so as to set forth an explicit requirement for three financial ratios to be reported by real estate enterprises and, furthermore, to tie them to the growth rate of their interest-bearing debts. In addition, in late December 2020, a policy was enacted to restrict the centralisation of real estate loans by financial institutions in banking industry. These measures will continue to have a negative impact on the development of CCT's real estate trust business and have increased the urgency to pursue the development of new lines of business.

On 27 November 2020, a proposal for conversion of its capital reserves into registered capital was approved at the shareholders meeting of CCT, under which the registered capital will be increased from RMB2,457 million to RMB4,850 million. The proposal is still subject to approval by regulatory authorities. Once the proposal is put into effect, the Fund's shareholding in CCT will remain unchanged.

REVIEW OF INVESTMENTS (CONTINUED)

In July 2020, CCT won the "Innovation Leadership Award" and "Best Asset Securitisation Trust Product Award" at the 13th "Credit Trust" Awards hosted by the Shanghai Securities News. In December 2020, CCT was awarded "The Most Competitive Trust Company of the Year Award" by the Financial Times.

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. In September 2020, following the completion of a capital increase of RMB1,489 million by its major shareholder, the equity interest of JIC Leasing held by the Fund was diluted to 4.98%.

As of the end of 2020, the carrying value of the Fund's interest in JIC Leasing was US$49.66 million, representing an increase of 68.91% over US$29.40 million at the end of last year. The Fund's unrealised gain attributable to its investment in JIC Leasing for 2020 was US$17.24 million, up 705.61% year-over-year.

In 2020, facing a complicated economic situation both at home and abroad, caused by the novel coronavirus pandemic, along with a highly competitive market environment, JIC Leasing maintained a strategic focus on its business, adopted various regulatory requirements, adhered to the necessities of risk management and, in the end, carried out its mission and met its objectives for the year. The unaudited net profit of JIC Leasing for 2020 decreased somewhat 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 2020, JIC Leasing remained in communication with the CSRC and local finance bureau during the year, completed an update to its IPO application materials as scheduled, and eventually obtained a "Regulatory Opinion on Consent to Listing" from the Beijing Finance Bureau. As of 31 December 2020, it was sixth in the queue for review of its listing application for the Main Board of the Shanghai Stock Exchange.

JIC Leasing received multiple recognitions during 2020, including "Finance Leasing Company of the Year in China for 2020", "Leading Enterprise for Science and Technology Leasing" and "Beijing Integrity Building Enterprise."

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 2020, 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 2020, the Fund received a cash dividend (net of tax) of HK$2.91 million from China Re for 2019.

As of the end of 2020, the carrying value of the Fund's interest in China Re was US$6.85 million, representing a decrease of 38.01% from the value at the end of last year of US$11.05 million.

REVIEW OF INVESTMENTS (CONTINUED)

On 29 October 2020, China Re announced that the unaudited net profit for its insurance business for the first three quarters of 2020 was RMB6.20 billion, up 37.26% year-over-year.

On 9 December 2020, China Re announced that its subsidiary, China Property and Casualty Reinsurance Co., Ltd. ("**China Re P&C**"), had successfully issued capital supplementary bonds in the nation's inter-bank bond market, with a principal amount of RMB4 billion. The funds raised by the issuance of the capital supplementary bonds will be used to supplement the capital of China Re P&C in accordance with applicable laws and approval by regulatory authorities so as to improve its solvency and support the sustainable and steady development of its business.

China UnionPay Co., Ltd. ("China UnionPay") was established in March 2002, with its headquarters in Shanghai. It is a leading enterprise in the financial payment industry and is responsible for the construction and operation of a nationwide unified inter-bank information exchange network for bank cards, the provision of professional services related to inter-bank information exchange for bank cards, the management and operation of the "UnionPay" brand name, and the formulation of business specifications and technical standards for inter-bank transactions for bank cards. The Fund invested RMB220 million (equivalent to US$31.12 million) in June 2020 for a 0.17% equity interest in China UnionPay. In December 2020, the Fund received a cash dividend of RMB0.90 million from China UnionPay for 2019.

As of the end of 2020, the carrying value of the Fund's interest in China UnionPay was US$47.19 million. The Fund's unrealised gain attributable to its investment in China UnionPay for 2020 was US$12.74 million.

China UnionPay was recognised as a "High-tech Enterprise" for several consecutive years and the UnionPay E-commerce and E-Payment National Engineering Laboratory is currently the only national engineering laboratory in the finance industry in China, which undertakes a series of national-level key scientific research projects such as national cloud computing demonstration project and national science and technology support plan.

In August 2020, China UnionPay announced that users of its Mobile QuickPass APP had exceeded 300 million. In the same month, China UnionPay's subsidiary, UnionPay International Co., Ltd., announced that it had partnered with livi bank, a virtual bank in Hong Kong, to issue UnionPay virtual debit cards. It is the first time that a virtual bank in Hong Kong has issued UnionPay cards.

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. In June 2020, the Fund received a cash dividend of RMB10.45 million from China Media Management.

As of the end of 2020, the carrying value of the Fund's interest in China Media Management was US$1.35 million, representing a decrease of 37.50% from the value at the end of last year of US$2.16 million.

REVIEW OF INVESTMENTS (CONTINUED)

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 three projects, including Star China.

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.

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 2020, 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. China Media Investment is currently in the late stages of its investment exit period, and the Fund has received confirmation that no further capital contribution shall be required.

Through the end of December 2020, the Fund has actually received a total cash distributions of RMB237 million from China Media Investment, representing approximately 149% of the cumulative actual amount invested by the Fund.

As of the end of 2020, the carrying value of the Fund's interest in China Media Investment was US$27.79 million, representing a decrease of 16.80% from the value at the end of last year of US$33.40 million.

As of the end of 2020, the unaudited net asset value of China Media Investment was RMB1.813 billion, representing a decrease of 7.92% compared to an audited net asset value as of the end of last year.

Through the end of December 2020, 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 Beijing Weiying Technology Co., Ltd. ("**Weiying**"). Of these, Shanghai Canxing Culture Media Co., Ltd., the domestic operating entity of Star China, had submitted the materials to apply for an IPO with the CSRC by the end of December 2018 and updated its prospectus online on 30 December 2020. Next, with respect to the exit from Oriental DreamWorks, China Media Investment transferred part of its equity interest in Oriental DreamWorks to CMC Inc. in December 2019 and the transaction was duly completed in the first quarter of 2020. The consideration for the equity transfer was also distributed to the limited partners in April 2020. Lastly, a plan for the disposal of the equity interest in Weiying is now being implementing.

REVIEW OF INVESTMENTS (CONTINUED)

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 2020, the Fund held a 1% partnership interest in NBA China. The Fund received total cash distributions from NBA China of US$1.83 million in January and February 2020, and of US$0.485 million in January 2021, respectively.

As of the end of 2020, the carrying value of the Fund's interest in NBA China was US$2.98 million, representing a decrease of 79.63% from the value at the end of last year of US$14.63 million.

On 11 March 2020, due to the outbreak of novel coronavirus, NBA announced a temporary suspension of the NBA season, then completed the season between 30 July 2020 and October 2020, while postponing new NBA season to the end of December 2020.

On 12 May 2020, the NBA announced that Mr. Michael Ma was appointed as the chief executive officer of NBA China as of 1 June 2020. Mr. Michael Ma is senior management with outstanding achievements in the sports and entertainment industry. He has extensive experience in the building and management of international media brands and previously worked with the NBA for over 10 years.

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, a policy that lasted until early October 2020. However, the broadcasting resumed for the last two finals of NBA during 10-12 October. The online platform Tencent Sports also suspended the broadcast of NBA preseason games (China) in October 2019, and the broadcast of NBA games has now resumed.

On 6 November 2020, NBA China and Jack & Jones (a leading brand of European casual menswear) announced that they had entered into a new partnership, and that Jack & Jones would become an official licensee of NBA China. It will launch a new line of co-branded products, including fashion apparel and accessories, such as T-shirts, jackets, hoodies, backpacks and hats, to be sold in over 2,000 stores—including Jack & Jones stores, the NBA Beijing flagship store, and the NBA Guangzhou flagship store, as well as through a range of e-commerce platforms in China.

REVIEW OF INVESTMENTS (CONTINUED)

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. 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. Subsequently, 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. In October 2020, the partnership entity that held shares of Oriental Pearl for the Fund dissolved due to end of its business license, and the Fund becomes the direct holder of those shares. During the period of November to December 2020, the Fund sold a total of 3.27 million A shares of Oriental Pearl for net proceeds of RMB31.16 million (equivalent to US$4.74 million). As of 31 December 2020, the Fund still held 1.54 million A shares of Oriental Pearl, accounting for 0.045% of the issued share capital of Oriental Pearl. The Fund will continue to sell the remaining shares at an appropriate time.

As of the end of 2020, the carrying value of the Fund's interest in Oriental Pearl was US$2.11 million, representing a decrease of 66.35% from the value at the end of last year of US$6.27 million.

On 29 October 2020, Oriental Pearl announced that its unaudited net profit for the first three quarters of 2020 was RMB1.31 billion, up 1.01% year-over-year.

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., among others, with stakes of 20% and 35%, respectively. In October 2016, the Fund completed the capital contribution of RMB10 million (equivalent to US$1.49 million) to Jinlanmei Travel.

As of the end of 2020, the carrying value of the Fund's interest in Jinlanmei Travel was US$0.69 million, representing a decrease of 18.82% from the value at the end of last year of US$0.85 million.

Jinlanmei Travel faced some challenges during 2020 that have hindered its growth to some extent. First, the number of tourists visiting Xishuangbanna has decreased significantly, due largely to the outbreak of novel coronavirus. Then, in addition, travel is being limited to once per week throughout 2020 due to new regulations affecting certain navigation channels in the Lancang River. In response, the company has been taking steps to manage risks posed by the pandemic, while investing in its marketing programs and expanding its business offerings into the field of wedding photography, in an effort to broaden its customer base and develop new revenue streams for the company.

REVIEW OF INVESTMENTS (CONTINUED)

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 2020, the carrying value of the Fund's debt in Rong Bao Zhai Culture was US$22.08 million, representing a decrease of 48.51% from the value at the end of last year of US$42.88 million. The Fund's unrealised gain attributable to its investment in Rong Bao Zhai Culture for 2020 was US$3.61 million, up 67.91% year-over-year.

In the fourth quarter of 2020, the Fund reached a decision to recall its loan to Rong Bao Zhai Culture. The loan made by the Fund has been three years, while Rong Bao Zhai Culture has yet to recover from its loss position, due primarily to a difficult economic environment that has continued to hamper the development of the culture and arts market. Moreover, the listing process and internal transformation of the company have not been proceeding as expected. As of 31 December 2020, the Fund had received a portion of the total loan balance of RMB180 million. In addition, both parties have agreed that the remaining principal and interest will be repaid by mid-2021.

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 2020, the Fund had received aggregate loan repayments of RMB200 million from Qinghai Lake Tourism, representing a full recovery of the loan made by the Fund. Currently, the Fund is also pursuing recovery of the accrued interest and will consider whether to exercise its conversion rights during the joint-stock restructuring of Qinghai Lake Tourism.

As of the end of 2020, the carrying value of the Fund's debt in Qinghai Lake Tourism was US$5.48 million, representing a decrease of 9.27% from the value at the end of last year of US$6.04 million.

In 2020, due to the outbreak of the novel coronavirus, the number of tourists visiting the scenic spots has decreased significantly. Presently, Qinghai Lake Tourism is taking active measures to reduce expenses and will put more effort into publicising the locations that are fully open in order to attract more tourists.

REVIEW OF INVESTMENTS (CONTINUED)

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 2020, accounting for 4.83% of the issued share capital of Jinpower Electrical.

As of the end of 2020, the carrying value of the Fund's interest in Jinpower Electrical was US$0.86 million, representing an increase of 26.47% over US$0.68 million at the end of last year.

On 28 August 2020, Jinpower Electrical announced that its unaudited net loss for the first half of 2020 was RMB3.57 million, representing a decrease in the loss of 43.90%, as compared to the corresponding period last year, due mainly to a reduction in both selling expenses and management expenses during the period.

In 2020, due to the outbreak of the novel coronavirus and other factors, and considering that both demand for online monitoring equipment and bidding volume by the State Grid Corporation of China ("**SGCC**") were significantly down compared to previous years, the company suffered lower sales than expected. The company will be shifting part of its core business to focus on operations and maintenance, while it continues to respond to the construction of SGCC's Ubiquitous Electric Power Internet of Things (IoT) project, which started in 2019. Meanwhile, the company will continue to promote its self-developed Ubiquitous Electric Power IoT sensors as it attempts to proactively expand the IoT product market.

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 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, January 2019, March 2020 and July 2020, 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), RMB13.50 million (equivalent to US$1.99 million), RMB4.50 million (equivalent to US$0.65 million) and RMB9 million (equivalent to US$1.29 million) to Iflytek Venture Capital, respectively, representing an aggregate of RMB90 million (equivalent to US$13.28 million) or 100% of the subscription amount committed by the Fund. In addition, through the end of December 2020, the Fund received cash distributions from Iflytek Venture Capital in a cumulative amount of RMB33.89 million.

