China Merchants China Direct Investments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

CREATING VALUE IN

CHINA

ANNUAL REPORT 2021

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. ZHOU Xing* *(Chairman)*
Mr. ZHANG Rizhong*
Mr. WANG Xiaoding#
Mr. TSE Yue Kit#
Ms. KAN Ka Yee, Elizabeth#
Mr. KE Shifeng*
Mr. LIU Baojie**
Mr. TSANG Wah Kwong**
Dr. LI Fang**
Dr. GONG Shaolin**
Mr. Michael Charles VITERI**

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

INVESTMENT COMMITTEE

Mr. ZHOU Xing
Mr. ZHANG Rizhong
Mr. WANG Xiaoding
Ms. KAN Ka Yee, Elizabeth

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. ZHOU Xing
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. ZHOU Xing

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 2021 amounted to US$805.70 million, representing an increase of 3.90% compared to US$775.43 million in 2020. The net asset value per share was US$5.289, representing the same percentage increase of 3.90% compared to US$5.090 in 2020. The Group's audited consolidated profit after taxation for 2021 was US$24.21 million, representing a decrease of 73.04% compared to an audited consolidated profit after taxation of US$89.79 million for last year.

The Board has recommended the payment of a final dividend of US$0.07 per share for the year 2021, the same as last year. In addition, a special dividend of US$0.07 per share will be proposed, while a special dividend of US$0.01 per share was distributed last year. As there were no interim dividends during 2021, total dividends payable for the year 2021 were US$0.14 per share, compared to US$0.08 per share last year, representing an increase of 75%.

In 2021, the global economy recovered gradually from the fight against coronavirus disease pandemic. The World Bank estimated that, in 2021, the global economy grew by 5.5%, the US economy by 5.6%, the Eurozone economy by 5.2% and the Japanese economy by 1.7%, while China's gross domestic product (GDP) grew by 8.1%. Viewed by quarter, the GDP growth rates for China from the first to the fourth quarter were 18.3%, 7.9%, 4.9% and 4.0%, respectively. China's economy continued to recover steadily in 2021, and both its economic development and pandemic prevention and control measures maintained a leading position in the world. According to a preliminary report by the National Bureau of Statistics, in 2021, total consumption expenditures, gross capital formation, and net exports of goods and services drove economic growth by 5.3, 1.1 and 1.7 percentage points, respectively, and their contribution rates to economic growth were 65.4%, 13.7% and 20.9%, respectively. Furthermore, the Consumer Price Index of China for 2021 rose by 0.9%, representing a decrease of 1.6 percentage points as compared to the growth rate last year, residing within a reasonable range.

In 2021, the A shares market of China experienced some up-and-down swings. The SSE Composite Index fluctuated several times between 3300 and 3750 points, peaking at 3732 points on 18 February and falling to its lowest point of the year at 3313 points on 28 July, before rebounding in mid-November to close at 3640 points by the end of 2021, up 4.80% as compared to the end of 2020. In 2021, the Hong Kong stock market generally experienced a downward trend. The Hang Seng Index increased to its highest point of the year at 31183 on 18 February, early in the year, then fell to close at 23398 points at the end of 2021, representing a decrease of 14.08% as compared to the end of 2020.

At the end of 2021, the Group's total holdings in investment projects amounted to US$967.37 million (US$909.27 million at the end of 2020), accounting for 95.05% of the Group's total asset value and representing an increase of US$58.10 million. This was largely due to a net increase in the fair value of investment projects. Meanwhile, cash and cash equivalents were US$36.64 million, accounting for 3.60% of the total asset value of the Group.

In 2021, 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 three new projects in 2021, all of which focused on information technology—namely, Beijing Huashun Xin'an Technology Co., Ltd., Xinyi Information Technology Ltd. and Rizhao Azuri Technologies Co., Ltd. The Group also increased its investment in an existing information technology project—Anhui iFlytek Healthcare Information Technology Co., Ltd. The amount invested in the above projects was US$22.54 million in total.

In 2021, following a decision to recall the loan to Rong Bao Zhai Culture Co., Ltd., the Group received the full amount of the loan principal plus interest accrued of US$50.09 million, officially exiting from the investment, primarily because the project's future prospects were less than expected. In addition, the Group sold a total of 0.823 million shares of Cambricon Technologies Corporation Limited for net proceeds of US$12.66 million in order to realise a return on this investment and to increase working capital. After the sale of those shares, the Group no longer holds any interest in the company and has fully exited from the project.

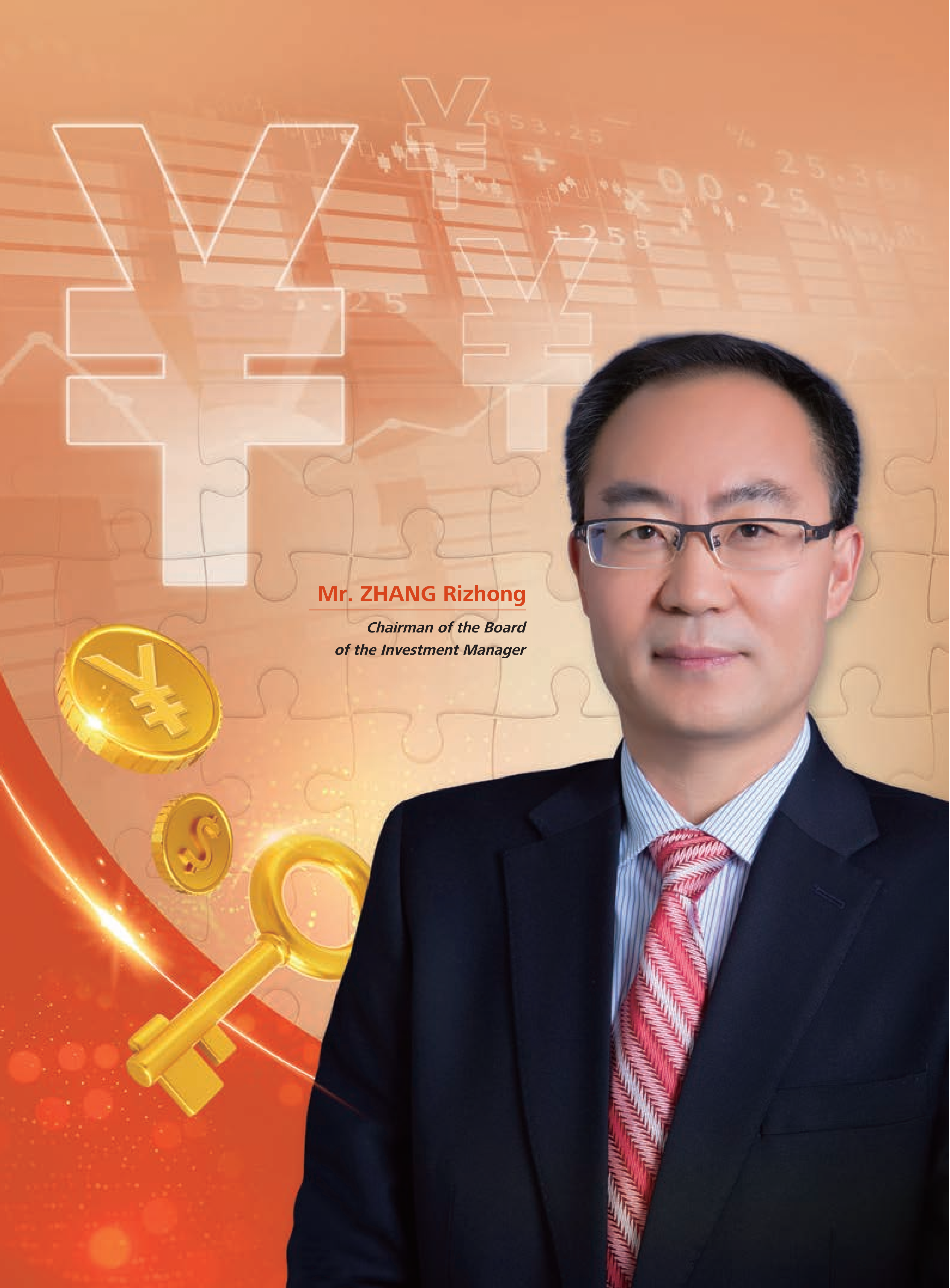
The existing investment management agreement expired on 31 December 2021. As such, the Company and the Investment Manager renewed an investment management agreement with a term of three years on 18 October 2021. With the consideration and recommendations of the Independent Board Committee, comprised entirely Independent Non-executive Directors of the Company, and approved by the independent shareholders of the Company on 29 November 2021, the new agreement came into effect on 1 January 2022.

Looking ahead to 2022, there will be challenges as well as opportunities. The uncertainty of economic growth may persist due to external factors such as the pandemic, global geopolitics, economic and financial instability, and rapid technological change. In 2022, it is expected that the global economy will face uncertainty regarding the withdrawal of macroeconomic stimulus policies in major developed economies. The quantitative easing policies that have lasted for more than three years have placed increasing pressure on sovereign debt and inflation. Monetary policies in major developed economies may therefore gradually change towards normalisation, which could include a cycle of rising interest rates in 2022, while emerging market economies could face strong pressures from capital outflows and currency devaluations. Despite the triple pressures of declining demand, supply shocks and weakening growth expectations, the fundamentals of China's economy remain unchanged, and are expected to be stable and sound in the long run. The basic characteristics of China's economy, which remains full of potential, resilience, vitality, and adaptability, along with ample policy tools, should continue to support long-term growth and development. Although we expect that various asset price risks, arising from slowing growth in the global economy (including China) in medium- to long-term, along with greater volatility in the capital markets, will pose 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 Mr. ZHANG Jian for his valuable contributions to the Company during his tenure as the Director and Chairman of the Board, as well as 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. ZHOU Xing
Chairman

Hong Kong, 28 March 2022


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$24.21 million for the year ended 31 December 2021, compared to a profit attributable to equity shareholders of US$89.79 million for last year, representing a decrease of US$65.58 million or 73.04%—with the profit decrease largely attributable to a much smaller gain in the overall value of the financial assets at fair value through profit or loss (the "**Financial Assets**"). As of 31 December 2021, the net assets of the Fund were US$805.70 million (31 December 2020: US$775.43 million), with a net asset value per share of US$5.289 (31 December 2020: US$5.090).

The net gain on the Financial Assets for the year was US$48.65 million, compared to a net gain of US$126.20 million for last year, representing a decrease of 61.45%. The Fund's listed and unlisted investments recorded net gains of US$50.06 million and net losses of US$1.41 million, respectively. For more information on the change in fair value of each of the listed and unlisted investments, please see the section titled "Review of Investments" in this Investment Manager's Discussion and Analysis.

Total investment income for the year decreased by 12.23% to US$14.14 million (2020: US$16.11 million) as compared to last year, due mainly to a decrease in dividend income from investments.

ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In 2021, the Fund continued to seek out and rigorously evaluate investment opportunities. During the year, the Fund made new investments in the information technology industry. The direct investments completed include the following:

On 24 March 2021, the Fund entered into an investment agreement and other relevant agreements in relation to Beijing Huashun Xin'an Technology Co., Ltd. ("**Huashun Xin'an**"), pursuant to which the Fund agreed to contribute capital to Huashun Xin'an in order to participate in its new round of financing and to obtain an equity interest, as well as to purchase a portion of the equity interest from the founding shareholders of Huashun Xin'an at a discounted price. The total investment made by the Fund in Huashun Xin'an is RMB30 million, representing a 4.29% equity interest. The Fund completed capital contributions of RMB24 million (equivalent to US$3.67 million) and RMB6 million (equivalent to US$0.93 million) to the Huashun Xin'an project on 9 April and 2 July 2021, respectively, making an aggregate of RMB30 million (equivalent to US$4.60 million) for this investment. Huashun Xin'an is a cyber security company with a search engine for cyberspace resources. It focuses on the fields of big data security and cyberspace resources for surveying and mapping. It is primarily engaged in the research and development of technologies and products in the field of cyber information security.

On 25 August 2021, the Fund entered into an investment agreement and other relevant agreements in relation to Xinyi Information Technology Ltd. ("**Xinyi**"), pursuant to which the Fund agreed to contribute capital of RMB35 million to Xinyi in order to participate in its new round of financing and to obtain a 1.44% equity interest. The Fund completed a capital contribution of RMB35 million (equivalent to US$5.42 million) to the Xinyi project on 9 September 2021. Xinyi is a company that focuses on the research and development of SoC (system on a chip) for Internet of Things (IoT) for low-power wide-area network (LPWAN), and is committed to becoming a world-class manufacturer of Internet of Things intelligent terminal SoCs for the 5th generation mobile communications (5G), with applications mainly covering smart meters, smart security, smart transportation, smart cities, the sharing economy and other scenarios.

ACQUISITIONS AND DISPOSALS OF INVESTMENTS (CONTINUED)

On 3 November 2021, 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 0.714% equity interest in iFlytek Healthcare from an existing shareholder, Anhui iflytek Venture Capital LLP, at a price of RMB50 million. The Fund paid the consideration of RMB50 million (equivalent to US$7.80 million) for the transfer on 12 November 2021. After completion of the transfer, the Fund's stake in iFlytek Healthcare increased from 3% to 3.714%.

On 10 November 2021, the Fund entered into an investment agreement and other relevant agreements in relation to Rizhao Azuri Technologies Co., Ltd. ("**Azuri**"), pursuant to which the Fund agreed to contribute capital of RMB30 million to Azuri in order to participate in its new round of financing and to obtain a 2.50% equity interest. The Fund paid and completed a capital contribution of RMB30 million (equivalent to US$4.72 million) to Azuri on 9 December 2021. Azuri is a company that develops and manufactures laser diode chips, optical devices and optical module products for high-speed optical communications, mainly targeting fiber to the home (FTTH), 5th generation mobile communications (5G), enterprise networking and data centre markets.

In addition, the Fund exited from a convertible debt project and an equity investment project during the year.

The Fund reached a decision to recall the loan to Rong Bao Zhai Culture Co., Ltd. ("**Rong Bao Zhai Culture**") in the fourth quarter of 2020. As of 28 June 2021, the Fund received the full amount of the loan principal of RMB300 million plus accrued interest of RMB26.49 million (equivalent to US$50.09 million) from Rong Bao Zhai Culture, and officially exited from the investment. The pre-tax internal rate of return to the Fund from Rong Bao Zhai Culture was 3.57%.

During the period of July to December 2021, the Fund sold its entire holding of 0.823 million shares of Cambricon Technologies Corporation Limited ("**Cambricon**") on the secondary market through a partnership entity, for net proceeds of RMB80.60 million (equivalent to US$12.66 million), and has fully exited from the project. The pre-tax internal rate of return to the Fund from Cambricon was 20.83%.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND COMMITMENTS

The Fund's cash and cash equivalents decreased by 39.30%, from US$60.36 million at the end of last year to US$36.64 million (representing 3.60% of the Fund's total assets) as of 31 December 2021, due mainly to payments made by the Fund for the Investment Manager's performance fee and the special dividend for 2020.

As of 31 December 2021, the Fund had no outstanding bank loans (31 December 2020: Nil).

As of 31 December 2021, the Fund had commitment of US$1.96 million (31 December 2020: US$5.01 million) for an investment that was approved but not yet provided for in the financial statements—specifically, for future payments related to investment in CASREV FUND III-RMB L.P.

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 2.41% in 2021, 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.

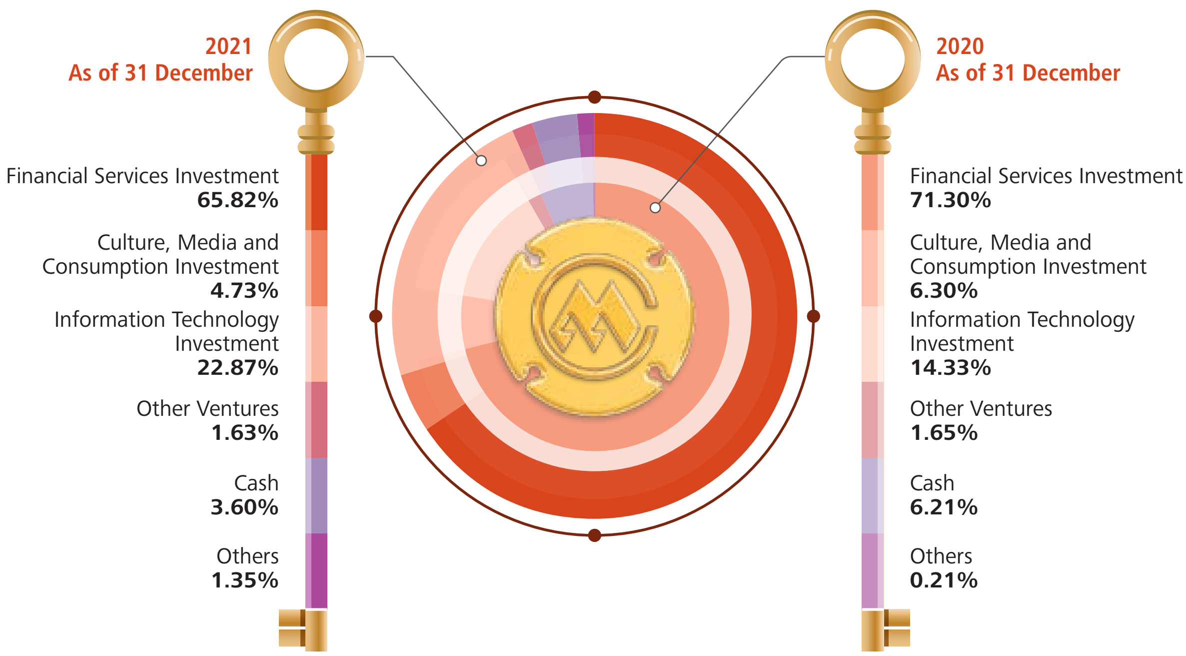
EMPLOYEES

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 2021, the Fund's total investments amounted to US$967.37 million. The sector distribution of investments was US$669.85 million in financial services (representing 65.82% of the Fund's total assets), US$48.05 million in culture, media and consumption (4.73%), US$232.87 million in information technology (22.87%), and US$16.60 million in other ventures (including manufacturing, energy and resources, and pharmaceutical, etc.) (1.63%). In addition, cash and cash equivalents were US$36.64 million, representing 3.60% of the Fund's total assets as of 31 December 2021.

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 2021:

Name of projects	Location of headquarters	Main business	Listed (Stock Exchange)/ unlisted	Carrying value	Percentage of total assets	Percentage of net assets
				US$ million	*%*	*%*
Financial Services:						
#1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	422	41.48	52.40
#2. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	218	21.44	27.08
#3. JIC Leasing Co., Ltd.	Beijing	Finance leasing	Unlisted	21	2.09	2.64
4. China Reinsurance (Group) Corporation	Beijing	Reinsurance	Hong Kong Stock Exchange	7	0.64	0.80
5. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	2	0.17	0.22
			Sub-total:	**670**	**65.82**	**83.14**
Culture, Media & Consumption:						
#6. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	28	2.71	3.43
#7. NBA China, L.P.	Beijing	Sports marketing	Unlisted	12	1.22	1.54
8. Oriental Pearl Media Co., Ltd.	Shanghai	Multimedia	Shanghai Stock Exchange	1	0.15	0.18
9. Yunnan Jinlanmei International Travel Investment Development Co., Ltd.	Xishuangbanna, Yunnan	Travel	Unlisted	1	0.06	0.07
10. Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd.	Xining, Qinghai	Travel	Unlisted	6	0.59	0.74
			Sub-total:	**48**	**4.73**	**5.96**