As of the end of 2020, the carrying value of the Fund's interest in Iflytek Venture Capital was US$12.33 million, representing an increase of 26.20% over US$9.77 million at the end of last year.

Through the end of December 2020, Iflytek Venture Capital has made investments in a total of twenty-seven projects, including two new investments in 2020. Among these twenty-seven projects, Iflytek Venture Capital has exited entirely from three projects and has exited partially from another three projects. Furthermore, one project has been reviewed and approved for listing by the Chinext Listing Committee in Mainland China.

REVIEW OF INVESTMENTS (CONTINUED)

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 2020, 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 0.306% of the issued share capital of Iflytek. In June 2020, the Fund received a cash dividend (net of tax) of RMB0.65 million from Iflytek for 2019.

As of the end of 2020, the carrying value of the Fund's interest in Iflytek was US$42.61 million, representing an increase of 26.74% over US$33.62 million at the end of last year.

On 27 October 2020, Iflytek announced that its unaudited net profit for the first three quarters of 2020 was RMB554 million, up 48.36% year-over-year. The primary reason for the increase in net profit was that there was a delay in progress related to the implementation, delivery, inspection and acceptance of the company's projects in the first quarter of 2020, due primarily to the outbreak of the novel coronavirus, which in turn had an adverse impact on the company's operating results for the first quarter of 2020, as well as a residual influence on its annual results. With the resumption of operations and production in various industries, the adverse impact on the first quarter was well offset by the better results in the second and third quarters. In addition, the corporate strategic plan driven by the company's AI core technologies has been achieving repeated success. In addition, according to an announcement of Iflytek dated 4 February 2021, its unaudited net profit for 2020 ranged from RMB1.23 billion to RMB1.39 billion, up 50% to 70% year-over-year.

On 19 January 2021, Iflytek announced its proposed non-public issuance of not less than 59,559,262 shares and not more than 77,427,039 shares to raise funds of not less than RMB2.0 billion and not more than RMB2.6 billion. Of these, Mr. LIU Qingfeng, one of the de facto controlling shareholders of the company, shall subscribe for not less than 53,603,336 shares and not more than 71,471,113 shares, with a subscription amount of not less than RMB1.8 billion and not more than RMB2.4 billion, while a company controlled by Mr. LIU shall subscribe for 5,955,926 shares with a subscription amount of approximately RMB200 million. The proceeds from this placement shall be used in full to replenish the company's working capital to strengthen its capital base, to optimise its asset structure and to enhance its risk-resistance capacity. The proposal of non-public shares issuance has been approved by the shareholders meeting of Iflytek, and is now pending for approval by regulatory authorities.

REVIEW OF INVESTMENTS (CONTINUED)

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 amounts to RMB262 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 11.45% of the paid-in capital of the Jiangmen Ventures Fund as of 31 December 2020. In addition, through the end of December 2020, the Fund received cash distributions from the Jiangmen Ventures Fund in a cumulative amount of RMB7.30 million.

As of the end of 2020, the carrying value of the Fund's interest in the Jiangmen Ventures Fund was US$4.86 million, representing a decrease of 4.89% from the value at the end of last year of US$5.11 million.

Through the end of December 2020, the Jiangmen Ventures Fund has made investments in nineteen projects for a total of RMB233 million. Of these, investments amounting to RMB14 million were completed in 2020, including the additional investments made in three projects. Another ten projects completed new rounds of financing, while another project was exited from during 2020 at a multiple of 2.08 times.

Cambricon Technologies Corporation Limited (formerly 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), and beneficially held 0.823 million shares in Cambricon, accounting for 0.206% of its issued share capital upon Cambricon's listing, as well as on 31 December 2020. The shares of Cambricon beneficially held by the Fund are subject to a lock-up period of one year, expiring in July 2021.

As of the end of 2020, the carrying value of the Fund's interest in Cambricon was US$16.73 million, representing an increase of 130.44% over US$7.26 million at the end of last year.

On 23 June 2020, Cambricon received approval from the CSRC for its application regarding IPO registration on the SSE STAR Market. Then, on 14 July 2020, Cambricon announced the details of the issuance: the number of new shares issued was 40.10 million (accounting for 10.02% of the total share capital after the issuance), the issue price was RMB64.39 per share, and the gross proceeds raised was RMB2.58 billion.

On 25 February 2021, Cambricon pre-announced that its unaudited net loss for 2020 was RMB440 million, representing a decrease in the loss of 63.04% as compared to last year.

On 21 January 2021, Cambricon officially launched the SIYUAN 290 smart chip and accelerator card and the XUANSI 1000 intelligent booster. These new products will enrich the company's cloud product portfolio and broaden the cloud-related market for the company, which is conducive to consolidating and enhancing the company's core competitiveness and is expected to have positive effect on the future development of the company.

REVIEW OF INVESTMENTS (CONTINUED)

Pony AI Inc. ("Pony AI") was established in Silicon Valley, the United States, in December 2016, and is a research and development company in China 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. In March 2020, Pony AI completed another round of equity financing led by Toyota Motor of Japan, with a post-investment valuation of US$3 billion. In January 2021, Pony AI completed a further round of equity financing led by a scientific innovation investment platform affiliated with the Ontario Teachers' Pension Plan of Canada, with a post-investment valuation of US$5.3 billion. The Fund's equity interest in Pony AI was diluted to 0.670%, accordingly.

As of the end of 2020, the carrying value of the Fund's interest in Pony AI was US$35.19 million, representing an increase of 308.71% over US$8.61 million at the end of last year. The Fund's unrealised gain attributable to its investment in Pony AI for 2020 was US$26.57 million, while the relevant amount for 2019 was US$3,433.

Through the end of December 2020, Pony AI has recorded a total accumulated autonomous driving distance of over 4 million kilometres. The increase was mainly attributable to a significant increase in fleet scale, the geographic area of the test-run zone, the daily operating hours and operating efficiency. MPI (i.e. the average mileage traveled between two interventions) increased by 150-200% in 2020. On 9 February 2021, the company announced that Lexus RX450, the L4 autonomous driving vehicle equipped with its newest generation system, AlphaX, had been officially launched from its standardised production line, and was about to undergo all-weather autonomous driving tests on public roads in Guangzhou, Beijing and Shanghai, and they would be placed into scale operations as part of its Robotaxi fleet. Furthermore, the collaboration project in Irvine, California between Pony AI and Yamibuy.com, the largest shopping platform for Asian goods in North America, continues to operate during the novel coronavirus pandemic, and the collaboration agreement will remain in effect until mid-2021.

Arashi Vision Inc. ("Arashi Vision") was established in Shenzhen, Guangdong in July 2015, 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) and RMB10 million (equivalent to US$1.44 million) in September and November 2019, respectively, bringing the Fund's total investment in Arashi Vision to RMB30 million (equivalent to US$4.27 million), for a 1.625% equity interest in the company.

As of the end of 2020, the carrying value of the Fund's interest in Arashi Vision was US$3.29 million, representing an increase of 14.63% over US$2.87 million at the end of last year.

Arashi Vision convened an inaugural meeting of the joint-stock limited company on 18 January 2020, at which it conveyed that an application for listing on the SSE STAR Market was scheduled for September 2020. Arashi Vision eventually submitted the listing application on 23 October 2020, which was then accepted for review on 28 October 2020. The company is now at the questioning stage for its listing application. Moreover, the company officially changed its name from "Shenzhen Arashi Vision Co., Ltd." to its present name on 26 February 2020.

According to its listing document, Arashi Vision recorded an audited net profit of RMB55.73 million for the first half of 2020.

REVIEW OF INVESTMENTS (CONTINUED)

Anhui iFlytek Healthcare Information Technology Co., Ltd. ("iFlytek Healthcare") was established in the High-tech Development Zone, Hefei, Anhui in 2016. iFlytek Healthcare is a startup AI medical enterprise. The Fund invested RMB60 million (equivalent to US$8.60 million) in February 2020 for a 3% equity interest in iFlytek Healthcare.

As of the end of 2020, the carrying value of the Fund's interest in iFlytek Healthcare was US$14.59 million. The Fund's unrealised gain attributable to its investment in iFlytek Healthcare for 2020 was US$5.10 million.

In response to the need of combating the novel coronavirus pandemic and to capture the development trend in the industry, during 2020, iFlytek Healthcare joined hands with Iflytek, its parent company, to provide free services for "suspending classes without suspending learning" program through its AI online education and learning platform, to assist in the screening of patients at medical institutions at a grassroots level through the AI-aided medical diagnosis system of SmartDoctor Assistant at no cost, and to assist relevant departments in conducting work in relation to the prevention, control and screening of the pandemic through smart phone robots.

CASREV FUND III-RMB L.P. ("CASREV Fund III") was established in Shenzhen, Guangdong in February 2020, with an investment horizon of 8 to 10 years and with a total fund subscription amount of RMB6 billion (presently, the paid-in capital amounts to RMB4.5 billion). The major investment targets of CASREV Fund III include enterprises related to smart manufacturing, smart products and services, big data and cloud computing, AI, Internet of Things (IoT), blockchain, biological engineering, chips and sensors, operating system, kernel modules, communication networks, materials and other emerging technologies. The general partner and investment manager of CASREV Fund III is CAS Investment Management Co., Ltd., which is responsible for defining and executing the investment strategy for CASREV Fund III, as well as for managing their operations. The Fund holds a beneficial interest in CASREV Fund III via CASRF Fund L.P. The Fund has committed to subscribe to an aggregate of RMB50 million by installment, representing 1.11% of the paid-in capital of CASREV Fund III. The Fund completed capital contributions of RMB12.50 million (equivalent to US$1.85 million) and RMB12.50 million (equivalent to US$1.90 million) in September and November 2020, respectively, representing an aggregate of RMB25 million (equivalent to US$3.75 million) or 50% of the subscription amount committed by the Fund.

As of the end of 2020, the carrying value of the Fund's interest in CASREV Fund III was US$3.83 million.

Through the end of December 2020, CASREV Fund III has made investments in thirty projects with a total approved investment amount of RMB1.706 billion. Among these thirty projects, one project has submitted IPO materials for listing on the Chinext in Mainland China, and five other projects are expected to submit their IPO materials in the first quarter of 2021.

Flexiv Ltd. ("Flexiv") was established in Silicon Valley, the United States, in June 2016, and is a technology company in China that focuses on the development and application of adaptive robots. It, based on Flexiv robotic systems, provides innovative turnkey solutions and services for its customers in a range of industries. In December 2020, the Fund invested US$5 million for a 1.67% equity interest in Flexiv.

As of the end of 2020, the carrying value of the Fund's interest in Flexiv was US$5 million.

As of November 2020, there were already 100 adaptive robots produced in the South China Manufacturing Centre of Flexiv, and they have been gradually deployed in fields such as auto parts, 3C electronics and logistics, among others. The major product of Flexiv, Rizon Robot, has been awarded the China International Industry Fair (CIIF) Robot Award 2019, iF Design Award 2020 of Germany and German Innovation Awards 2020.

REVIEW OF INVESTMENTS (CONTINUED)

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. The Fund's equity interest in Geesun Intelligent was diluted from 5.32% to 5.31%, subsequent to a new round of capital increase in March 2020.

As of the end of 2020, the carrying value of the Fund's interest in Geesun Intelligent was US$0.31 million, representing a decrease of 93.33% from the value at the end of last year of US$4.65 million.

In 2020, due to the impact of the novel coronavirus pandemic, Geesun Intelligent continued to adhere to its business strategy by focusing on customer restructuring. Presently, Geesun Intelligent's products have been recognised by top-tier lithium battery plants and the company has received large orders from customers for thermal compound stacking machines. Due to an expected significant increase in orders, Geesun Intelligent is currently facing tight funding, while the company's new round of capital increase is currently at a standstill. Geesun Intelligent recorded an unaudited net loss of RMB76.70 million for 2020, which was due mainly to the production suspension because of the novel coronavirus pandemic, together with the relatively long testing period by customers for new products.

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 2020, the carrying value of the Fund's interest in Hwagain was US$6.36 million, representing a decrease of 19.29% from the value at the end of last year of US$7.88 million.

In 2020, in the context of effective control of the novel coronavirus pandemic, Hwagain experienced a sound recovery of its operations, with orderly progress achieved in pulp paper production, paper products sales and forestry operation, as well as zero work-related injuries or environmental accidents. In response to the current segmented needs of the printing paper market, Hwagain has developed new products, such as different types of craft paper, art paper, pressure relief paper and noodle paper. Hwagain recorded an unaudited net profit of RMB23.57 million for 2020, down 63.55% year-over-year.

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 2020, 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. In November 2020, the Fund received a cash dividend of RMB0.50 million from Wuhan Rixin for the first half of 2020.

REVIEW OF INVESTMENTS (CONTINUED)

As of the end of 2020, the carrying value of the Fund’s interest in Wuhan Rixin was US$2.44 million, representing an increase of 12.44% over US$2.17 million at the end of last year.

On 21 August 2020, Wuhan Rixin announced that its unaudited net profit for the first half of 2020 was RMB26.13 million, up 309.68% year-over-year. The primary reasons for the increase in net profit were the completion of two photovoltaic power plant projects and recognised as sales, along with a reduction in both selling expenses and management expenses during the period.