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:						
11. Xi'an Jinpower Electrical Co., Ltd.	Xi'an, Shaanxi	Power grid monitoring system	New Third Board [Note]	1	0.09	0.11
#12. Anhui Iflytek Venture Capital LLP	Hefei, Anhui	Information technology investment	Unlisted	11	1.09	1.38
#13. Iflytek Co., Ltd.	Hefei, Anhui	Intelligent speech technology	Shenzhen Stock Exchange	56	5.51	6.96
14. Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP	Beijing	Information technology investment	Unlisted	9	0.86	1.09
#15. Pony AI Inc.	Fremont, California	Autonomous driving	Unlisted	34	3.38	4.28
16. Arashi Vision Inc.	Shenzhen, Guangdong	360-degree video products	Unlisted	6	0.62	0.78
#17. Anhui iFlyHealth Co., Ltd.	Hefei, Anhui	Artificial intelligence medical	Unlisted	41	4.01	5.07
#18. China UnionPay Co., Ltd.	Shanghai	Financial payment	Unlisted	51	4.98	6.29
19. CASREV FUND III-RMB L.P.	Beijing	Technology & medical investment	Unlisted	5	0.48	0.60
20. Flexiv Ltd.	Shanghai	Adaptive robots	Unlisted	6	0.54	0.68
21. Beijing Huashun Xin'an Technology Co., Ltd.	Beijing	Cyber security	Unlisted	3	0.31	0.39
22. Xinyi Information Technology Ltd.	Shanghai	System on a chip for Internet of Things	Unlisted	5	0.54	0.68
23. Rizhao Azuri Technologies Co., Ltd.	Rizhao, Shandong	Direct modulated lasers	Unlisted	5	0.46	0.58
			Sub-total:	**233**	**22.87**	**28.89**
Others:						
(i) Manufacturing:						
24. Shenzhen Geesun Intelligent Technology Co., Ltd.	Shenzhen, Guangdong	Production equipment for lithium ion batteries	Unlisted	0	0.04	0.06
25. Hwagain Group Co., Ltd.	Nanning, Guangxi	Printing paper & tissue paper	Unlisted	4	0.36	0.45
(ii) Energy & Resources:						
26. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	New Third Board [Note]	4	0.40	0.51
(iii) Pharmaceutical:						
27. Nanning Huiyou Xingyao Equity Investment Fund L.P.	Nanning, Guangxi	Biopharmaceutical investment	Unlisted	4	0.37	0.47
			Sub-total:	**12**	**1.17**	**1.49**
			Total:	**963**	**94.59**	**119.48**

\# ***Ten largest investments of the Fund as of 31 December 2021***

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 2021, 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 2021, the Fund received a cash dividend of RMB69.16 million from CMB for 2020.

As of the end of 2021, the carrying value of the Fund's interest in CMB was US$422.16 million, representing an increase of 13.58% over US$371.70 million at the end of last year. The Fund's unrealised gain attributable to its investment in CMB for 2021 was US$40.72 million, down 19.97% year-over-year.

On 19 March 2022, CMB announced that its audited net profit for 2021 was RMB119.9 billion, up 23.20% year-over-year.

On 20 May 2021, CMB announced that it had received approval from the European Central Bank for the establishment of China Merchants Bank (Europe) Co., Ltd. ("**CMB Europe**"), a wholly-owned subsidiary based in Luxembourg. The registered capital of CMB Europe is EUR50 million, and this newly established entity is expected to further promote the international reach of CMB in global markets.

On 1 June 2021, CMB announced that the China Banking and Insurance Regulatory Commission ("**CBIRC**") had approved the transfer of a total of 14.8559% shares of the Bank of Taizhou held by China Ping An Trust Co., Ltd. and Ping An Life Insurance Company of China, Ltd. to CMB. CMB had previously signed an equity transfer agreement and already paid consideration for the equity transfer. Upon completion of the transaction, CMB will cumulatively hold 24.8559% shares of the Bank of Taizhou, a leading bank in the small and micro finance business. CMB believes that its new stake in the Bank of Taizhou will enhance its capability to provide financial services to small and micro enterprises.

On 25 June 2021, CMB's capital plan targets for 2021-2023 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 10.0%, 11.0% and 13.0%, respectively.

REVIEW OF INVESTMENTS (CONTINUED)

On 3 December 2021, CMB announced that it had received approval from the CBIRC for its subsidiary, CMB Wealth Management Co., Ltd. (“**CMB Wealth Management**”), to increase its capital and to make other changes to its registered capital. A strategic investor, JPMorgan Asset Management (Asia Pacific) Limited (“**JPMorgan Asset Management**”), will contribute RMB2,667 million to subscribe for 10% of the shares of CMB Wealth Management. After completion of the capital increase, the registered capital of CMB Wealth Management will grow to approximately RMB5.56 billion from RMB5 billion, while CMB and JPMorgan Asset Management will hold 90% and 10% of the shares of CMB Wealth Management, respectively. As an important benefit, CMB Wealth Management can now draw on the deep experience of JPMorgan Asset Management as a leading international asset management institution in fintech, investment research, risk management, etc.

On 7 December 2021, with the approval of both the CBIRC and the People’s Bank of China, CMB completed the issuance of undated capital bonds of RMB43 billion in the China’s national interbank bond market. The issuer’s conditional redemption right is attached to the bonds, which can be exercised on the annual interest payment dates of the fifth year and each subsequent year. The proceeds from this issuance of the bonds will be used to replenish the bank’s additional tier-one capital, in accordance with applicable laws and approval by regulatory authorities.

In 2021, the Fund did not dispose of any A shares of CMB.

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 2021, the Fund held a 6.94% equity interest in CCT, with a total investment cost of US$50.49 million. In June 2021, CCT declared a cash dividend for 2020, and the Fund is entitled to receive a total of US$2.04 million (pre-tax) from CCT.

As of the end of 2021, the carrying value of the Fund’s interest in CCT was US$218.16 million, representing an increase of 1.05% over US$215.90 million at the end of last year. The Fund’s unrealised gain attributable to its investment in CCT for 2021 was negative of US$3.04 million, while the relevant amount for 2020 was US$26.56 million.

For 2021, CCT recorded an unaudited net profit of RMB958 million, down 10.55% year-over-year. During the year, the company recorded an increase in income from commissions and handling fees, as well as interest income, compared to last year. In addition, the loss due to credit impairment for the year rose, while investment income and the gain on change in fair value saw decreases, 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 increased, due to an increase in the amount of CCT’s actively managed trust assets. As a result of these changes, CCT saw an increase in actively managed trusts as a percentage of its total trust assets, as CCT continues to optimise its business mix.

REVIEW OF INVESTMENTS (CONTINUED)

In 2021, the CBIRC continued to set caps for trust companies with respect to the absolute size of their real estate trust assets, as well as to the proportion of their non-standardised debt assets in relation to trust management assets. In addition, it has also strictly differentiated the business model of non-investment trusts in order to prevent any attempts to disguise debt as equity. At the same time, regulatory authorities continue to ask trust companies to further downsize their channel business. Thus, CCT faces significant limitations in conducting new real estate business, as it may undertake new real estate trust projects only after it has reduced exposure to current projects. Furthermore, the firm must seek arrangements that conform to the new regulatory requirements, while minimising the impact of the new regulations on its business and evaluating new projects more prudently according to market conditions. Currently, among its traditional businesses, the real estate trust business remains the primary source of income and profit for CCT. In order to optimise its trust business mix, CCT will strive to develop new trust business for standardised assets, as well as to actively promote its equity investment trust business. In addition, CCT will seek to expand its service trust business, encompassing securitised assets and family trusts, and to enhance its brand value and industry influence by developing charity trusts. Moreover, on 8 September 2021, CCT and its single largest shareholder, PICC Group, announced that an insurance trust cooperation agreement was successfully signed by both parties in Guangzhou, which should strengthen their business partnership with respect to insurance trusts and other businesses in the future.

CCT regularly reviews its trust projects to identify projects with potential risk and to evaluate and review existing risk protection measures. As a result, the firm has gradually reduced its scope of business with certain real estate developers. It was reported that several large real estate developers suffered financial difficulties in the second half of 2021. In this regard, CCT has closely monitored any risks this may pose to its existing projects, and to take corresponding risk mitigation measures as soon as practical, in order to protect the interests of trust product investors.

In 2021, CCT won several awards from certain financial media organisations, including the "Best Trust Product Innovation Award" from the Shanghai Securities News, the "2021 Outstanding Trust Company Award in terms of Social Responsibility" from the Securities Times, the "2021 Best Trust Company in terms of Stable Growth" from the Financial Times, the "Outstanding R&D Innovation Award" and "Outstanding Standard Trust Product Award" of the year from JRJ.com, among others.

A proposal for conversion of its capital reserves into registered capital was approved at the shareholders meeting of CCT convened on 27 November 2020, under which registered capital will be increased from RMB2,457 million to RMB4,850 million. Following a delay with the application documents, the Beijing Bureau of Banking and Insurance Regulatory Commission announced its approval of the change in registered capital for CCT on 20 January 2022. After implementation of the proposal, the Fund's stake in CCT will remain unchanged.

REVIEW OF INVESTMENTS (CONTINUED)

JIC Leasing Co., Ltd. ("JIC Leasing") was established in Beijing in 1989 and is a leading independent finance leasing firm in China, principally engaged in finance leasing for businesses in a wide range of industries, including information technology; high-end equipment manufacturing; and healthcare, environmental protection and new energy. The Fund invested RMB246 million (equivalent to US$38.78 million) in October 2015 and held a 4.98% equity interest in JIC Leasing as of 31 December 2021.

As of the end of 2021, the carrying value of the Fund's interest in JIC Leasing was US$21.30 million, representing a decrease of 57.11% from the value at the end of last year of US$49.66 million. The Fund's unrealised gain attributable to its investment in JIC Leasing for 2021 was negative of US$29.20 million, while the relevant amount for 2020 was US$17.24 million.

In 2021, JIC Leasing proactively adopted various regulatory requirements, operated its business in a conservative manner and adhered to the necessities of risk management in order to ensure progress while maintaining stability. Due to stricter regulation of its industry and the fact that its customers-related industries were greatly affected during the coronavirus disease pandemic, and after a prudent assessment of risks, the amount of risk provision for JIC Leasing increased significantly compared with last year, resulting in a decline in its unaudited net profit in 2021 compared with 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. It is still in the queue for the CSRC's review of its listing application for the Main Board of the Shanghai Stock Exchange and as of 31 December 2021, it ranked 3rd in the queue.

From 2018 to 2021, JIC Leasing was recognised as "AAA Credit Rating of Beijing Enterprise" for four consecutive years, as well as "China Finance Leasing Company of the Year" by China Association of Enterprises with Foreign Investment in 2021.

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 2021, 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 2021, the Fund received a cash dividend (net of tax) of HK$2.98 million from China Re for 2020.

As of the end of 2021, the carrying value of the Fund's interest in China Re was US$6.47 million, representing a decrease of 5.55% from the value at the end of last year of US$6.85 million.

On 28 October 2021, China Re announced that the unaudited net profit for its insurance business for the first three quarters of 2021 was RMB5.70 billion, down 7.62% year-over-year.

REVIEW OF INVESTMENTS (CONTINUED)

On 28 December 2021, China Re announced the "Digital China Re 2.0" strategy, and has formulated new digital transformation framework and organisational reforms, along with better data capitalisation and the adoption of new business platforms and ecosystems, with a view to achieving a digital transformation of China Re by the end of 2025.

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

As of the end of 2021, the carrying value of the Fund's interest in China Media Management was US$1.75 million, representing an increase of 29.63% over US$1.35 million at the end of last year.

During the investment period, China Media Management helped China Media Investment to invest in an aggregate of seven projects, and also completed the disposal of four projects, namely OCJ (東方購物), Shanghai Jade East Propagation Co., Ltd., Renren Inc. and IMAX China Holding, Inc. Presently, China Media Management is actively assisting with exit arrangements for the projects of Star China, Shanghai Oriental DreamWorks Co., Ltd. ("**Oriental DreamWorks**") and Beijing Weiying Technology Co., Ltd. ("**Weiying**").

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 twice for a total of four 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, representing 10% of the total capitalisation of China Media Investment. Since June 2010, the Fund had made successive capital injections into China Media Investment for an aggregate 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. In addition, through the end of December 2021, the Fund 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 2021, the carrying value of the Fund's interest in China Media Investment was US$27.61 million, representing a decrease of 0.65% from the value at the end of last year of US$27.79 million.

As of the end of 2021, the unaudited net asset value of China Media Investment was RMB1,738 million, representing a decrease of 1.61% compared to an audited net asset value as of the end of last year.

REVIEW OF INVESTMENTS (CONTINUED)

Through the end of December 2021, China Media Investment has completed a full exit from four projects, while continuing to hold three projects, namely Star China, Oriental DreamWorks and Weiying. Of these, Shanghai Canxing Culture Media Co., Ltd., the domestic operating entity of Star China, had applied for domestic listing, but the application was denied by the Listing Committee of the ChiNext of the Shenzhen Stock Exchange. Subsequently, Star China formed a new entity, Star CM Holdings Limited, which is actively preparing a plan for listing in Hong Kong and published its listing application information on the website of the Hong Kong Stock Exchange on 12 November 2021.

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 returns of capital from NBA China for a cumulative amount of US$23 million in 2017, representing a full recovery of the capital invested in NBA China by the Fund. As of 31 December 2021, the Fund held a 1% partnership interest in NBA China. The Fund received a cash distribution from NBA China of US$0.485 million and US$1.39 million in January 2021 and the first quarter of 2022, respectively.

As of the end of 2021, the carrying value of the Fund's interest in NBA China was US$12.41 million, representing an increase of 316.44% over US$2.98 million at the end of last year. The Fund's unrealised gain attributable to its investment in NBA China for 2021 was US$9.43 million, while the relevant amount for 2020 was negative of US$11.65 million.

On 8 April 2021, NBA basketball training centre at Mission Hills Tourism Industrial Park of Haikou was officially opened to the public. The centre has five professional indoor basketball courts that meet the standards of the International Basketball Federation, as well as supporting facilities such as gymnasiums, rehabilitation centres, training rooms, retail stores, indoor swimming pools, medical rooms, player apartments and player canteens. NBA-certified coaches will be responsible for basketball training and player development in the park, and for the design of professional basketball training programmes as well.

On 22 June 2021, NBA China and Xiaopeng Motors jointly announced that Xiaopeng Motors had become an official marketing partner of NBA China. The partnership will extend for a term of three years. Xiaopeng Motors is the first smart car brand to enter into a cooperative marketing arrangement with NBA China.

On 2 July 2021, NBA China and Tencent Music Entertainment Group (TME) jointly announced a formal strategic partnership, pursuant to which TME will become the official music partner of NBA China. Under the arrangement, the two parties hope to bring together the excitement from the "Sound X Basketball" combination and to provide fans with some rich and novel NBA-themed content through a series of measures, including jointly produced theme songs, cooperation with musicians for cheering during the NBA season, creation of a new NBA podcast ecosystem and the offering of joint memberships.

On 19 July 2021, NBA China and Citibank (China) Co., Limited jointly announced a marketing partnership, pursuant to which the two parties will launch a series of joint promotional activities.

REVIEW OF INVESTMENTS (CONTINUED)

On 18 October 2021, NBA China and Kuaishou announced a multi-year strategic partnership, pursuant to which Kuaishou will become the first media partner of NBA China for content recreation, as well as NBA's official short video platform and NBA video content creation community. Focusing on NBA games and the Kuaishou sports ecosystem, the two parties will carry out in-depth cooperation in content, brand commercialisation, live-streaming e-commerce and other areas.

On 25 December 2021, the NBA Tianjin Flagship Store officially opened by NBA China and Topsports, a leading sportswear retailer and service provider in China. It is the third flagship store to open, after Beijing and Guangzhou. The store aims to bring consumers a new scene-based consumption experience and explore new possibilities of immersive scene IP.

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). In March 2021, the Fund further sold a total of 0.55 million A shares of Oriental Pearl for net proceeds of RMB5.30 million (equivalent to US$0.81 million). As of 31 December 2021, the Fund still held 0.995 million A shares of Oriental Pearl, accounting for 0.029% of the issued share capital of Oriental Pearl. The Fund will continue to sell the remaining shares at an appropriate time. In June 2021, the Fund received a cash dividend of RMB0.27 million from Oriental Pearl for 2020.

As of the end of 2021, the carrying value of the Fund's interest in Oriental Pearl was US$1.48 million, representing a decrease of 29.86% from the value at the end of last year of US$2.11 million.

On 16 September 2021, Oriental Pearl announced a proposed transfer of 50% of the equity of Shanghai Oriental Dragon New Media Co., Ltd. ("**Oriental Dragon**"), a wholly-owned subsidiary of Oriental Pearl, through a public tender offer on the Shanghai United Assets and Equity Exchange, with the intention of introducing strategic investors and providing new ideas and inspiration for Oriental Dragon's future development, as well as facilitating the transformation and upgrade of streaming media strategy. On 29 December 2021, Oriental Pearl announced that it had introduced four new strategic investors and completed the relevant change of business registration.

On 30 October 2021, Oriental Pearl announced that its unaudited net profit for the first three quarters of 2021 was RMB1 billion, down 23.44% year-over-year.

REVIEW OF INVESTMENTS (CONTINUED)

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. ("**YM Real Estate**"), 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. In July 2021, YM Real Estate, the single largest shareholder of Jinlanmei Travel, transferred its 35% stake in Jinlanmei Travel to its related party, Yunnan Kangqi Enterprise Management Co., Ltd.

As of the end of 2021, the carrying value of the Fund's interest in Jinlanmei Travel was US$0.57 million, representing a decrease of 17.39% from the value at the end of last year of US$0.69 million.

In 2021, the company completed the inspection and acceptance of a small-sized cruise ship with 60 seats and conducted normal business activities, while actively promoting the construction of a tourism pier. However, as the coronavirus disease pandemic has had an ongoing effect on the tourism industry in Xishuangbanna, many trips have had to be cancelled across the autonomous prefecture in 2021. The tourism industry in the Jinlanmei area, and especially the river tourism business, has been hobbled by these suspensions, which did have relatively material negative impact on the company's operation during the year.

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 to the convertible loan agreement entered into between the Fund and Qinghai Lake Tourism dated 9 May 2019, the Fund has received aggregate loan repayments of RMB200 million from Qinghai Lake Tourism, representing a full recovery of the loan made by the Fund. On 22 January 2021, the Fund entered into a letter of confirmation with Qinghai Lake Tourism with respect to an extension of interest payments, pursuant to which Qinghai Lake Tourism may postpone the payment of interest due for the loan of RMB200 million to 30 June 2022. The Fund will continue to closely monitor the situation with a goal to recover the interest, but will also consider whether to exercise its rights to convert an amount up to RMB200 million into shareholding under the supplemental agreement during the joint-stock restructuring of Qinghai Lake Tourism.

As of the end of 2021, the carrying value of the Fund's debt in Qinghai Lake Tourism was US$5.98 million, representing an increase of 9.12% over US$5.48million at the end of last year.

REVIEW OF INVESTMENTS (CONTINUED)

In 2021, due to the continuing impact of the coronavirus disease pandemic, the number of tourists visiting the scenic spots of Qinghai Lake has not yet recovered to the level before the pandemic. In order to improve operating conditions, Qinghai Lake Tourism is currently taking active measures to reduce expenses while also putting more effort into publicising its location in order to attract more tourists, so long as the pandemic remains under control. At present, the number of tourists is showing steady growth.

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 2021, accounting for 4.825% of the issued share capital of Jinpower Electrical.

As of the end of 2021, the carrying value of the Fund's interest in Jinpower Electrical was US$0.92 million, representing an increase of 6.98% over US$0.86 million at the end of last year.

On 20 August 2021, Jinpower Electrical announced that its unaudited net loss for the first half of 2021 was RMB6.50 million, representing an increase of loss of 82.04% over the same period last year. The increase in loss was due mainly to an increase in selling expenses as well as research and development expenses as compared to the same period last year.