In 2020, as affected by the novel coronavirus pandemic, the schedules of certain projects and orders were significantly delayed. Presently, Wuhan Rixin has resumed normal operations. At the same time, it is striving to reduce expenses and to expedite progress on projects.

Nanning Huiyou Xingyao Equity Investment Fund L.P. (“Huiyou Xingyao Fund”) was established in Nanning, Guangxi in September 2020, with an investment horizon of 5 to 7 years and with a total fund subscription amount of RMB113 million. Huiyou Xingyao Fund is a single-project equity investment fund, making equity investments solely in Wuhan YZY Biopharma Co., Ltd. (“**YZY Biopharma**”). YZY Biopharma is a pharmaceutical company with a bispecific antibody platform and related biopharmaceutical research and development capabilities. The fund manager of Huiyou Xingyao Fund is Tongde Qianyuan (Beijing) Investment Management Co., Ltd., which is responsible for providing consultation and advice on investment matters, as well as providing daily operations and investment management services. The Fund has committed to subscribe to an aggregate of RMB24 million by installment, representing 21.24% of the total fund subscription amount of Huiyou Xingyao Fund. The Fund completed the first capital contribution of RMB16.31 million (equivalent to US$2.47 million) in November 2020, representing 67.96% of the subscription amount committed by the Fund.

As of the end of 2020, the carrying value of the Fund’s interest in Huiyou Xingyao Fund was US$2.50 million.

Leveraging its advanced and matured bispecific antibody platform technology, YZY Biopharma has been deeply engaged in the bispecific antibody field for T-cell recruitment of target CD3, and has developed three CD3 bispecific antibody products (namely M802, M701 and Y150) which are at the clinical trial stage, as well as a number of other CD3 bispecific antibody products which are at various pre-clinical trial stages. Of these, the key product, M701, is a bispecific antibody medicine for malignant ascites.

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 2020, the carrying value of the Fund’s interest in Unibank Media was nil, and the value at the end of last year was US$0.03 million.

In 2020, as affected by the novel coronavirus pandemic, Unibank Media continued to operate at a loss due to the minimal advertisement income and various expenses incurred for its daily operations.

PROSPECTS

The low-base effect is expected to drive China's economy to grow significantly in the first quarter of 2021, compared to the corresponding period of 2020, unless the novel coronavirus pandemic regains strength in 2021 and spreads extensively, as it did in early 2020. It is expected that pent-up demand from the 2020 Spring Festival may lead to a surge in activity during the 2021 Spring Festival, which is likely to further boost domestic consumption in the first quarter of 2021. As the low-base effect gradually fades, overall economic growth may normalise, and may be supported by a global economic recovery. Given that there are some uncertainties around economic growth in China for 2021, due to the pandemic, and China's economic restructuring is still in a critical period as well, 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 2020 and has concluded that macro policies in 2021 shall strive to foster continuity, stability and sustainability, while proactive fiscal policies and steady monetary policies shall be implemented to sustain necessary support for economic recovery. The policies will be implemented in a precise and effective manner without any radical change, and the timing, extent and effectiveness of policies shall be monitored and adjusted as needed. According to the Conference, there are eight key tasks for 2021, as listed below. The first is to strengthen the nation's strategic science and technology capabilities. The second is to enhance independence and control in industry chains and supply chains. The third is to continue to expand domestic demand as a strategic basis for economic growth. The fourth is to advance certain reforms and to encourage openness in a well-rounded way. The fifth is to responsibly manage seed banks and farmland issues. The sixth is to enhance anti-trust regulation and to prevent capital expansion disorderly. The seventh is to mitigate the pronounced housing problems in big cities. And the eighth is to work well to peak carbon dioxide emissions ahead of the schedule and to achieve carbon neutrality. In addition, it was also emphasised at the Conference that efforts shall be made to guide China's economy toward operating within a proper range, to continue to work well with the "six stabilities" and "six guarantees," to properly manage the pace and intensity of macroeconomic controls, and to implement economic policies in a precise and effective manner. Meanwhile, policy actions will continue to invigorate market entities, to optimise policies on taxes and fees reduction, to enhance inclusive financial services, and to vigorously push forward reforms and innovations in order to add vitality to market entities, especially to middle, small and micro businesses, and to self-employed traders. 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 enters 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.

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.

KEY RISK FACTORS (CONTINUED)

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 to investors.

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 2020, 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%
Jinpower Electrical	3,033,500	60,300	1.988%
China Media Investment (2nd installment capital contribution)	953,500	6,100	0.638%
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%
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%
Iflytek	18,827,500	33,500	0.178%

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 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	4,268,200	26,820	0.632%
iFlytek Healthcare	8,600,700	48,790	0.567%
Iflytek Venture Capital (5th installment capital contribution)	646,170	1,160	0.178%
China UnionPay	31,116,080	51,610	0.166%
Iflytek Venture Capital (6th installment capital contribution)	1,286,760	2,320	0.178%
CASREV Fund III (1st installment capital contribution)	1,849,360	2,580	0.140%
CASREV Fund III (2nd installment capital contribution)	1,896,900	2,580	0.140%
Huiyou Xingyao Fund (1st installment capital contribution)	2,469,420	14,900	0.603%
Flexiv	5,000,000	95,450	1.909%

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

SUB-PARTICIPATION SCHEME (CONTINUED)

In addition, as of 31 December 2020, 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
Jinpower Electrical	N/A	6,030	1,280	N/A
China Media Investment (2nd installment capital contribution)	N/A	1,570	40	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
Oriental Pearl	N/A	38,870	1,390	N/A
JIC Leasing	N/A	12,900	1,290	N/A
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

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$
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
Iflytek Venture Capital (5th installment capital contribution)	N/A	320	60	60
China UnionPay	3,870	12,900	1,290	3,870
Iflytek Venture Capital (6th installment capital contribution)	N/A	640	130	130
CASREV Fund III (1st installment capital contribution)	320	320	320	320
CASREV Fund III (2nd installment capital contribution)	320	320	320	320
Huiyou Xingyao Fund (1st installment capital contribution)	1,750	880	880	880
Flexiv	1,290	20,640	1,290	6,450

SUB-PARTICIPATION SCHEME (CONTINUED)

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

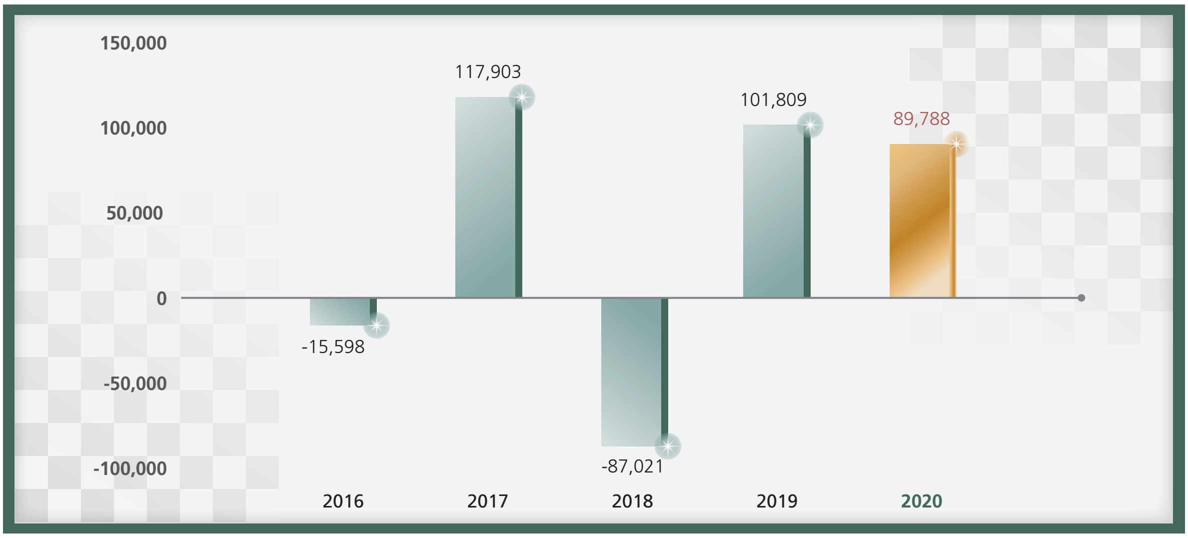
Mr. WANG Xiaoding
Director & General Manager
China Merchants China Investment Management Limited

Hong Kong, 29 March 2021

FINANCIAL HIGHLIGHTS

YEAR	NET PROFIT (LOSS) *US$'000*	NET ASSETS *US$'000*
2020	**89,788**	**775,431**
2019	101,809	649,050
2018	(87,021)	575,055
2017	117,903	705,626
2016	(15,598)	561,315

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 2020.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the subsidiaries are set out in note 29 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 138 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 2020 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 88 to 89.

The Directors recommend the payment of a final dividend of US$0.07 per share (2019: US$0.07 per share) and a special dividend of US$0.01 per share (2019: Nil), totaling US$0.08 (2019: US$0.07) per share for 2020 to the shareholders on the register of members on 3 June 2021 amounting to US$12,186,641 (2019: US$10,663,311).

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 138 of the Annual Report

DISTRIBUTABLE RESERVES OF THE COMPANY AND DIVIDEND POLICY

The Company has an amount of US$24,786,454 (31 December 2019: US$25,945,745) available for distribution as at 31 December 2020.

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 23 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. WANG Xiaoding#	
Mr. TSE Yue Kit#	
Ms. KAN Ka Yee, Elizabeth#	(Appointed on 24 April 2020)
Mr. CHU Lap Lik, Victor *(alternate to Ms. KAN Ka Yee, Elizabeth#)*	(Appointed on 24 April 2020)
Mr. KE Shifeng*	
Mr. LIU Baojie**	
Mr. TSANG Wah Kwong**	
Dr. LI Fang**	
Dr. GONG Shaolin**	(Appointed on 11 September 2020)
Mr. CHU Lap Lik, Victor#	(Resigned on 24 April 2020)
Ms. KAN Ka Yee, Elizabeth *(alternate to Mr. CHU Lap Lik, Victor#)*	(Resigned on 24 April 2020)

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

As at the date of this report, in accordance with Article 101 and Article 105 of the Articles of Association of the Company, Mr. ZHANG Jian, Mr. ZHANG Rizhong, Mr. TSE Yue Kit, Mr. LIU Baojie and Dr. GONG Shaolin retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

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

Mr. ZHANG Jian, aged 56, has been the Chairman and Non-executive Director of the Company since September 2018. He is currently the Chief Digital Officer 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 a Director of China Merchants Capital Investment Co., Ltd., 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. and China Merchants Commerce Financial Leasing 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 52, 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 the General Manager 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 30 years. He has extensive experience in corporate comprehensive management, private equity fund-raising and operation, 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 Fellow 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. WANG Xiaoding, aged 52, 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., 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.

Mr. TSE Yue Kit, aged 59, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT
(CONTINUED)

Ms. KAN Ka Yee, Elizabeth, aged 63, was appointed as an Executive Director of the Company on 24 April 2020. She was the Alternate Director to Mr. CHU Lap Lik, Victor from May 1999 to April 2020. 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, 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.

Mr. CHU Lap Lik, Victor (alternate to Ms. KAN Ka Yee, Elizabeth), aged 63, was appointed as Alternate Director of the Company on 24 April 2020. He was an Executive Director of the Company from June 1993 to April 2020 and currently 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 as well as Chairman of the Hong Kong-United States 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 (Trustee) 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 Chairman of the University's governing council.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT
(CONTINUED)

Mr. KE Shifeng, aged 55, has been a Non-executive Director of the Company since December 2009. He has 24 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 57, 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 68, 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 CA Cultural Technology Group Limited (formerly China Animation Characters Company Limited, Stock Code: 1566.HK), and an Independent Director of HUYA Inc. (listed on the New York Stock Exchange). 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 63, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

(CONTINUED)

Dr. GONG Shaolin, aged 65, was appointed as an Independent Non-executive Director of the Company on 11 September 2020. He has extensive experience in the securities and finance industry. Dr. GONG was the chairman of China Merchants Securities Co., Ltd. (its shares are listed on both the Shanghai Stock Exchange and the Hong Kong Stock Exchange) from November 2001 to May 2017. He retired from this position in May 2017 and thereafter served as senior adviser of China Merchants Securities Co., Ltd. until May 2018. Prior to this, Dr. GONG was a vice president of China Merchants Bank from 1997 to 2001 and held a number of senior positions in the People's Bank of China between 1982 and 1997. Dr. GONG was an Independent Non-executive Director of Haier Electronics Group Co., Ltd. (formerly listed on the Hong Kong Stock Exchange) from June 2018 to December 2020. Dr. GONG obtained his bachelor's degree in Finance from the Central Institute of Finance and Economics, PRC and obtained his doctorate degree in Economics from the Southwestern University of Finance and Economics, PRC. He is also a qualified senior economist in China.

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 29 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2020, 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. WANG Xiaoding	64,000	Beneficial owner	0.04%
Mr. CHU Lap Lik, Victor *(alternate to Ms. KAN Ka Yee, Elizabeth)*	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 2020, 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 2020.