In the fourth quarter of 2021, there were repeated outbreaks of the coronavirus disease in the area where Jinpower Electrical is located. In December 2021, Xi'an implemented a lockdown of the entire city. The outbreak, along with the corresponding prevention and control measures, is expected to have a negative short-term impact on the operating results of Jinpower Electrical.

In recent years, the profitability of the firm's products has been declining due to increasingly intense competition in the market for online monitoring devices. Jinpower Electric possesses competitive technology and a defensible market share, but with a relatively long cycle of product development and substantial investment in research and development. However, Jinpower Electric continues to face competition from both existing firms and potential new entrants, in terms of product technology advancement, product quality, marketing networks and after-sales service. As a result, the firm's market share may remain under pressure over time.

REVIEW OF INVESTMENTS (CONTINUED)

Anhui Iflytek Venture Capital LLP ("Iflytek Venture Capital") was established in Hefei, Anhui in December 2015, with an investment horizon of 7 to 9 years and with a fund size of RMB602 million. Its major investment targets are industries related to the Internet and applications of artificial intelligence (AI) in China, primarily to areas including education, healthcare, tourism, motor vehicles, Internet of Things (IoT), smart hardware, information security, e-commerce, interactive entertainment, smart toys, robotics and Internet advertising. The general partner and investment manager of Iflytek Venture Capital is Wuhu Iflytek Investment Management LLP, which is responsible for defining and executing the investment strategy for Iflytek Venture Capital, as well as for managing their operations. The Fund has committed to subscribe to an aggregate of RMB90 million by installment, for a 14.95% interest in Iflytek Venture Capital. Since December 2016, the Fund had made successive capital contributions to Iflytek Venture Capital for an aggregate of RMB90 million (equivalent to US$13.28 million), representing 100% of the subscription amount committed by the Fund. In addition, through the end of December 2021, the Fund received cash distributions from Iflytek Venture Capital in a cumulative amount of RMB45.34 million.

As of the end of 2021, the carrying value of the Fund's interest in Iflytek Venture Capital was US$11.13 million, representing a decrease of 9.73% from the value at the end of last year of US$12.33 million.

As of the end of 2021, the audited net asset value of Iflytek Venture Capital was RMB2,313 million, representing an increase of 359.84% compared to an audited net asset value as of the end of last year.

Through the end of December 2021, Iflytek Venture Capital has made investments in twenty-seven projects. Currently, Iflytek Venture Capital has entered into the investment exit period. Of these projects, ten projects have completed new rounds of financing while another three projects (including iFlytek Healthcare) were partially exited from during 2021.

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 with an aggregate invested amount of RMB130 million (equivalent to US$18.83 million). As of 31 December 2021, 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 0.293% of the issued share capital of Iflytek. In June 2021, the Fund received a cash dividend (net of tax) of RMB1.31 million from Iflytek for 2020.

As of the end of 2021, the carrying value of the Fund's interest in Iflytek was US$56.10 million, representing an increase of 31.66% over US$42.61 million at the end of last year. The Fund's unrealised gain attributable to its investment in Iflytek for 2021 was US$12.27 million, up 94.79% year-over-year.

REVIEW OF INVESTMENTS (CONTINUED)

On 19 July 2021, Iflytek completed its non-public issuance of 76,393,048 shares issued, of which 70,401,437 shares were issued to Mr. LIU Qingfeng, one of the de facto controlling shareholders of the company, while 5,991,611 shares were issued to the company of which Mr. LIU Qingfeng is the de facto controlling shareholder. The non-public issuance raised net funds of RMB2,537 million at the issue price of RMB33.58 per share. Total shares issued by Iflytek have increased from 2,224 million to 2,300 million. The proceeds from this placement shall be used in full to replenish the company's working capital and to strengthen its capital base, in order to optimise its asset structure and enhance its risk-resistance capacity.

On 14 December 2021, Iflytek announced that a share incentive plan had been implemented, under which 24,249,200 restricted shares were granted to 2,240 participants (including middle and senior management and core technical (business) personnel) at a price of RMB26.48 per share, to be listed on 15 December 2021, and the company's issued share capital was then increased from 2,300 million shares to 2,325 million shares.

On 27 October 2021, Iflytek announced that its unaudited net profit for the first three quarters of 2021 was RMB729 million, up 31.48% year-over-year. The primary reason for the increase in net profit was that the company saw greater momentum in its businesses driven by its AI core technologies, along with business expansion in education, consumer, etc., resulting in strong growth in sales.

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 (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 2021. In addition, through the end of December 2021, the Fund received cash distributions from the Jiangmen Ventures Fund in a cumulative amount of RMB7.63 million.

As of the end of 2021, the carrying value of the Fund's interest in the Jiangmen Ventures Fund was US$8.79 million, representing an increase of 80.86% over US$4.86 million at the end of last year.

Through the end of December 2021, the Jiangmen Ventures Fund has made investments in nineteen projects for a total of RMB233 million. Currently, the Jiangmen Ventures Fund has entered into the investment exit period. Of these projects, ten projects have completed new rounds of financing while one project was partially exited from during 2021.

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 and in April 2019, the Fund invested a total of US$8.61 million and then held a 0.889% equity interest in Pony AI. In January 2021, Pony AI completed a new 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. In March 2022, Pony AI completed the first close of another new round of equity financing, with a post-investment valuation of US$8.7 billion. The equity interest of Pony AI held by the Fund was further diluted from 0.670% to 0.655%.

As of the end of 2021, the carrying value of the Fund's interest in Pony AI was US$34.44 million, representing a decrease of 2.13% from the value at the end of last year of US$35.19 million. The Fund's unrealised gain attributable to its investment in Pony AI for 2021 was negative of US$0.75 million, while the relevant amount for 2020 was US$26.57 million.

Through the end of December 2021, Pony AI has recorded a total accumulated autonomous driving distance of over 6 million kilometres. MPI (i.e. the average mileage traveled between two interventions) in the first-tier cities of China was 10,000 miles, exceeding the average for human drivers in the first-tier cities of China. On 20 January 2022, Pony AI has introduced its 6th generation autonomous driving system, with leading-edge sensors, computing platform solutions and stylish design features for L4 automotive-grade mass production fleets. The first model equipped with this system, the Toyota S-AM (SIENNA Autono-MaaS, i.e. a hybrid electric platform based on SIENNA with 7 seats), is expected to start road testing in China in 2022 and will be put into Robotaxi (self-driving taxi services) daily operations in the first half of 2023.

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 2021, the carrying value of the Fund's interest in Arashi Vision was US$6.31 million, representing an increase of 91.79% over US$3.29 million at the end of last year.

Arashi Vision submitted an application for listing on the SSE STAR Market on 23 October 2020, which was then reviewed and approved on 16 September 2021. The company is now at the stage of applying for registration with the CSRC.

According to the listing document, the reviewed net profit of Arashi Vision for the first three quarters of 2021 was RMB208 million, up 129.47% year-over-year. And its audited net profit for the past three years ended 31 December 2020 were, in reverse chronological order, RMB120 million, RMB56.28 million and RMB18.29 million, respectively.

REVIEW OF INVESTMENTS (CONTINUED)

Anhui iFlyHealth Co., Ltd. ("iFlyHealth", also "iFlytek Healthcare") was established in the High-tech Development Zone, Hefei, Anhui in 2016 and 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 iFlyHealth. In November 2021, the Fund invested a further RMB50 million (equivalent to US$7.80 million) through the acquisition of existing shares for a 0.714% equity interest in iFlyHealth. The Fund has therefore invested an aggregate sum of RMB110 million (equivalent to US$16.40 million) into iFlyHealth. In December 2021, iFlyHealth completed its conversion into a joint-stock limited company. At this time, its name also changed from "Anhui iFlytek Healthcare Information Technology Co., Ltd." to "Anhui iFlyHealth Co., Ltd." In addition, iFlytHealth completed a capital increase through the issuance of new shares. Immediately after the completion of the capital increase, and through 31 December 2021, the Fund held a 3.514% equity interest in iFlyHealth.

As of the end of 2021, the carrying value of the Fund's interest in iFlyHealth was US$40.83 million, representing an increase of 179.85% over US$14.59 million at the end of last year. The Fund's unrealised gain attributable to its investment in iFlyHealth for 2021 was US$17.79 million, up 248.60% year-over-year.

On 3 August 2021, the Resolution in Relation to the Proposed Spin-off and Listing of a Controlled Subsidiary was considered and approved by the board of Iflytek, the holding company of iFlyHealth, pursuant to which the board accepted the proposed spin-off and listing of iFlyHealth, while intending to maintain the control over iFlyHealth upon completion of the spin-off and listing.

As disclosed in the interim report for 2021 published by Iflytek, the holding company of iFlyHealth, on 24 August 2021, its operating revenue from the intelligent healthcare business segment amounted to RMB99.89 million, up 34.21% year-over-year.

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 September 2021, the Fund received a cash dividend of RMB1.30 million from China UnionPay for 2020.

As of the end of 2021, the carrying value of the Fund's interest in China UnionPay was US$50.64 million, representing an increase of 7.31% over US$47.19 million at the end of last year. The Fund's unrealised gain attributable to its investment in China UnionPay for 2021 was US$2.26 million, down 82.26% year-over-year.

On 8 October 2021, China UnionPay released data on UnionPay online transactions during the National Day Golden Week holiday in 2021. The amount of UnionPay online transactions for the 2021 National Day holiday totaled RMB2.72 trillion, and the average daily number of transactions was 4,863 million, up 31.73% year-over-year. The amount and number of transactions on the Mobile QuickPass APP increased by 63% and 47%, respectively, and average daily number of users increased by nearly 40% year-over-year.

REVIEW OF INVESTMENTS (CONTINUED)

From 1 to 11 November 2021, the number and value of online payment transactions processed by China UnionPay increased by 20.47% and 17.43% year-on-year, respectively. China UnionPay provides a solid payment guarantee for the smooth processing of the "Double 11" transaction peak, and also provides users with a safe, fast, efficient and convenient payment experience.

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), RMB12.50 million (equivalent to US$1.90 million) and RMB12.50 million (equivalent to US$1.93 million) in September 2020, November 2020 and August 2021, respectively, representing an aggregate of RMB37.50 million (equivalent to US$5.68 million) or 75% of the subscription amount committed by the Fund.