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 37 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 a Director 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. Ms. KAN Ka Yee, Elizabeth and Mr. CHU Lap Lik, Victor (being alternate to Ms. KAN Ka Yee, Elizabeth) 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, Ms. KAN Ka Yee, Elizabeth, or Mr. CHU Lap Lik, Victor, 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 2020, 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	28,990,206	19.03%

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 2020, 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. WANG Xiaoding, Mr. TSE Yue Kit, Ms. KAN Ka Yee, Elizabeth and Mr. CHU Lap Lik, Victor, are Directors of both the Company and the Investment Manager. Ms. KAN Ka Yee, Elizabeth and Mr. CHU Lap Lik, Victor have indirect beneficial interests in the Investment Manager. The Investment Manager is a connected person of the Company under Rule 14A.08 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 2020, 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$11,511,019 (2019: US$11,032,351) were paid or payable to the Investment Manager. A performance fee of US$9,587,735 (2019: Nil) was accrued by the Company under the Existing Management Agreement. It was calculated based on a fixed percentage on the agreed increment of the Group's net asset value after certain adjustments as stipulated in the Existing Management Agreement.

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 28 to the consolidated financial statements. The Company has complied with the disclosure requirements in accordance with chapter 14A of the Listing Rules.

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, 29 March 2021

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, the US Foreign Account Tax Compliance Act and the Common Reporting Standard. 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.

Besides, owing to a business trip, the Chairman, Mr. ZHANG Jian, has given an apology for not being able to attend and chair the annual general meeting of the Company which was held on 28 May 2020.

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

BOARD OF DIRECTORS

As at 31 December 2020, the Board consisted of three Executive Directors, three Non-executive Directors and four Independent Non-executive Directors as defined by the Listing Rules. The biography of the Directors are set out on pages 41 to 47 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 2020
Mr. ZHANG Jian* *(Chairman)*	2/2
Mr. ZHANG Rizhong*	2/2
Mr. WANG Xiaoding#	2/2
Mr. TSE Yue Kit#	2/2
Ms. KAN Ka Yee, Elizabeth#	2/2
Mr. CHU Lap Lik, Victor *(alternate to Ms. KAN Ka Yee, Elizabeth#)*	1/2
Mr. KE Shifeng*	2/2
Mr. LIU Baojie**	2/2
Mr. TSANG Wah Kwong**	2/2
Dr. LI Fang**	2/2
Dr. GONG Shaolin** *(appointed on 11 September 2020)*	0/0

\# *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 2020;
- reviewed the interim report and the interim results announcement for the six months ended 30 June 2020;
- reviewed the audit plan for the year 2020 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 2019; 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 resolved to recommend the appointment of Ms. KAN Ka Yee, Elizabeth as Executive Director of the Company, Mr. CHU Lap Lik, Victor as Alternate Director of the Company and Dr. GONG Shaolin as Independent Non-executive Director of the Company, respectively; and to recommend the renewal of appointment of Mr. ZHANG Rizhong as Non-executive Director of the Company, Mr. WANG Xiaoding as Executive Director of the Company and Dr. LI Fang as Independent Non-executive Director of the Company, respectively. It has also 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)*	2/2
Mr. TSANG Wah Kwong**	2/2
Dr. LI Fang**	2/2

* *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 the loan to Rong Bao Zhai Culture Co., Ltd. and the proposal relating to delay payment of interest by Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd.

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 2020, 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*	b,c
Mr. WANG Xiaoding#	a,c
Mr. TSE Yue Kit#	a,c
Ms. KAN Ka Yee, Elizabeth#	a,c
Mr. CHU Lap Lik, Victor *(alternate to Ms. KAN Ka Yee, Elizabeth#)*	a,b,c
Mr. KE Shifeng*	a,b,c
Mr. LIU Baojie**	c
Mr. TSANG Wah Kwong**	a,c
Dr. LI Fang**	a,c
Dr. GONG Shaolin** *(appointed on 11 September 2020)*	a,b,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 2020, it was resolved that the remuneration of the Directors for the year ended 31 December 2020 be fixed by the Board. All the Executive Directors did not receive any remuneration from the Company for the year ended 31 December 2020 (2019: Nil). The total remuneration payable to other Directors for the year ended 31 December 2020 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$151,020 and for non-audit services provided is US$86,192 which was mainly for the purposes of advising on the Company's environmental, social and governance reporting, and reviewing the Company's interim financial report for the year 2020 and internal control systems.

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 85 to 87.

RISK MANAGEMENT AND INTERNAL CONTROL

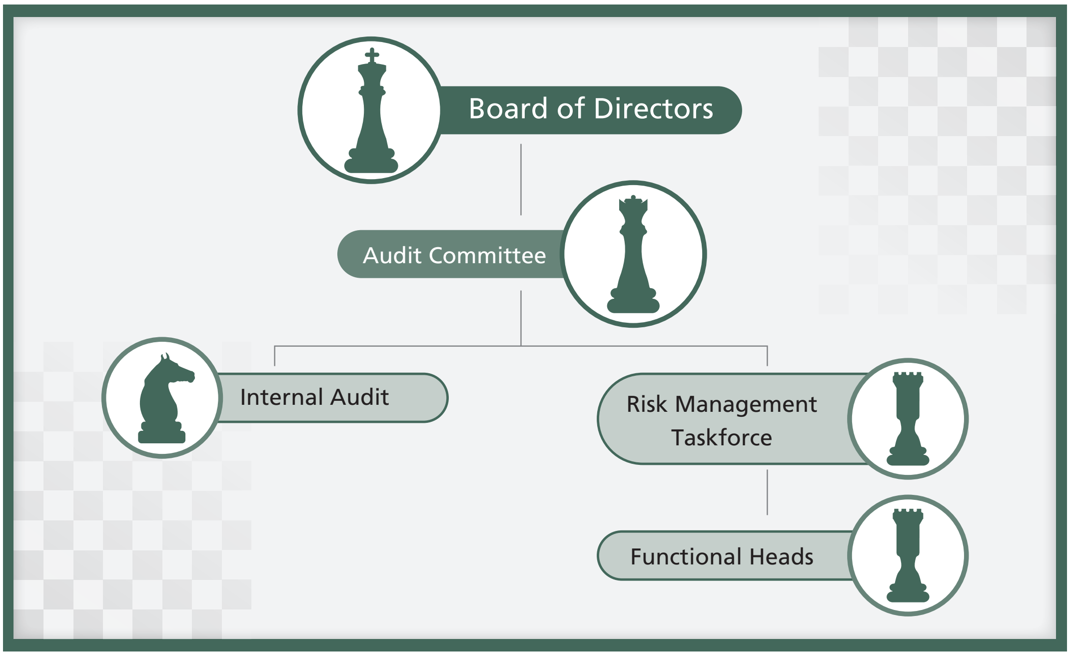
To manage and monitor the various risk factors which the Company may be exposed, the Board is responsible for establishing and overseeing the Company's risk management and internal control systems on an ongoing basis, and ensuring the review of the effectiveness of the risk management and internal control 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 2020
Mr. ZHANG Jian* *(Chairman)*	0/1
Mr. ZHANG Rizhong*	0/1
Mr. WANG Xiaoding#	1/1
Mr. TSE Yue Kit#	1/1
Ms. KAN Ka Yee, Elizabeth#	1/1
Mr. CHU Lap Lik, Victor *(alternate to Ms. KAN Ka Yee, Elizabeth#)*	0/1
Mr. KE Shifeng*	0/1
Mr. LIU Baojie**	0/1
Mr. TSANG Wah Kwong**	1/1
Dr. LI Fang**	0/1
Dr. GONG Shaolin** *(appointed on 11 September 2020)*	0/0

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, using of recycled paper, minimising office energy consumption, 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 82 of the Annual Report for the Company's Environmental, Social and Governance Report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

OVERVIEW

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**", "**CMCIM**") 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, to maximise shareholders' return and at the same time to 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 ("**we**", "**our**"), for the year ended 31 December 2020 (the "**Reporting Period**"). The preparation of this report adhered to the four principles including but not limited to:

Materiality: Materiality assessment is performed to identify material ESG matters related to the Company's business, and to assess the level of significance of both direct and indirect implications to the Company's sustainable development and stakeholders.

Quantitative: Quantitative information is provided, where appropriate, which helps users assess the Company's ESG performance objectively. Please refer to the relevant data points and their notes for details.

Balance: The Company discloses both positive and negative information and performance regarding its business operations.

Consistency: ESG data presented in this report are prepared using consistent methodologies over time, unless otherwise specified either in text or in footnote.

ESG GOVERNANCE STRUCTURE

With a goal to drive sustainable values for both the Company and our stakeholders, we have established an ESG governance structure to facilitate the Board in managing and communicating ESG issues with continuous enhancement towards the Company's ESG policies, action plans, performance and reporting.

The Board has an overall responsibility for the Company's ESG strategy and reporting. The Board formulates and reviews the Company's ESG vision, objectives, strategies and targets to ensure that they are set in accordance with the Company's strategic goals and vision as well as the latest ESG trends and issues that may affect the Company's operations. ESG risks are regularly identified and closely monitored to ensure that adequate ESG risk management and internal control are in place. This report has been reviewed and approved by the Board.

ESG GOVERNANCE STRUCTURE (CONTINUED)

We have established the ESG Taskforce which is led by an Executive Director and supported by respective officers from different functional departments of CMCIM, which under the purview of the Board, has the following responsibilities:

- executing ESG policies set by the Board;
- reviewing ESG policies to make sure that they remain valid and fit for purposes;
- advising the Board on resources allocation on ESG initiatives;
- developing action plans and procedures to achieve ESG goals;
- managing material ESG-related risks;
- monitoring and evaluating the progress against ESG targets and advising its implementation plan;
- monitoring the Company's operations to ensure that they are in compliance with relevant ESG policies and procedures, as well as applicable laws, regulations and standards; and
- drafting ESG report.

Structure below depicts the reporting line of the ESG governance structure and a summary of responsibilities of the governance body.

Board of Directors

Formulate ESG strategies and targets, develop ESG policies, monitor ESG risks and review the ESG report.

▲

ESG Taskforce

Execute ESG policies, develop action plans, identify and manage ESG risks and prepare the ESG report.

With the combined endeavours of the Board and the ESG Taskforce, we hope that our ESG risks and opportunities would be adequately and effectively managed.

STAKEHOLDER ENGAGEMENT

The Company recognises the importance of stakeholder participation to long-term success in its business. Therefore, we strive to ensure that we have had a good understanding of various stakeholders' views and expectations. We know it helps define our present and future sustainability strategies.

We continue to maintain ongoing communication with our stakeholders to understand their concerns and expectations of our operations and sustainability performances. In particular, we have proactively engaged with key stakeholders who show their interests and can be affected by our businesses, including shareholders and investors, employees of the Investment Manager, investee companies, communities in which we operate, and government and regulatory bodies. The table below highlights the Company's key stakeholders as well as its efforts in communicating with and responding to their concerns.

Stakeholder group	Engagement channel
Shareholders and investors	• Annual general meeting • Publication of interim and annual reports • Company website
Employees of the Investment Manager	• Internal policies and regulations • Internal emails • Trainings • Performance appraisal
Investee companies	• Due diligence • On-site visit and discussion • Social media and news exposure • Feedback form
Communities	• Social media • Company website
Government and regulatory bodies	• Examination and inspection • Compliance documentation

During the outbreak of COVID-19 pandemic, the Company has also adopted various e-channels to maintain our communication with various stakeholders. We hold great promise for addressing the stakeholders' concerns regarding our ESG and sustainability related practices in our ESG report and improving our practices step by step.

MATERIALITY ASSESSMENT

To keep pace with latest sustainability trends and ensure that this ESG report addresses the relevant and material ESG issues of the Company, the ESG Taskforce has conducted an ESG materiality assessment.

Our materiality assessment consists of the following three processes:

1. Issue Identification

- Identifying potential issues through stakeholders engagements and benchmarking with suitable peers

2. Significance Prioritisatioin

- Prioritising the ESG significance based on the feedback from stakerholders

3. Verification

- Affirming the relevant and material issues after verification by management and external consultants

We leverage the materiality assessment results to define the scope and the extent of our ESG report, and identify focusing areas of our ESG effort, so that we can devise more comprehensive, transparent and specific responses to enhance the quality of our ESG report and meet stakeholders' expectations.

We have identified the following ESG issues, which are determined to be material to the Company and the Investment Manager, to be covered in this ESG report:

Focusing areas	Material ESG issues
Environmental Protection	• Waste Management • Energy Consumption • Environmental Impact Management
Social Responsibility	• Labour Practices • Health and Occupational Safety • Employees' Development and Training • Prevention of Child and Forced Labour • Supply Chain Management • Responsible Investment • Anti-corruption • Community Programmes

ENVIRONMENTAL PROTECTION

Careful considerations are given to the environment when we make business decisions. The core objectives to our environmental management approach are to comply with all the relevant environmental laws in the market regions that the Company operates in, implement a sound monitoring system to manage environmental risks, disclose and report the Company's environmental impacts and performance via this ESG report as accurate as possible, and set targets to our environmental performance and exerting effort to achieve them.

During the Reporting Period, there were no cases of non-compliance noted in relation to relevant environmental laws and regulations, including the air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste, including but not limited to the Laws of Hong Kong: Air Pollution Control Ordinance (Cap. 311) and the Noise Control Ordinance (Cap. 400).

Waste Management

Electricity and paper consumption are the major emission sources. Despite the impact of our direct consumptions to the environment are insignificant, we adopt a series of measures to keep the emission we have to the minimal. Some but not all measures are as follows:

- deployment of telecommunication systems to reduce the amount of business related travels;
- encouraging the staff to use electronic documents if possible; and
- advocating the staff to recycled paper when suitable.

We have exerted reasonable effort to maintain emission at a low level with the help from the Investment Manager of adopting a green office culture. The Investment Manager also ensures that its operations comply with Hong Kong government's environmental laws and regulations completely.

Non-hazardous Office Waste Management

During the Reporting Period, the Company and the Investment Manager did not generate material amount of hazardous waste in the office-only operations. The non-hazardous waste we generated was composed of paper and a very limited amount of plastic. The table below shows the amount of non-hazardous waste generated and recycled:

Non-hazardous office waste (in kg)	**Total consumption *(kg)***	**Consumption intensity *(kg/total number of employees)***
Waste disposed	374.22	19.70
Waste recycled (Note 1)	990.00	52.11

Note 1: The reported amount includes the consumption amount of recycled paper for printing annual reports and interim reports.

ENVIRONMENTAL PROTECTION (CONTINUED)

Waste Management (continued)

Non-hazardous Office Waste Management (continued)

These wastes are collected by waste management service provided by the building service providers and are processed at their discretion. Despite the small amount of waste we generate, it is still our philosophy to promote a zero waste office practices as it is our belief that no resources should be wasted. The Company and the Investment Manager have set the following targets:

Target 1	*5% reduction on paper consumption intensity by 2025 as compared to 2020.*
Target 2	*The Investment Manager continues to reduce the consumption of single-use plastics and aim to achieve zero plastic bottles by 2025.*

The ESG Taskforce is responsible for adopting measures to realise the goals, which are as follows:

- promoting resources conservation through posters and internal communications;
- setting up opinion boxes for employees to suggest resource conservation practices;
- setting up recycling bins in the office;
- phasing out paper documents and replacing them with electronic documents;
- encouraging employees to bring their own cups to work; and
- avoid the purchase of bottled water or other single-use plastic products.

Energy Consumption

The Company is committed to conserving the scarce resources, and a series of measures are implemented by the Investment Manager to improve energy efficiency and minimise office energy consumption. It is also the Investment Manager's goal to drive behavioural change of the employees and cultivate a green mind-set, conserving resources consumption in and out of the office. With the above commitment, it is expected that the resources consumption and greenhouse gas emissions are kept at minimal.

As the electricity usage is included in the building management fee and hence no relevant consumption data could be disclosed during the Reporting Period.

As stated in our environmental policy, we believe there is a role for us to play in protecting the environment. The Company and the Investment Manager have set the following targets:

Target 3	*To incorporate energy efficiency as one of the criteria for the procurement of office equipment (e.g. Grade 1 energy label) by 2022.*
Target 4	*To consider the electricity conservation policy and measures adopted by the buildings as one of the selection criteria for new rental offices by 2021.*

ENVIRONMENTAL PROTECTION (CONTINUED)

Energy Consumption (continued)

With the target set, the Board and the ESG Taskforce work together to update the procurement policy of electronic devices by considering energy efficiency as well as promoting an energy saving culture. A series of considerations will be taken into account when selecting new rental offices; for example, if the landlord has been:

- replacing traditional lighting with energy saving LED lighting; and
- installing occupancy/motion sensor to automatically switch on and off the air conditioning in those areas infrequently used.

Greenhouse Gas Emissions

Since the majority of business activities of the Company and the Investment Manager are performed in an office environment, no direct scope 1 greenhouse gas emissions (GHG) are generated. For scope 2 indirect GHG emissions, they are attributed to electricity consumption of electrical appliances, lighting and air-conditioning. The scope 3 other indirect GHG emissions are mainly attributed to paper consumed. The Company and the Investment Manager consider the amount of these emissions are insignificant due to the business nature.

The Company and the Investment Manager have set the following target:

Target 5	*To consider the ESG performance of potential investments during the investment evaluation process, as a regular practice.*

The Investment Manager is responsible for adopting the following measure to realise the goals:

- adding ESG performance as one of the key performance indicators (KPIs) when making any investment decisions.

Environmental Impact Management

The Company and the Investment Manager strive to minimise our impact on the environment and natural resources. An environmental management system is implemented with a set of "Green Office Guideline" included in our induction package to offer green office tips for employees and management to adopt. The ESG Taskforce is responsible for the promotion and maintenance of the Green Office Guideline.

Due to the business nature of the Company and Investment Manager, it has not come to our attention that there is any significant impact from our business operation on the environment, natural resources and climate change. Nevertheless, the Company and the Investment Manager will try to minimise the impacts we have on the environment to a reasonable extent. For example, environmental friendliness is one of the criteria for our procurement decision.

ENVIRONMENTAL PROTECTION (CONTINUED)

Environmental Impact Management (continued)

Water Consumption

The Company and Investment Manager operate in a sub-leased office and the source of water and its supply are controlled and managed by the office's management. Hence, there is no designated water meter to monitor the water usage of the office.

However, we recognise water being an important natural resource and measures are taken to keep the consumption of water to minimal. For example, we encourage employees to conserve all resources including water in order to reasonably avoid water wastage. The water source is from Hong Kong Water Supply Department and it poses no sourcing and issues or risks to our operations. The Company and the Investment Manager have set the following target:

Target 6	*To consider the water conservation policy and measures adopted by the buildings as one of the selection criteria for new rental offices by 2021.*

A series of considerations will be taken into account when selecting new rental offices; for example, if the landlord has been:

- implementing efficient water system design with a smart function of leakage detection;
- collecting used water for cooling purposes, floor cleaning and yard washing; and
- turning off the water supply system at night and on holidays.

Climate Change

Significant climate-related issues may have impacts on the Company's investment returns. It is recognised that these risks have to be timely identified and measures should be in place to mitigate these climate-related risks brought by extreme weather conditions. Hence, climate change policy is in place to provide guidelines for the Company and the Investment Manager to identify and mitigate these risks and potential impacts to the Company and shareholders. Furthermore, the policy also provides guidelines for the management to build adaptive capacity for the Company to be resilience to climate events.

Climate-related issues such as risks in regulatory change may lead to the devaluation of the assets held by the Company. These potential stranded assets may be energy related, which could lead to unpredicted fluctuation in the Company's value. Therefore, climate-related issues and trends are considered when making significant business and investment decisions after weighting its costs and benefits. For example, climate risks should be considered before adding the new investment choice to the Company's portfolio. Our climate change policy also contains guidance to climate risks identification, mitigation and adaptation to help build resilience to these potential climate events.

SOCIAL RESPONSIBILITY

Labour Practices

Employees are invaluable assets to the success of the Company that the Company and the Investment Manager have been striving to attract and retain talents. To optimise the employees' satisfaction, well-being and loyalty, the Investment Manager has developed a well-rounded human capital policy on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

The Investment Manager is an equal opportunity employer and has zero tolerance against discrimination on age, gender, race and sexual preference, disability, religion, national origin, etc. Equal opportunity is the central idea of its human capital policy, which covers areas of compensation and dismissal, recruitment and promotion, working hours, rest periods, other benefits and welfare, etc. The level of compensation of employees is reviewed annually and adjusted according to their performance, qualification and market standards. Benefits such as medical, life and disability insurance and retirement scheme are provided to employees. Staff leisure activities are also organised.

Total workforce by gender, employment type, position, age and geographical location:

Specification		Number of employee (CMCIM)	%
Gender	Male	8	42.11%
	Female	11	57.89%
Employment type	Permanent	19	100%
	Part-time & temporary	0	0%
	Contract	0	0%
Position	Director	1	5.26%
	Management	2	10.53%
	Others	16	84.21%
Age	18-30	3	15.79%
	31-50	13	68.42%
	Above 50	3	15.79%
Geographical location	Hong Kong	13	68.42%
	Mainland China (Shenzhen)	6	31.58%

SOCIAL RESPONSIBILITY (CONTINUED)

Labour Practices (continued)

Employee turnover rate (Note 2) by gender, employment type, position, age and geographical location:

Specification		Number of employee (CMCIM)	%
Gender	Male	0	0%
	Female	0	0%
Employment type	Permanent	0	0%
	Part-time & temporary	0	0%
	Contract	0	0%
Position	Director	0	0%
	Management	0	0%
	Others	0	0%
Age	18-30	0	0%
	31-50	0	0%
	Above 50	0	0%
Geographical location	Hong Kong	0	0%
	Mainland China (Shenzhen)	0	0%

Note 2: Including only voluntary turnover (i.e. including resignation and excluding termination, retirement, etc.), excluding turnover of part-time and temporary employees and excluding turnover of employees during their probation period.

During the Reporting Period, there were no cases of non-compliance noted in relation to the relevant employment laws and regulations, including but not limited to the Laws of Hong Kong: Employment Ordinance (Cap. 57), Employees' Compensation Ordinance (Cap. 282), Sex Discrimination Ordinance (Cap. 480), Disability Discrimination Ordinance (Cap. 487), Family Status Discrimination Ordinance (Cap. 527), Race Discrimination Ordinance (Cap. 602), and Mandatory Provident Fund Schemes Ordinance (Cap. 485).

Health and Occupational Safety

The Investment Manager gives major considerations to provide a safe working environment and protect employees from occupational hazards. Furthermore, it is important for the Investment Manager to track with relevant regulatory requirements to make sure that there is no non-conformity occurred. A zero injury culture is cultivated in which each and every employee is responsible for maintaining a safe and healthy working space. These guidelines and standards are outlined in employees' induction package. These guidelines and standards are subjected to review for continuous improvement.

SOCIAL RESPONSIBILITY (CONTINUED)

Health and Occupational Safety (continued)

Work-related fatalities:

	2018	2019	2020
Number of work-related fatalities of employees	0	0	0

Lost days due to work injury:

	2018	2019	2020
Number of lost days of employees caused by work injury	0	0	0

In response to the outbreak of COVID-19 pandemic in the year 2020, the Investment Manager has been dedicating to prevent employees and management from being infected. Health advices from the government have been closely followed with pro-active measures taken to ensure that the health of the employees is safeguarded. For example, the Investment Manager has been:

- providing face masks and sanitiser in offices;
- encouraging employees to keep an appropriate social distance;
- checking employees' body temperature before they enter the offices to identify any suspected case; and
- arranging flexible working hours and work-from-home policy.

Employees are also encouraged to participate in the annual fire drill to maintain awareness on fire safety. Building management office also inspects the fire exit regularly to ensure a non-obstructed escape passage whenever there is an occurrence of fire emergency.

During the Reporting Period, there were no cases of non-compliance noted in relation to relevant health and safety law and regulations, including but not limited to Occupational Safety and Health Ordinance (Cap. 509, Law of Hong Kong).

Employees' Development and Training

Bringing a culture of continuous improvement and education is one of the most critical components to the Company success. The Investment Manager provides opportunities for employees to develop, for example, on-the-job coaching, professional experience sharing sessions, peer cross-trainings, induction programmes, and in-house seminars in an on-going basis. Employees are also encouraged to attend job-related seminars or training courses held by professional organisations or authorities to improve their knowledge and skills about the Listing Rules as well. The Investment Manager believes providing continuous learning opportunities for employees is mutually beneficial and it is expected that employees should be able to bring positive impacts to the Company's and the Investment Manager's operations and performance.

SOCIAL RESPONSIBILITY (CONTINUED)

Employees' Development and Training (continued)

Percentage of employees trained:

Percentage of employees trained in CMCIM (Note 3)		%
Total	All employees	68.42%
Gender	Male	75.00%
	Female	63.64%
Employee category	Investment staff	77.78%
	Back office staff	60.00%

Average training hours completed per employee:

Average training hours completed per employee in CMCIM (Note 3)		
Total	All employees	14.96
Gender	Male	16.58
	Female	13.57
Employee category	Investment staff	16.43
	Back office staff	13.25

Note 3: The data only includes the trainings supported/organised by the Company and the Investment Manager. The training hours data includes those participated by resigned employee but excludes those participated by part-time and temporary employee and related to employee's self-finance examination leave.

Prevention of Child and Forced Labour

It is prohibited by the Investment Manager to employ any child or forced labour in the operations and services. To avoid victimisation in the workplace, sound and effective human resource procedures are in place to conduct prudent due diligence on employees' backgrounds to ensure the compliance with labour laws and regulations. The human resource procedures are regularly reviewed in response to the change in regulatory requirements and market trends.

The Investment Manager has no tolerance to the employment of child and forced labour, should such violation is discovered, responsible person will be subjected to internal disciplinary actions or handled by authorities when deemed suitable.

During the Reporting Period, there were no cases of non-compliance noted in relation to relevant laws and regulations regarding child and forced labour, including but not limited to Employment Ordinance (Cap. 57, Law of Hong Kong).