As of the end of 2021, the carrying value of the Fund's interest in CASREV Fund III was US$4.84 million, representing an increase of 26.37% over US$3.83 million at the end of last year.

Through the end of December 2021, CASREV Fund III has made investments in forty-five projects with a total approved investment amount of RMB2.78 billion. Among these, one project has been reviewed and approved for registration on the SSE STAR Market, and is presently waiting to complete its listing. Three other projects have submitted IPO application materials to the Growth Enterprise Market and the SSE STAR Market in Mainland China, and another five projects are expected to submit IPO application materials in 2022.

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 2021, the carrying value of the Fund's interest in Flexiv was US$5.50 million, representing an increase of 10.00% over US$5 million at the end of last year.

Flexiv has continued to control costs, improve stability, and release software updates for its primary product, Rizon Robot (Rizon 4) with a 4 kg load. In addition, in November 2021, it received a European CE certification and a North American ETL certification, issued by the well-known international third-party certification authority, Intertek, thereby becoming the industry's first ETL certified seven-axis force-controlled adaptive robot.

REVIEW OF INVESTMENTS (CONTINUED)

Beijing Huashun Xin’an Technology Co., Ltd. (“Huashun Xin’an”) was established in Beijing in 2018 and is a cyber security company with a search engine for cyberspace resources. It focuses on the fields of big data security and cyberspace resources for surveying and mapping, and is primarily engaged in the research and development of technologies and products in the field of cyber information security. The Fund completed capital contributions of RMB24 million (equivalent to US$3.67 million) and RMB6 million (equivalent to US$0.93 million) in April and July 2021, respectively, for an aggregate investment of RMB30 million (equivalent to US$4.60 million), which equates to a 4.29% equity interest in Huashun Xin’an.

As of the end of 2021, the carrying value of the Fund’s interest in Huashun Xin’an was US$3.15 million.

In 2021, Huashun Xin’an encouraged close cooperation among all relevant government departments, promoted the construction of city-level network security, and developed new products within the information technology applications industry. At the same time, in order to align with its strategic objectives and business development needs, Huashun Xin’an is preparing to open a number of domestic and overseas offices for expanding its business in both domestic and overseas markets, while strengthening its catalog of new technologies and products.

Xinyi Information Technology Ltd. (“Xinyi”) was established in Zhang Jiang District, Shanghai in March 2017. It is a company that focuses on the research and development of SoC (system on a chip) for Internet of Things (IoT) for low-power wide-area network (LPWAN), and is committed to becoming a world-class manufacturer of Internet of Things intelligent terminal SoCs for the 5th generation mobile communications (5G), with applications mainly covering smart meters, smart security, smart transportation, smart cities, the sharing economy and other scenarios. The Fund invested RMB35 million (equivalent to US$5.42 million) in September 2021 for a 1.44% equity interest in Xinyi.

As of the end of 2021, the carrying value of the Fund’s interest in Xinyi was US$5.50 million.

Through the end of December 2021, the firm has received sizeable orders for the Xinyi XY1100 chip from almost all module factories, as well as a large number of industry-leading customers and solution design companies, causing the firm’s income growth to accelerate. The SoC of XY2100, second-generation product, specifically developed for smart meters, is expected to tape out in the near future. In addition, the firm is actively developing the CAT-1 chip for medium-speed IoT.

Rizhao Azuri Technologies Co., Ltd. (“Azuri”) was established in Rizhao, Shandong in August 2016. It is a company that develops and manufactures laser diode chips, optical devices and optical module products for high-speed optical communications, mainly targeting the fiber to the home (FTTH), 5th generation mobile communications (5G), enterprise networking and data centre markets. The Fund invested RMB30 million (equivalent to US$4.72 million) in December 2021 for a 2.50% equity interest in Azuri.

As of the end of 2021, the carrying value of the Fund’s interest in Azuri was US$4.71 million.

By the end of December 2021, Azuri had been approved by an important Chinese customer and had started to supply them in bulk, including 10G-EPON PR30 OLT and XG-COMBO D2/E1 OLT. The industrial-grade 10G-EPON product has also entered small-batch testing in the US market, and the company became profitable in 2021.

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. 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 5.31% to 5.08%, due to a capital increase by other shareholders of Geesun Intelligent in December 2021. In addition, in January 2022, due to the exercise of the conversion option by a first-tier lithium battery manufacturer in accordance with the convertible bond agreement signed with Geesun Intelligent in 2020, the equity interest of Geesun Intelligent held by the Fund was further diluted from 5.08% to 2.35%.

As of the end of 2021, the carrying value of the Fund's interest in Geesun Intelligent was US$0.45 million, representing an increase of 45.16% over US$0.31 million at the end of last year.

Since 2021, due to changes in its customer focus, Geesun Intelligent has adapted to give priority to serving a first-tier lithium battery manufacturer, primarily because the laser die-cutting machines and winding machines that the company has developed are of particular value to this customer, resulting in several large orders. Geesun Intelligent returned to profitability in 2021 and recorded an unaudited net profit of RMB36.60 million.

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 2021, the carrying value of the Fund's interest in Hwagain was US$3.62 million, representing a decrease of 43.08% from the value at the end of last year of US$6.36 million.

In 2021, rising prices for bulk raw materials, an increase in future inflation expectations, and product price fluctuations led to increased instability and uncertainty in the paper industry. In this market environment, Hwagain focused on the daily management of pulp paper production, paper product sales and forestry operations, with a goal to preserve the sound and stable operation of the business. Hwagain recorded an unaudited net profit of RMB31.81 million for 2021, up 73.44% 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 2021, 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 3.90% of the issued share capital of Wuhan Rixin.

REVIEW OF INVESTMENTS (CONTINUED)

As of the end of 2021, the carrying value of the Fund's interest in Wuhan Rixin was US$4.04 million, representing an increase of 65.57% over US$2.44 million at the end of last year.

On 23 August 2021, Wuhan Rixin announced that its unaudited net loss for the first half of 2021 was RMB18.15 million, while it recorded a net profit of RMB26.13 million for the same period last year. The loss was due mainly to an increase in raw material prices. Moreover, the revenue has yet to be recognised since the company's revenue chiefly comes from the business of engineering, procurement and construction (EPC) of power stations, however the power stations are still in the construction stage and have yet to be delivered to the end customers.

On 8 December 2021, Wuhan Rixin announced the completion of a private placement of new shares. The total amount of funds raised was RMB52 million at the issue price of RMB5.20 per share for 10 million shares, increasing the issued share capital of Wuhan Rixin from 117 million shares to 127 million shares. The Fund's equity interest in Wuhan Rixin was thus diluted from 4.24% to 3.90%.

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 capital contributions of RMB16.31 million (equivalent to US$2.47 million) and RMB7.69 million (equivalent to US$1.19 million) in November 2020 and July 2021, respectively, representing an aggregate of RMB24 million (equivalent to US$3.66 million) or 100% of the subscription amount committed by the Fund.

As of the end of 2021, the carrying value of the Fund's interest in Huiyou Xingyao Fund was US$3.79 million, representing an increase of 51.60% over US$2.50 million at the end of last year.

Leveraging its advanced and mature 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. In June 2021, at the inaugural BioChina Summit Forum of Innovative Biomedical of China, five lists of Top Biopharmaceutical Companies in China were published, and YZY Biopharma was rated as one of the "Top 10 Leading Corporations for Bispecific Antibody Drugs in China."

In January 2022, YZY Biopharma completed its conversion into a joint-stock limited company and the Chinese name of the company also changed.

PROSPECTS

The pace of the global recovery is expected to slow due to the persistent coronavirus disease pandemic, while many countries begin to withdraw policy support and economic stimulus, and while severe supply chain bottlenecks remain. The prospects for global economic growth face a number of downside risks, including the potential emergence of new virus variants, rising inflationary expectations and increasing volatility in capital (such as equities, bonds) markets. It is expected that the development of China's economy will assign greater importance to the promotion of industry transformation and upgrade and to people-oriented urbanisation, in order to hedge against these downward pressures on economic growth. Given that China's overall economic growth environment is expected to stabilise in 2022 and that China's economic restructuring is at a new starting point in the "14th Five-Year" plan, it is expected that the operating results of the investment projects (mainly operating in China) held by the Fund may improve to a certain extent.

According to the principles of the Central Economic Working Conference held in December 2021, China's economic growth should give priority to stability, while also striving for progress in 2022, with all government units across China carrying a shared burden to stabilise the national economy and to adopt policies beneficial to economic stability. For policies adopted, they should be implemented well in time. The seven policy deployments are: (1) to ensure that macro policies are solid and effective, (2) to use micro policies to stimulate the vitality of main market players, (3) to adopt structural policies to help national economic circulation flow freely, (4) to develop technology policies that are sound and implementable, (5) to encourage policies of reform and openness in order to activate growth potential, (6) to seek regional policies that strengthen the balance and coordination of development and (7) to support social policies that bring greater security to people's livelihood. 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.