SOCIAL RESPONSIBILITY (CONTINUED)

Supply Chain Management

The Company and the Investment Manager mainly engage with professional service providers for service such as risk advisory, business consulting and legal advisory. A transparent and fair procurement procedure is in place for selecting our professional service providers. All professional service providers are selected on a competitive basis and critical factors are taken into account. Such factors include, but not limited to, reputation, price, integrity and competence. The quality of their service is closely monitored to ensure that the service provided is in accordance with agreed contractual terms. The staff is trained to enact with reference to the procurement procedures to make sure that proper internal controls are well in place.

Ethical standards and our ESG policy are taken into consideration when it comes to service provider selections. The Company and the Investment Manager will avoid those service providers who are publicly known to have significant ESG non-compliances. With this practice, we believe the environmental social risks of our supply chain are properly managed and are kept to minimal. Feedbacks are provided regarding their ESG performance whenever it is possible and suitable. The service providers are closely monitored and we reserve the right to review their ESG policies and procedures and their ESG regulation compliance evidence.

We also encourage our service providers:

- complying with our anti-fraud policies;
- respecting employees' right and equal opportunity; and
- integrating sustainability principles into business operations.

Number of the Company's active suppliers by geographical region:

Geographical location	Number of active suppliers
Hong Kong	11
Mainland China	4

It is required for our service providers to maintain confidentiality of our business information. The business agreement will be terminated should there be any breaches in relation to the confidential information leakage and we retain the right to pursue legal action for any loss resulting from the breach. Therefore, to lower the regulatory risks, the Company and the Investment Manager closely monitor news outlet for any ESG non-compliances of our service providers.

SOCIAL RESPONSIBILITY (CONTINUED)

Supply Chain Management (continued)

Privacy and Data Protection

We strictly uphold the relevant privacy laws and regulations as well as contractual obligations for the limited privacy data retained by having proper maintenance in a secure place and internal control. The data is only to be used for the purposes upon owners' agreement and the data will be deleted whenever requested by the owners. When handling the privacy information, employees are instructed to exercise with due care.

During the Reporting Period, there were no cases of non-compliance noted in relation to health and safety, advertising, labelling and privacy matters regarding services provided and methods of redress. We also did not receive any services-related written complaints with such practices adopted.

Responsible Investment

Responsible investment is upheld by the Board and the Investment Manager. It is believed that responsible investment practice is the key to bring long-term sustainable value to our investors and shareholders.

Realised that sustainability is becoming an important consideration of investors' strategic investment decisions with a clear sign that responsible investment is turning mainstream, we do take steps through considering environmental and social criteria when making investment decisions, and not engaging in financing activities which may violate any environmental or labour laws purposefully for profits.

A due diligence process is in place when we examine our investment targets. It is important that they are not only performing exceptionally and having good development prospects, but are also fulfilling their ESG responsibility. ESG factors are taken into consideration when we are assessing the risks posed by our investment targets. For example, we would understand their ESG policies and consider if they had any significant ESG non-compliances in the past.

Despite we have minimal control over the business and operation decisions of the investee companies, we still pay close attention to their ability to fulfil ESG responsibility. Whenever suitable, we will attend their general meetings to obtain a better understanding of their ESG policy and performance. When they fall short, we may raise questions in the meeting regarding their ESG performance. Besides, we request investee companies to disclose significant non-compliance ESG issues in a timely basis and monitor news outlet for any ESG non-conformity.

Due Diligence Process

The Company and the Investment Manager actively put quality assurance into practice. Comprehensive due diligence review, business prospects analysis and ESG risk assessments are conducted by the Investment Manager before taking investment targets into consideration and adding them to the Company's portfolio. By doing so, it is believed that the investment quality is assured and values are brought to our investors and shareholders.

SOCIAL RESPONSIBILITY (CONTINUED)

Responsible Investment (continued)

Intellectual Property Rights Protection

Although the Company does not have products or services provided to stakeholders, all intellectual property right infringement is not allowed, including but not limited to the download and usage of pirated software, the use of intellectual property without the owners' consent.

Anti-corruption

Commitments are made by the Company and the Investment Manager to maintain the highest level of integrity and accountability as instructed by the anti-bribery and anti-corruption guidelines. All Directors of the Company and all Directors and staff of the Investment Manager are expected to act on the highest ethical, personal and professional standard. The Investment Manager strongly encourages its employees to report any business irregularities and misconducts. Whistle-blowing channels and procedures are provided for the purpose of such reporting. Hence, employees, with anonymous identity, can raise concerns without the fear of retaliation. Any form of retaliation against the whistle-blower is prohibited.

Number of concluded legal cases regarding corrupt practices brought against the Company or CMCIM and its employees during the Reporting Period and the outcomes of the cases:

Number of concluded legal cases regarding corrupt practices	
Brought against the Company and CMCIM	0
Brought against CMCIM's employees	0

The Board is responsible for monitoring the effectiveness of the whistle-blowing procedures for the Company's and the Investment Manager's stakeholders. The procedures are reviewed and updated as and when required. The Board is also responsible for ensuring a proper independent investigation being conducted regarding the matters and there are proper follow-up actions.

New staff of the Investment Manager and newly appointed Directors of the Company are required to take induction courses with contents including anti-corruption polices, Securities & Futures Ordinance (Cap. 571, Law of Hong Kong), Listing Rules, etc. within one month of their employment/appointment. These are tailored to the responsibilities and the obligations of the staff and the Directors.

Over the course of employment/terms of tenure, the staff of the Investment Manager and Directors of the Company shall receive continuous training covering topics of their responsibilities which also include internal and external updates on anti-corruption practices. These trainings can be in various form, such as video briefing, internal seminar and webinar.

During the Reporting Period, there were no cases of non-compliance noted in relation to corruption related laws and regulations, including but not limited to the Prevention of Bribery Ordinance (Cap. 201, Law of Hong Kong).

SOCIAL RESPONSIBILITY (CONTINUED)

Community Programmes

The Company and the Investment Manager recognise the role we play in the society, hence we are seeking different ways to give back to the community. The staff of the Investment Manager are encouraged to engage the community and fulfil their civil duties, for example, volunteering in any areas they see fits, participating in voting to express their views. The Investment Manager is considering to engage non-governmental organisations (NGOs) and charities for its employees volunteering and other suitable opportunities. The core principles we promote are:

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

Deloitte.

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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 88 to 137, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 financial instruments' 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$486.0 million and US$1.3 million respectively as at 31 December 2020 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (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, actions taken to eliminate threats or safeguards applied.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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 CHONG Kwok Shing.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
29 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **US$**	2019 US$
Net gain on financial assets at fair value through profit or loss	6	**126,204,803**	131,848,627
Investment income	7	**16,106,800**	15,528,387
Other gains		**1,267,514**	911,774
Administrative expenses		**(22,024,400)**	(11,933,451)
Profit before taxation	9	**121,554,717**	136,355,337
Taxation	12	**(31,766,962)**	(34,546,363)
Profit for the year		**89,787,755**	101,808,974
Other comprehensive income (expense) for the year			
Item that will not be reclassified subsequently to profit or loss			
Exchange difference arising on translation to presentation currency		**47,256,093**	(9,533,938)
Total comprehensive income for the year		**137,043,848**	92,275,036
Profit for the year attributable to owners of the Company		**89,787,755**	101,808,974
Total comprehensive income for the year attributable to owners of the Company		**137,043,848**	92,275,036
Basic earnings per share	14	**0.589**	0.668

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 US$	2019 US$
Non-current assets			
Financial assets at fair value through profit or loss	15	**835,620,757**	663,028,975
Investment deposits		**—**	14,907,829
		835,620,757	677,936,804
Current assets			
Financial assets at fair value through profit or loss	15	**73,652,221**	50,944,637
Other receivables and prepayments	16	**2,002,300**	1,008,385
Cash and cash equivalents	17	**60,363,011**	64,143,034
		136,017,532	116,096,056
Current liabilities			
Other payables	18	**37,760,154**	27,538,766
Taxation payable	19	**2,665,577**	994,825
		40,425,731	28,533,591
Net current assets		**95,591,801**	87,562,465
Total assets less current liabilities		**931,212,558**	765,499,269
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	20	**1,461,857**	1,190,048
Deferred taxation	21	**154,319,922**	115,258,979
		155,781,779	116,449,027
Net assets		**775,430,779**	649,050,242
Capital and reserves			
Share capital	23	**139,348,785**	139,348,785
Reserves		**109,346,497**	62,080,654
Retained profits		**526,735,497**	447,620,803
Equity attributable to owners of the Company		**775,430,779**	649,050,242
Net asset value per share	25	**5.090**	4.261

The consolidated financial statements on pages 88 to 137 were approved and authorised for issue by the Board of Directors on 29 March 2021 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 2020

	Share capital US$	Translation reserve US$	General reserve US$	Retained profits US$	Equity attributable to owners of the Company US$
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 arising 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
Balance at 1 January 2020	**139,348,785**	**49,328,396**	**12,752,258**	**447,620,803**	**649,050,242**
Profit for the year	**—**	**—**	**—**	**89,787,755**	**89,787,755**
Exchange difference arising on translation to presentation currency	**—**	**47,256,093**	**—**	**—**	**47,256,093**
Total comprehensive income for the year	**—**	**47,256,093**	**—**	**89,787,755**	**137,043,848**
2019 final dividend paid (note 13)	**—**	**—**	**—**	**(10,663,311)**	**(10,663,311)**
Transfer to general reserve	**—**	**—**	**9,750**	**(9,750)**	**—**
Balance at 31 December 2020	**139,348,785**	**96,584,489**	**12,762,008**	**526,735,497**	**775,430,779**

The general reserve represents the general reserve fund, which is 10% of its net profit set aside by subsidiaries until the balance reaches 50% of its registered capital, in accordance with relevant laws and regulations of The People's Republic of China ("**PRC**") and it is not available for distribution.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 US$	2019 US$
OPERATING ACTIVITIES			
Profit before taxation		121,554,717	136,355,337
Adjustments for:			
Interest income		(393,668)	(905,655)
Dividend income from equity investments		(15,713,132)	(14,622,732)
Net gain on financial assets at fair value through profit or loss		(126,204,803)	(131,848,627)
Operating cash flows before movements in working capital		(20,756,886)	(11,021,677)
Proceeds from disposal of financial assets at fair value through profit or loss		10,339,023	18,306,983
Return of capital from financial assets at fair value through profit or loss		29,563,554	29,029,919
Purchases of financial assets at fair value through profit or loss		(42,354,761)	(5,409,313)
Increase in investment deposits		—	(14,907,829)
Increase in other receivables and prepayments		(199,312)	(16,330)
Increase (decrease) in other payables		10,579,359	(132,346)
Increase (decrease) in financial liabilities designated at fair value through profit or loss		23,660	(86,934)
Cash (used in) generated from operations		(12,805,363)	15,762,473
Interest received		445,739	920,417
Dividends received		14,974,114	18,855,312
Income taxes paid		(616,980)	(428,562)
NET CASH GENERATED FROM OPERATING ACTIVITIES		1,997,510	35,109,640
CASH USED IN FINANCING ACTIVITIES			
Dividends paid	26	(10,663,311)	(18,279,962)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(8,665,801)	16,829,678
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		64,143,034	48,450,040
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		4,885,778	(1,136,684)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		60,363,011	64,143,034

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

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 29. 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 TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied *the Amendments to references to the conceptual framework in HKFRS standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements, that are relevant to the business operation of the Group:

Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 3	Definition of a business

Except as described below, the application of *the Amendments to references to the conceptual framework in HKFRS standards* and other amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Amendments to HKFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to HKFRS 3 *Definition of a Business*

The Group has applied the Amendments to HKFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. 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.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements but may impact future periods should the Group make any acquisition.

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	Reference to the conceptual framwork[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	Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKFRSs	Annual improvements to HKFRSs 2018 - 2020[1]

1 Effective for annual periods beginning on or after 1 January 2022.
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 2023.

The management anticipates that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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*.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

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 assessment 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, in which case 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.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 and 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

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.

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 designated 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities (continued)

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.

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, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in OCI and accumulated in equity under the heading of translation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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.

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 20, 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. Whilst the Group considers these valuations are the best estimates, the ongoing COVID-19 pandemic has resulted in greater market volatility and may cause further disruptions to the investees'/issuers' businesses, which have led to higher degree of uncertainties in respect of the valuations in the current year. 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

	2020 ***US$***	2019 *US$*
Financial assets		
At FVTPL	**909,272,978**	728,881,441
Amortised cost	**62,346,606**	65,132,027
Financial liabilities		
Amortised cost	**17,611,245**	7,398,800
Designated at FVTPL	**1,461,857**	1,190,048

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:

	2020 **US$**	2019 US$
Monetary assets		
USD	**7,202,108**	16,465,564
Hong Kong Dollar	**11,261,434**	9,431,037
Monetary liabilities		
USD	**14,441,448**	4,248,008
Hong Kong Dollar	**21,254**	22,324

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$302,000 (2019: decrease/increase by US$510,000). 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 decrease/increase by US$469,000 (2019: US$393,000).