KEY RISK FACTORS (CONTINUED)

Legal Uncertainty

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

Policy and Regulatory Risk

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

Exchange Rate Fluctuation Risk

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

Foreign Exchange Control Risk

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

SUB-PARTICIPATION SCHEME

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

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

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

SUB-PARTICIPATION SCHEME (CONTINUED)

As of 31 December 2021, 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%
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%
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%
iFlyHealth (1st round capital injection)	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%
Huashun Xin'an (1st installment capital contribution)	3,669,220	18,510	0.504%
Huashun Xin'an (2nd installment capital contribution)	927,190	4,630	0.504%
Huiyou Xingyao Fund (2nd installment capital contribution)	1,187,000	7,030	0.603%
CASREV Fund III (3rd installment capital contribution)	1,931,490	2,580	0.140%
Xinyi	5,416,700	23,150	0.427%
iFlyHealth (2nd round capital injection)	7,804,570	19,250	0.247%
Azuri	4,724,560	24,370	0.516%

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

SUB-PARTICIPATION SCHEME (CONTINUED)

In addition, as of 31 December 2021, details of the amounts actually paid by some of the Directors of the Fund as well as Directors of the Investment Manager for the Scheme were as follows:

Name of projects	Mr. ZHOU Xing (Note 1) US$	Mr. ZHANG Rizhong (Note 2) US$	Mr. WANG Xiaoding (Note 3) US$	Mr. TSE Yue Kit (Note 4) US$	Mr. KANG Dong (Note 5) US$	Mr. LAW Hung Kuen, Janson (Note 6) US$
Unibank Media (1st round capital injection)	12,900	N/A	20,640	1,290	N/A	N/A
Wuhan Rixin	4,390	N/A	3,510	1,290	N/A	N/A
Unibank Media (2nd round capital injection)	8,750	N/A	6,950	1,290	N/A	N/A
China Media Management	300	N/A	1,160	30	N/A	N/A
Geesun Intelligent	1,590	N/A	5,780	1,290	N/A	N/A
China Media Investment (1st installment capital contribution)	2,510	N/A	10,040	250	N/A	N/A
Jinpower Electrical	6,030	N/A	6,030	1,280	N/A	N/A
China Media Investment (2nd installment capital contribution)	390	N/A	1,570	40	N/A	N/A
Hwagain	19,330	N/A	12,880	1,290	N/A	N/A
China Media Investment (3rd installment capital contribution)	430	N/A	1,710	40	N/A	N/A
China Media Investment (4th installment capital contribution)	1,820	N/A	7,260	180	N/A	N/A
Chengtian	1,290	N/A	6,440	1,290	N/A	N/A
China Media Investment (5th installment capital contribution)	190	N/A	780	20	N/A	N/A
China Media Investment (6th installment capital contribution)	2,220	N/A	8,880	220	N/A	N/A
China Media Investment (7th installment capital contribution)	1,300	N/A	5,200	130	N/A	N/A
China Media Investment (8th installment capital contribution)	790	N/A	3,170	80	N/A	N/A
China Media Investment (9th installment capital contribution)	330	N/A	1,330	30	N/A	N/A
Oriental Pearl	30,650	N/A	38,870	1,390	N/A	N/A
JIC Leasing	12,900	N/A	12,900	1,290	N/A	N/A
China Re	6,450	N/A	12,900	1,290	N/A	1,290
Jinlanmei Travel (1st installment capital contribution)	N/A	N/A	3,220	640	N/A	640
Iflytek	N/A	N/A	12,890	1,290	N/A	1,290

SUB-PARTICIPATION SCHEME (CONTINUED)

Name of projects	Mr. ZHOU Xing (Note 1) US$	Mr. ZHANG Rizhong (Note 2) US$	Mr. WANG Xiaoding (Note 3) US$	Mr. TSE Yue Kit (Note 4) US$	Mr. KANG Dong (Note 5) US$	Mr. LAW Hung Kuen, Janson (Note 6) US$
Iflytek Venture Capital (1st installment capital contribution)	N/A	N/A	6,440	1,290	N/A	1,290
Iflytek Venture Capital (2nd installment capital contribution)	N/A	N/A	970	190	N/A	190
Qinghai Lake Tourism (1st installment capital contribution)	N/A	640	3,200	320	N/A	320
Qinghai Lake Tourism (2nd installment capital contribution)	N/A	1,920	9,600	960	N/A	960
Iflytek Venture Capital (3rd installment capital contribution)	N/A	N/A	970	190	N/A	190
The Jiangmen Ventures Fund	N/A	1,280	3,840	1,280	N/A	1,280
Pony AI (1st round capital injection)	N/A	1,270	6,370	1,270	N/A	2,550
Iflytek Venture Capital (4th installment capital contribution)	N/A	N/A	970	190	N/A	190
Pony AI (2nd round capital injection)	N/A	1,280	1,280	1,280	N/A	1,280
Arashi Vision	N/A	1,280	3,830	1,280	N/A	2,550
iFlyHealth (1st round capital injection)	N/A	6,420	19,260	1,280	N/A	5,140
Iflytek Venture Capital (5th installment capital contribution)	N/A	N/A	320	60	N/A	60
China UnionPay	N/A	3,870	12,900	1,290	N/A	3,870
Iflytek Venture Capital (6th installment capital contribution)	N/A	N/A	640	130	N/A	130
CASREV Fund III (1st installment capital contribution)	N/A	320	320	320	N/A	320
CASREV Fund III (2nd installment capital contribution)	N/A	320	320	320	N/A	320
Huiyou Xingyao Fund (1st installment capital contribution)	N/A	1,750	880	880	N/A	880
Flexiv	N/A	1,290	20,460	1,290	N/A	6,450

SUB-PARTICIPATION SCHEME (CONTINUED)

Name of projects	Mr. ZHOU Xing (Note 1) *US$*	Mr. ZHANG Rizhong (Note 2) *US$*	Mr. WANG Xiaoding (Note 3) *US$*	Mr. TSE Yue Kit (Note 4) *US$*	Mr. KANG Dong (Note 5) *US$*	Mr. LAW Hung Kuen, Janson (Note 6) *US$*
Huashun Xin'an (1st installment capital contribution)	N/A	1,030	1,030	1,030	N/A	1,030
Huashun Xin'an (2nd installment capital contribution)	N/A	260	260	260	N/A	260
Huiyou Xingyao Fund (2nd installment capital contribution)	N/A	830	410	410	N/A	410
CASREV Fund III (3rd installment capital contribution)	N/A	320	320	320	N/A	320
Xinyi	N/A	6,430	1,290	1,290	N/A	N/A
iFlyHealth (2nd round capital injection)	N/A	N/A	1,280	N/A	1,280	N/A
Azuri	N/A	N/A	1,280	N/A	1,280	N/A

Note 1: The Chairman of the Fund (Appointed on 26 April 2021)
Note 2: Director of the Fund and Chairman of the Investment Manager
Note 3: Director of the Fund and Director & General Manager of the Investment Manager
Note 4: Director of the Fund and Director of the Investment Manager
Note 5: Director of the Investment Manager (Appointed on 23 August 2021)
Note 6: Director of the Investment Manager (Resigned on 23 August 2021)

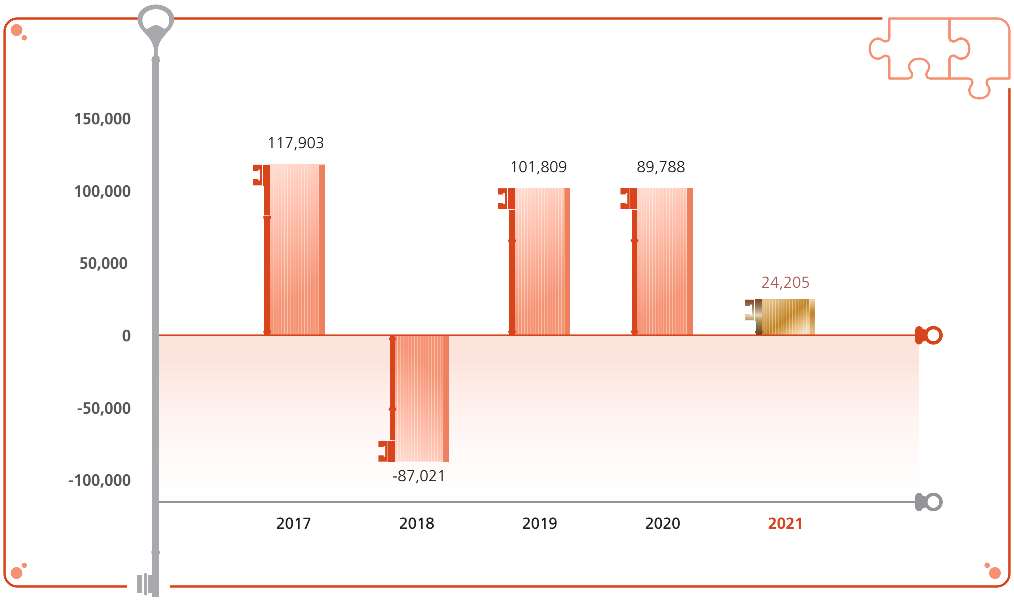
Mr. WANG Xiaoding
Director & General Manager
China Merchants China Investment Management Limited

Hong Kong, 28 March 2022

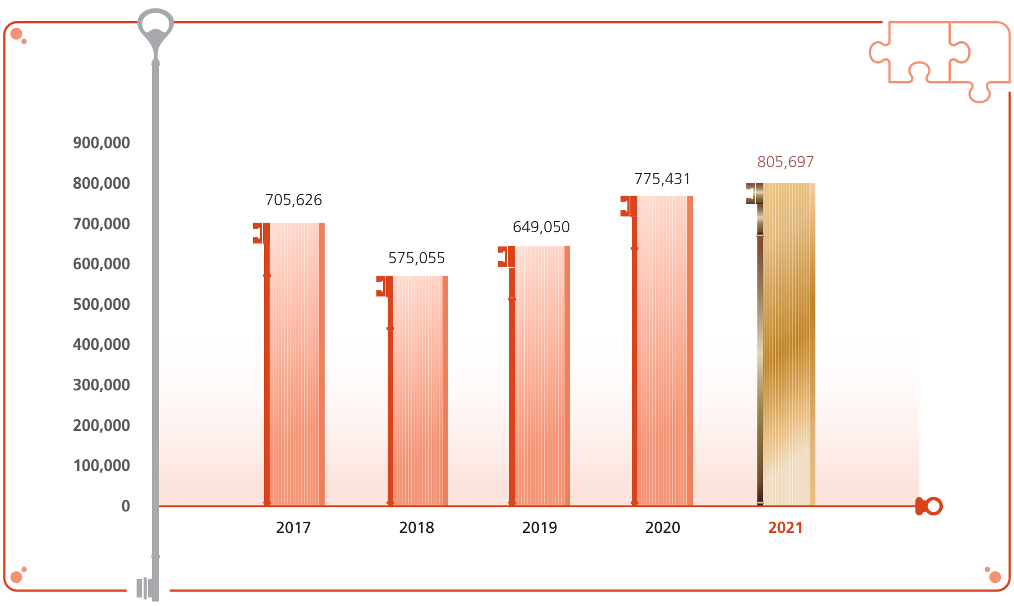
FINANCIAL HIGHLIGHTS

YEAR	NET PROFIT (LOSS) *US$'000*	NET ASSETS *US$'000*
2021	**24,205**	**805,697**
2020	89,788	775,431
2019	101,809	649,050
2018	(87,021)	575,055
2017	117,903	705,626

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 2021.