In the opinion of the management, the sensitivity analysis is unrepresentative of the inherent 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 2020, bank balances of US$39,296,263 (2019: US$29,413,596) 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 note 15 and financial liabilities in note 20 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 risk at the end of the reporting period.

If the market bid prices of the listed equity securities had been 20% (2019: 20%) higher/lower, the Group's after taxation result for the year would increase/decrease by US$80,450,000 (2019: US$53,112,000). 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% (2019: 20%) higher/lower, the Group's after taxation result for the year would increase/decrease by US$75,032,000 (2019: US$60,466,000). 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 2020, 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$1,983,595 (2019: US$988,993). 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	**2020 Gross carrying amount *US$***	2019 Gross carrying amount *US$*
Cash and cash equivalents	17	A	12m ECL	**60,363,011**	64,143,034
Other receivables	16	N/A	12m ECL	**1,983,595**	988,993

The Group has concentration of credit risk 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 payable, performance fee payable, partial consideration received on disposal of investment and other payables) 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 2020 US$	31 December 2019 US$	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	31 December 2020 Range	31 December 2019 Range	Relationship of unobservable inputs to fair value	31 December 2020 Increase(+)/ decrease(-) in fair value of assets if 10% increase/ decrease of the unobservable inputs (Note 2) US$	31 December 2019 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)	**423,278,417**	343,741,290	Level 1	Quoted bid prices in active market	N/A	**N/A**	N/A	N/A	**N/A**	N/A
Investment deposits (Note 1)	**–**	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)	**16,725,161**	4,540,862	Level 3	Quoted bid price in active market and adjusted for lack of marketability	– Discount rate for lack of marketability	**9.6%**	2.2% - 6.2%	The higher the discount rate, the lower the fair value	**-178,000/ +178,000**	-19,000/ +19,000
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)	**294,607,458**	243,036,583	Level 3	Market comparable companies	– Earnings multiples – Revenue multiples – Book value multiples	**12.0x - 84.8x** **2.4x** **1.4x - 6.7x**	20.4x - 28.9x 3.7x 1.3x - 5.2x	The higher the multiples, the higher the fair value	**+28,736,000/ -28,736,000**	+24,499,000/ -24,499,000
					– Discount rate for lack of marketability and specific risk	**52%**	51%	The higher the discount rate, the lower the fair value	**-30,587,000/ +30,587,000**	-15,090,000/ +15,090,000
Unlisted debt investments (Notes 1 and 4)	**27,562,108**	48,926,349	Level 3	Discounted cash flow	– Discount rate	**0% - 4.3%**	5.2%	The higher the discount rate, the lower the fair value	**-33,000/ +33,000**	-438,000/ +438,000

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 2020 US$	31 December 2019 US$	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	31 December 2020 Range	31 December 2019 Range	Relationship of unobservable inputs to fair value	31 December 2020 Increase(+)/ decrease(-) in fair value of assets if 10% increase/ decrease of the unobservable inputs (Note 2) US$	31 December 2019 Increase(+)/ decrease(-) in fair value of assets if 10% increase/ decrease of the unobservable inputs (Note 2) US$
Unlisted equity (Note 1)	46,324,082	50,692,353	Level 3	Net asset value	– Net asset value of the underlying investments	N/A	N/A	The higher the net asset value, the higher the fair value	N/A	N/A
Unlisted equity securities (Note 1)	100,775,752	14,425,470	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	+10,077,575/ -10,077,575	+1,442,547/ -1,442,547
Unlisted equity securities (Notes 1 and 5)	–	8,610,705	Level 3	Investment cost with discount/premium	– Discount/premium	N/A	0%	The higher the discount/premium, the lower/higher the fair value	N/A	+861,071/ -861,071
Closing balance	909,272,978	728,881,441								

Note 1: Financial assets at FVTPL represent those investments 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 20.

Note 4: Pursuant to the agreement, the loan, subject to the fulfillment of certain precedent conditions which are not under the control of the Group, could be converted into equity interest of Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd. 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 2020.

Note 5: As at 31 December 2019, it was considered that the original investment cost remained the best estimate of fair value. In November 2020, Pony AI Inc. completed a new round of equity financing, and the financial asset was transferred and measured at recent transaction price.

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 both year ends.

	Level 1	**Level 2**	**Level 3**	**2020 Total**
	US$	***US$***	***US$***	***US$***
Financial assets at FVTPL	**423,278,417**	**—**	**485,994,561**	**909,272,978**
Financial liabilities designated at FVTPL	**118,012**	**—**	**1,343,845**	**1,461,857**

	Level 1	Level 2	Level 3	2019 Total
	US$	*US$*	*US$*	*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

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 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
Balance at 1 January 2020	**370,232,322**
Gains recognised in profit or loss	**73,368,746**
Exchange difference arising on translation to presentation currency	**25,752,125**
Purchases	**41,906,310**
Disposals	**(5,430,008)**
Return of capital	**(29,563,554)**
Transfer out of Level 2 to Level 3	**14,907,829**
Transfer out of Level 3 to Level 1	**(5,179,209)**
Balance at 31 December 2020	**485,994,561**

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: (continued)

Of the total gains for the year included in profit or loss, gain of US$75,272,243 (2019: US$17,769,642) 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 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.

In the years of 2020 and 2019, part of listed shares of Oriental Pearl Media Co., Ltd. ("**Oriental Pearl**") held by the Group, which were classified as financial assets at FVTPL and subject to trading moratorium before, became freely tradeable and thus were transferred from Level 3 to Level 1 during the year.

In the year of 2020, the investment deposits related to Anhui iFlytek Healthcare Information Technology Co., Ltd. ("**iFlytek Healthcare**") and China UnionPay Co., Ltd. ("**China UnionPay**"), which were classified as investment deposits at FVTPL for year ended 31 December 2019, were transferred from investment deposits to unlisted equities since the transfers of legal title of shareholding were duly completed during the year.

The valuation technique for the fair value of iFlytek Healthcare and China UnionPay has changed due to the lack of recent transaction price of the financial assets for reference. The fair value of these investments is determined based on significant unobservable inputs and involved significant judgment made by the management. Thus, the instruments were transferred from Level 2 to Level 3 category.

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 liabilities:

	Financial liabilities designated at FVTPL *US$*
Balance at 1 January 2019	1,168,773
Issuances	98,027
Redemptions	(38,254)
Change in fair value	(144,505)
Balance at 31 December 2019	1,084,041
Balance at 1 January 2020	**1,084,041**
Issuances	**179,061**
Redemptions	**(49,849)**
Change in fair value	**130,592**
Balance at 31 December 2020	**1,343,845**

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 stock exchanges. Fair value of listed investments within lock-up period is assessed based on the quoted market bid prices available on the relevant stock exchanges and adjusted for lack of marketability. Fair value of certain unlisted investments is arrived at by reference to their recent transaction prices. 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 ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The following is an analysis of net gain (loss) on investments of the Group for the year ended 31 December 2020. 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:

	2020 ***US$***	2019 *US$*
Net gain (loss) on financial assets at FVTPL		
Listed investments		
Realised	**199,954**	8,215,192
Unrealised	**61,615,073**	106,134,385
Unlisted investments		
Realised	**(1,684,580)**	—
Unrealised	**66,074,356**	17,499,050
Total	**126,204,803**	131,848,627

7. INVESTMENT INCOME

	2020 ***US$***	2019 *US$*
Interest income on bank deposits	**393,668**	905,655
Dividend income on financial assets at FVTPL		
Listed equity investments	**10,184,168**	8,099,357
Unlisted equity investments	**5,528,964**	6,523,375
	15,713,132	14,622,732
Total	**16,106,800**	15,528,387

7. INVESTMENT INCOME (CONTINUED)

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

	2020 **US$**	2019 US$
Interest income for financial assets at amortised cost	**393,668**	905,655
Dividend income on financial assets at FVTPL	**15,713,132**	14,622,732
Total	**16,106,800**	15,528,387

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, pharmaceutical, agriculture and education activities (2019: 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. Investment in education segment was fully disposed of during 2020.

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 2020

	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	102,272,449	(15,871,863)	47,804,894	134,205,480	(8,000,677)	126,204,803
Dividend income on financial assets at FVTPL	13,140,871	2,401,957	170,304	15,713,132	—	15,713,132
Other gains	—	1,084,676	—	1,084,676	—	1,084,676
Segment profit (loss)	115,413,320	(12,385,230)	47,975,198	151,003,288	(8,000,677)	143,002,611
Unallocated:						
– Administrative expenses						(22,024,400)
– Interest income on bank deposits						393,668
– Other gains						182,838
Profit before taxation						121,554,717

8. SEGMENTAL INFORMATION (CONTINUED)

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

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).

8. SEGMENTAL INFORMATION (CONTINUED)

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

	2020 **US$**	2019 US$
Segment assets		
Financial services	**694,286,699**	522,812,932
Culture, media and consumption	**61,334,033**	104,105,646
Information technology	**139,283,555**	76,518,883
Total assets for reportable segments	**894,904,287**	703,437,461
Others	**16,204,715**	26,340,987
Unallocated	**60,529,287**	64,254,412
Consolidated assets	**971,638,289**	794,032,860
Segment liabilities		
Financial services	**186,213**	87,975
Culture, media and consumption	**285,098**	437,920
Information technology	**787,728**	299,916
Total liabilities for reportable segments	**1,259,039**	825,811
Others	**4,802,758**	4,664,572
Unallocated	**190,145,713**	139,492,235
Consolidated liabilities	**196,207,510**	144,982,618

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 BEFORE TAXATION

	2020	2019
	US$	*US$*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**205,347**	184,249
Net foreign exchange gain	**(182,838)**	(70,548)
Investment Manager's management fee (note 28 (a))	**11,511,019**	11,032,351
Investment Manager's performance fee (note 28 (b))	**9,587,735**	—
Directors' fees	**138,505**	128,426

10. DIRECTORS' EMOLUMENTS

The Group has no chief executives and the Directors' fees paid or payable to each of the 11 (2019: 10) Directors were as follows:

	2020	2019
	US$	*US$*
Executive Directors:		
Mr. WANG Xiaoding	**—**	—
Mr. TSE Yue Kit	**—**	—
Ms. KAN Ka Yee, Elizabeth* (Note a)	**—**	—
Mr. CHU Lap Lik, Victor# (Alternate Director) (Note a)	**—**	—
	—	—

10. DIRECTORS' EMOLUMENTS (CONTINUED)

	2020 US$	2019 US$
Non-executive Directors (Note b):		
Mr. ZHANG Jian	—	—
Mr. ZHANG Rizhong	—	—
Mr. KE Shifeng	30,967	30,822
	30,967	30,822
Independent Non-executive Director and Chairman of the Audit Committee (Note b):		
Mr. TSANG Wah Kwong	36,128	35,960
Independent Non-executive Directors (Note b):		
Mr. LIU Baojie	30,967	30,822
Dr. LI Fang	30,967	30,822
Dr. GONG Shaolin **	9,476	N/A
	71,410	61,644
Total	138,505	128,426

* The Director was appointed as Executive Director and resigned as Alternate Director during the year 2020.

** The Director was appointed as Independent Non-executive Director during the year 2020.

The Director resigned as Executive Director and was appointed as Alternate Director during the year 2020.

Notes:

(a) Ms. KAN Ka Yee, Elizabeth and Mr. CHU Lap Lik, Victor 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 and performance fee paid or accrued to the Investment Manager is disclosed in note 28 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 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 both years.

11. EMPLOYEES' EMOLUMENTS

The five (2019: 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 for the year comprises:

	2020 **US$**	2019 US$
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	**(302,205)**	(173,958)
Withholding tax for distributed earnings	**(2,032,086)**	(985,578)
Deferred taxation (note 21)		
Current year	**(29,432,671)**	(33,386,827)
Total	**(31,766,962)**	(34,546,363)

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 for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2020 **US$**	2019 US$
Profit before taxation	**121,554,717**	136,355,337
Tax at the domestic income tax rate of 25% (2019: 25%) (Note 1)	**(30,388,679)**	(34,088,834)
Tax effect of expenses not deductible for tax purpose	**(5,047,003)**	(3,008,057)
Tax effect of income not taxable for tax purpose	**3,499,281**	4,139,664
Tax effect of tax losses not recognised	**(2,079,414)**	(94,448)
Utilisation of tax losses previously not recognised	**104,886**	706,743
Utilisation of deductible temporary difference previously not recognised	**—**	67,647
Withholding tax for undistributed earnings of PRC subsidiaries	**(882,019)**	(3,845,576)
Withholding tax for distributed earnings	**(2,032,086)**	(985,578)
Effect of different tax rates of the Company and its subsidiaries operating in other regions in the PRC (Note 2)	**5,058,072**	2,646,576
Others	**—**	(84,500)
Taxation	**(31,766,962)**	(34,546,363)

Note 1: 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.

Note 2: Tax rates range from withholding tax of 10% to PRC Enterprise Income Tax of 25%.

13. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of US$0.07 per share (2019: US$0.07 per share) and a special dividend of US$0.01 per share (2019: Nil), totaling US$0.08 (2019: US$0.07) per share, in an aggregate amount of US$12,186,641 (2019: US$10,663,311), in respect of the year ended 31 December 2020 (2019: year ended 31 December 2019) have been proposed by the Directors and are subject to approval by the shareholders at the forthcoming annual general meeting.

Final dividend of US$10,663,311 (2019: final and special dividends of US$18,279,962) for the year ended 31 December 2019 (2019: year ended 31 December 2018) was paid in cash on 27 July 2020 (2019: 25 July 2019).

14. BASIC EARNINGS PER SHARE

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

	2020	2019
Profit for the purpose of basic earnings per share (US$)	**89,787,755**	101,808,974
Number of ordinary shares for the purpose of basic earnings per share	**152,333,013**	152,333,013
Basic earnings per share (US$)	**0.589**	0.668

No diluted earnings per share for 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

	2020	2019
	US$	*US$*
Equity and debt securities at FVTPL:		
– listed equities in PRC (Note a)	**416,426,641**	332,688,867
– listed equity in HK (Note a)	**6,851,776**	11,052,423
– listed equities within lock-up period in PRC (Note a)	**16,725,161**	4,540,862
– listed equities on New Third Board (Note a)	**3,295,070**	2,849,689
– unlisted equities (Notes b and c)	**435,432,222**	299,285,422
– unlisted participating preferred unit (Note b)	**2,980,000**	14,630,000
– unlisted debt investments (Note b)	**27,562,108**	48,926,349
Total	**909,272,978**	713,973,612
Analysed to reporting purposes as		
Current assets	**73,652,221**	50,944,637
Non-current assets	**835,620,757**	663,028,975
Total	**909,272,978**	713,973,612

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 whose fair values are determined based on the quoted market bid prices available on the relevant stock exchanges. The listed equity securities within lock-up period represent the Group's interest held in Cambricon Technologies Corporation Limited subject to trading moratorium and whose fair value is determined based on the quoted market bid price available on the Shanghai Stock Exchange STAR Market and adjusted for lack of marketability due to its 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. Please refer to note 5 to the consolidated financial statements for further details of the valuation techniques.

(b) As at 31 December 2020, fair values of unlisted equities and debt investments amounting to US$128,337,860 (2019: US$63,351,819) 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) 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 2020, included in unlisted equities investments amounting to US$692,731 (2019: US$7,929,819) was investment in an associate. The management considers that it is exempted from applying the equity method and is recognised as a financial asset 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 2020 and 31 December 2019 and also details of ten largest investments of the Group.

For the year ended 31 December 2020

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	372	9.45	47.94%
China Credit Trust Co., Ltd.	Trust management	6.94%	50.49	216	0.81	27.84%
JIC Leasing Co., Ltd.	Finance leasing	4.98%	38.78	50	Nil	6.40%
China UnionPay Co., Ltd.	Financial payment	0.17%	31.12	47	0.14	6.09%
Iflytek Co., Ltd.	Intelligent speech technology	0.31%	18.83	43	0.09	5.50%
Pony AI Inc.	Autonomous driving	0.68%	8.61	35	Nil	4.54%
China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Media investment	10.13%	0.00	28	1.44	3.58%
Rong Bao Zhai Culture Co., Ltd.	Artwork marketing	N/A	15.87	22	Nil	2.85%
Cambricon Technologies Corporation Limited	Artificial intelligence chips	0.21%	5.94	17	Nil	2.16%
Anhui iFlytek Healthcare Information Technology Co., Ltd.	Artificial intelligence medical	3.00%	8.60	14	Nil	1.88%

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

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%

16. OTHER RECEIVABLES AND PREPAYMENTS

	2020 **US$**	2019 *US$*
Dividend receivable	**1,636,025**	897,007
Interest receivable	**39,915**	91,986
Other receivables and prepayments	**326,360**	19,392
Total	**2,002,300**	1,008,385

17. 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 2020 was approximately of US$42.05 million (2019: US$38.08 million).

18. OTHER PAYABLES

	2020 **US$**	2019 *US$*
Partial consideration received on disposal of investment	**4,599,940**	4,300,335
Management fee payable	**3,391,856**	2,699,988
Performance fee payable	**9,587,735**	—
Business tax payable	**19,607,487**	19,607,487
Other payables	**573,136**	930,956
Total	**37,760,154**	27,538,766

19. 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.

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

The financial liabilities designated at FVTPL as at 31 December 2020 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)), 西安金源電氣股份有限公司 (Xi'an Jinpower Electrical 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.), 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 (Cambricon Technologies Corporation Limited), Pony AI Inc., 影石創新科技股份有限公司 (Arashi Vision Inc.), 安徽科大訊飛醫療信息技術有限公司 (Anhui iFlytek Healthcare Information Technology Co., Ltd.), 中國銀聯股份有限公司 (China UnionPay Co., Ltd.), 深圳市國科瑞華三期股權投資基金合夥企業 (有限合夥) (CASREV FUND III-RMB L.P.), 南寧匯友興曜股權投資基金合夥企業(有限合夥) (Nanning Huiyou Xingyao Equity Investment Fund L.P.) and Flexiv 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 2020 and 2019, 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.

21. 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 2019	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**
Charged to profit or loss for the year	**28,550,652**	**882,019**	**29,432,671**
Exchange differences	**8,113,938**	**1,514,334**	**9,628,272**
Balance at 31 December 2020	**130,029,330**	**24,290,592**	**154,319,922**

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$13.64 million (2019: US$3.61 million) available for offsetting against future profits. Included in unrecognised tax losses are losses of US$8.79 million (2019: US$0.37 million that will expire in 2024) that will expire in 2025. 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 (2019: Nil).

22. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2020** **US$**	2019 US$
Non-current assets			
Investments in subsidiaries		**44,840,372**	44,840,375
Financial assets at fair value through profit or loss		**103,595,705**	84,288,539
Amounts due from subsidiaries		**51,717,268**	49,707,072
		200,153,345	178,835,986
Current assets			
Amounts due from subsidiaries		**81,886,374**	55,986,283
Other receivables and prepayments		**1,766,000**	990,557
Cash and cash equivalents		**14,928,142**	22,549,438
		98,580,516	79,526,278
Current liabilities			
Amounts due to subsidiaries		**14,213,054**	12,380,881
Other payables		**13,458,527**	3,532,766
Taxation payable		**2,333,818**	1,266,388
		30,005,399	17,180,035
Net current assets		**68,575,117**	62,346,243
Total assets less current liabilities		**268,728,462**	241,182,229
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss		**1,461,857**	1,190,048
Deferred taxation		**8,829,697**	6,898,980
		10,291,554	8,089,028
Net assets		**258,436,908**	233,093,201
Capital and reserves			
Share capital	23	**139,348,785**	139,348,785
Reserves	24	**119,088,123**	93,744,416
Equity attributable to owners of the Company		**258,436,908**	233,093,201

Mr. WANG Xiaoding
Director

Mr. TSE Yue Kit
Director

23. SHARE CAPITAL OF THE COMPANY

	Number of shares	US$
Issued and fully paid:		
At 1 January and 31 December 2019,		
1 January and 31 December 2020		
– Ordinary shares with no par value	**152,333,013**	**139,348,785**

24. RESERVES OF THE COMPANY

	Exchange reserve US$	Retained profits US$	Total US$
Balance at 1 January 2019	(309,784)	100,668,675	100,358,891
Profit for the year	—	12,856,619	12,856,619
Exchange difference	(1,191,132)	—	(1,191,132)
Total comprehensive (expense) income for the year	(1,191,132)	12,856,619	11,665,487
2018 final and special dividends paid	—	(18,279,962)	(18,279,962)
Balance at 1 January 2020	**(1,500,916)**	**95,245,332**	**93,744,416**
Profit for the year	**—**	**30,002,317**	**30,002,317**
Exchange difference	**6,004,701**	**—**	**6,004,701**
Total comprehensive income for the year	**6,004,701**	**30,002,317**	**36,007,018**
2019 final dividend paid	**—**	**(10,663,311)**	**(10,663,311)**
Balance at 31 December 2020	**4,503,785**	**114,584,338**	**119,088,123**

25. 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$775,430,779 (2019: US$649,050,242) and 152,333,013 ordinary shares (2019: 152,333,013 ordinary shares) with no par value in issue at 31 December 2020.

26. 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 2019	—
Dividend declared	18,279,962
Financing cash flow	(18,279,962)
At 31 December 2019	—
At 1 January 2020	**—**
Dividend declared	**10,663,311**
Financing cash flow	**(10,663,311)**
At 31 December 2020	**—**

27. COMMITMENTS

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

(a) On 4 September 2020, the Group entered into a partnership agreement in relation to CASRF Fund L.P. ("**CASRF Fund**"), pursuant to which the Group agreed to make a capital contribution of RMB50 million (equivalent to approximately US$7.58 million) in total by installment into the capital of CASRF Fund, which is specified to be used for an investment in CASREV FUND III-RMB L.P. ("**CASREV Fund III**") in return for a 1.11% beneficial interest in CASREV Fund III. As at 31 December 2020, the Group has injected RMB25 million (equivalent to approximately US$3.75 million) into CASRF Fund and classified the investment as a financial asset at FVTPL under non-current assets.

(b) On 24 September 2020, the Group entered into a partnership agreement in relation to Nanning Huiyou Xingyao Equity Investment Fund L.P. ("**Huiyou Xingyao Fund**"), pursuant to which the Group agreed to make a capital contribution of RMB24 million (equivalent to approximately US$3.65 million) in total by installment into the capital of Huiyou Xingyao Fund in return for a 21.24% interest in Huiyou Xingyao Fund. As at 31 December 2020, the Group has injected RMB16.31 million (equivalent to approximately US$2.47 million) into Huiyou Xingyao Fund and classified the investment as a financial asset at FVTPL under non-current assets.

28. 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$11,511,019 (2019: US$11,032,351). 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).

(b) A performance fee of US$9,587,735 (2019: Nil) is provided for the year 2020 and is payable to the Investment Manager. The fee is calculated based on a fixed percentage on the agreed increment of the Group's net asset value after certain adjustments as stipulated in the Investment Management Agreement (Note).

(c) The amount due to the Investment Manager included in other payables in the consolidated statement of financial position as at 31 December 2020 was US$13,011,305 (2019: US$2,740,492). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(d) Securities brokerage commission fee totaling US$2,777 (2019: US$7,283) was paid to a subsidiary of a substantial shareholder of the Company who has significant influence over the Company.

(e) 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 2020, were US$53,084, US$316,300 and US$37,360, respectively (31 December 2019: US$19,938, US$231,276 and US$23,755, respectively). Moreover, the financial liability of the Group with Mr. LAW Hung Kuen, Janson, a Director of the Investment Manager, was US$52,577 (31 December 2019: US$21,225).

(f) Key management compensation and services are disclosed in notes 10, 28(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.

29. PARTICULARS OF SUBSIDIARIES

Particulars of all subsidiaries at 31 December 2020 and 2019, 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
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
Star Group Limited	Ordinary	HK/HK	Investment holding	HK$2 (Directly owned limited liability company)	Mr. WANG Xiaoding Mr. NG Chi Keung
Shenzhen Tian Zheng Investment Co., Ltd.	Registered capital	PRC/PRC	Investment holding	RMB700,000,000 (Indirectly owned limited liability company)	Mr. WEI Pengchong
Xinjiang Tian Hong Equity Investment Co., Ltd.	Registered capital	PRC/PRC	Investment holding	RMB30,000,000 (Indirectly owned limited liability company)	Mr. WEI Pengchong

None of the subsidiaries had any debt securities subsisting at 31 December 2020 and 2019 or at any time during the year.

CMCDI Zhaoyuan Limited, Ryan Pacific Limited and Wisetech Limited were dissolved during the year 2020.

* The Director was appointed during the year 2019.

\# The Director resigned during the year 2019.

30. 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.

FINANCIAL SUMMARY

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2016	2017	2018	2019	**2020**
	US$	*US$*	*US$*	*US$*	***US$***
Net (loss) gain on financial assets at fair value through profit or loss	(35,548,107)	174,206,045	(111,123,083)	131,848,627	**126,204,803**
Investment income	25,999,558	15,207,807	18,884,552	15,528,387	**16,106,800**
(Loss) profit from operations	(21,739,378)	168,834,048	(105,266,617)	136,355,337	**121,554,717**
Taxation	6,141,714	(50,931,214)	18,245,492	(34,546,363)	**(31,766,962)**
(Loss) profit attributable to owners of the Company	(15,597,664)	117,902,834	(87,021,125)	101,808,974	**89,787,755**
Basic (loss) earnings per share	(0.102)	0.774	(0.571)	0.668	**0.589**
Dividend per share					
– Final	0.06	0.06	0.07	0.07	**0.07**
– Special	—	—	0.10	—	**0.01**
– Total	0.06	0.06	0.17	0.07	**0.08**

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2016	2017	2018	2019	**2020**
	US$	*US$*	*US$*	*US$*	***US$***
Total assets	687,821,249	872,826,995	687,899,613	794,032,860	**971,638,289**
Total liabilities	(126,505,804)	(167,200,881)	(112,844,445)	(144,982,618)	**(196,207,510)**
Net assets	561,315,445	705,626,114	575,055,168	649,050,242	**775,430,779**
Net asset value per share	3.685	4.632	3.775	4.261	**5.090**