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 30 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 31 to 33 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 140 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 54 to 68 of the Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 91 to 92.

The Directors recommend the payment of a final dividend of US$0.07 per share (2020: US$0.07 per share) and a special dividend of US$0.07 per share (2020: US$0.01 per share), totaling US$0.14 (2020: US$0.08) per share for 2021 to the shareholders on the register of members on 2 June 2022 amounting to US$21,326,622 (2020: US$12,186,641).

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 140 of the Annual Report.

DISTRIBUTABLE RESERVES OF THE COMPANY AND DIVIDEND POLICY

The Company has an amount of US$34,577,161 (31 December 2020: US$24,786,454) available for distribution as at 31 December 2021.

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. ZHOU Xing* *(Chairman)*	*(Appointed on 26 April 2021)*
Mr. ZHANG Rizhong*	
Mr. WANG Xiaoding#	
Mr. TSE Yue Kit#	
Ms. KAN Ka Yee, Elizabeth#	
Mr. KE Shifeng*	
Mr. LIU Baojie**	
Mr. TSANG Wah Kwong**	
Dr. LI Fang**	
Dr. GONG Shaolin**	
Mr. Michael Charles VITERI**	*(Appointed on 18 October 2021)*
Mr. ZHANG Jian* *(Chairman)*	*(Resigned on 26 April 2021)*
Mr. CHU Lap Lik, Victor *(alternate to Ms. KAN Ka Yee, Elizabeth#)*	*(Resigned on 13 September 2021)*

\# *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. WANG Xiaoding, Ms. KAN Ka Yee, Elizabeth, Mr. KE Shifeng, Mr. TSANG Wah Kwong and Mr. Michael Charles VITERI 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. ZHOU Xing, aged 41, was appointed as the Chairman and Non-executive Director of the Company on 26 April 2021. He is currently a Standing Member of the Executive Committee of China Merchants Financial Services Business Unit under China Merchants Group Limited, a substantial shareholder of the Company. He is also a Director of China Merchants Capital Investment Co., Ltd. Mr. ZHOU has joined the China Merchants Group over 10 years. He has a number of years practical experiences in strategic research, merger & acquisition and investment, asset management, etc. Mr. ZHOU obtained his bachelor's degrees in Economics and in Management from the Huazhong University of Science and Technology, PRC.

Mr. ZHANG Rizhong, aged 53, has been a Non-executive Director of the Company since April 2017. He is the Chairman of the Investment Manager. He is currently a Director and the General Manager of China Merchants Investment Development Company 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 53, 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 60, 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 was the General Manager in the Private Equity Department of China Merchants Finance Holdings Company Limited from September 2011 to September 2021. He retired from this position in October 2021. Prior to this, Mr. TSE held a number of senior positions in the China Merchants Group between 1990 and 2011. Mr. TSE has a number of years extensive experiences in accounting, auditing, corporate finance as well as investment. Mr. TSE was licensed with the Securities and Futures Commission in Hong Kong as responsible officer from April 2003 to December 2021. 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 64, has been an Executive Director of the Company since April 2020. She was the Alternate Director to Mr. CHU Lap Lik, Victor from May 1999 to April 2020. Ms. KAN was Deputy Managing Director and a Director of the Investment Manager from 1993 to 2006. She has been re-appointed as a Director of the Investment Manager since October 2017. Ms. KAN 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 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. 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. KE Shifeng, aged 56, has been a Non-executive Director of the Company since December 2009. He has 25 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. LIU Baojie, aged 58, 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.

Mr. TSANG Wah Kwong, aged 69, 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), CA Cultural Technology Group Limited (Stock Code: 1566.HK) and Shirble Department Store Holdings (China) Limited (Stock Code: 312.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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Dr. LI Fang, aged 64, 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, the Chief Strategist at Corporate Finance of Yuanta Securities (Hong Kong) Company Limited, and the Vice Chairman of CR Yuanta Fund Management Co., Ltd. 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.

Dr. GONG Shaolin, aged 66, has been an Independent Non-executive Director of the Company since 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 is also an Independent Non-executive Director of Lujiazui International Trust Co., Ltd. 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. Michael Charles VITERI, aged 59, was appointed as an Independent Non-executive Director of the Company on 18 October 2021. He is the Chief Investment Officer for the Arizona State Retirement System ("**ASRS**") which manages investment portfolios such as public equity, private equity, public fixed income, private credit, and real estate with a market value of US$50 billion. He also serves as a member on the FTSE Russell Indexes Client Advisory Committee, Standard & Poor's Dow Jones Indices Client Advisory Panel and the MSCI Indexes Client Advisory Board. Mr. VITERI has extensive experience in the investment and trading industry. From June 2008 through May 2021, Mr. VITERI served as the Senior Investment Officer for Oregon State Treasury ("**OST**") which managed investment portfolios for various state agencies with a combined market value of US$119 billion, including the US$86 billion Oregon Public Employees Retirement Fund. Mr. VITERI joined OST in 2008, where he created the internally managed equity program requiring the acquisition and integration of infrastructure governing portfolio management, order management, trading, settlement, and risk management. He directed the management of several internally managed domestic, international, and emerging market portfolios and managed multiple external global equity asset managers with total equity assets exceeding US$29 billion. He also supervised the investment oversight of the US$2.5 billion Oregon Savings Growth Plan and served as the de-facto Chief Investment Officer for the US$2 billion Common School Fund Endowment. From July 2000 through June 2008, Mr. VITERI served as the Public Equity Portfolio Manager and Assistant Chief Investment Officer for the US$28 billion ASRS. From January 1999 through July 2000, Mr. VITERI served as a Portfolio Manager at Fan Asset Management in Mountain View, California. Mr. VITERI also served as an Adjunct Instructor of Finance in the Thunderbird School of Global Management at Arizona State University, USA for 13 years, from 2004 through 2017, where he created and implemented course curriculum for three MBA capstone finance courses while teaching over 27 graduate classes. Mr. VITERI obtained his bachelor's degrees in Anthropology and in Spanish from Arizona State University, and obtained his master's degree in International Management from the Thunderbird School of Global Management.

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 2021, 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	116,000	Beneficial owner	0.08%

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 2021, 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 2021.

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 34 to 39 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. ZHOU Xing is a Director of China Merchants Capital Investment Co., Ltd. which is actively involved in direct investments and which may compete, either directly or indirectly, with the business of the Group. Mr. ZHANG Rizhong is a Director and the General Manager of China Merchants Investment Development Company Limited which is actively involved in direct investments in the PRC and which may compete, either directly or indirectly, with the business of the Group. Ms. KAN Ka Yee, Elizabeth is a Director 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 the 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., China Merchants Investment Development Company Limited and First Eastern Investment Group. If conflict of interest arises on the part of Mr. ZHOU Xing, Mr. ZHANG Rizhong, or Ms. KAN Ka Yee, Elizabeth, as the case may be, he or she shall, pursuant to the Articles of Association of the Company, not vote nor be counted in the quorum on the relevant resolution of the Board.

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

DIRECTORS' SERVICE CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

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

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2021, 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)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Steam Navigation Company Limited (Note)	Long position	Interest of controlled corporation	42,022,041	27.59%
China Merchants Finance Investment Holdings Co., Ltd. (Note)	Long position	Interest of controlled corporation	42,022,041	27.59%
CMF Holdings Limited (Note)	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: China Merchants Group Limited, China Merchants Steam Navigation Company Limited, China Merchants Finance Investment Holdings Co., Ltd. and CMF Holdings 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.

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 2021, 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 (resigned as the Alternate Director of the Company on 13 September 2021) 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 was for a fixed term ended on 31 December 2021.

On 18 October 2021, the Company announced that it had on 18 October 2021 entered into an Investment Management Agreement (the "**Revised Management Agreement**") with the Investment Manager in relation to the proposed re-appointment of the Investment Manager as the investment manager of the Company immediately following the expiry date of the Existing Management Agreement. As the Investment Manager is a connected person of the Company and the transaction contemplated under the Revised Management Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules, the entering into of the Revised Management Agreement was subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Listing Rules. A circular dated 8 November 2021 containing, among others, further details of the Revised Management Agreement, the recommendation of the independent board committee, the advice of the independent financial adviser to the independent board committee and the independent shareholders and a notice convening the extraordinary general meeting to approve the Revised Management Agreement and the proposed annual caps had been distributed to the shareholders of the Company. The independent shareholders of the Company approved the Revised Management Agreement and the proposed annual caps at the extraordinary general meeting held on 29 November 2021. The Revised Management Agreement became effective on 1 January 2022 and is for a fixed term ending on 31 December 2024.

CONTINUING CONNECTED TRANSACTION (CONTINUED)

Investment Management Agreement (continued)

For the year ended 31 December 2021, 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$13,971,923 (2020: US$11,511,019) were paid or payable to the Investment Manager. A performance fee of US$4,906,543 (2020: US$9,587,735) 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.

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. ZHOU Xing
Chairman

Hong Kong, 28 March 2022

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 that were in force as set out in Appendix 14 to the Listing Rules (Corporate Governance Code (the "**Code**")) throughout the year under review, except for the deviations as stated below:

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

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

BOARD OF DIRECTORS

As at 31 December 2021, the Board consisted of three Executive Directors, three Non-executive Directors and five Independent Non-executive Directors as defined by the Listing Rules. The biography of the Directors are set out on pages 43 to 48 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 is as follows:

	Attendance/ number of regular meetings during the Director's term of office in 2021
Mr. ZHOU Xing* *(Chairman) (appointed on 26 April 2021)*	1/1
Mr. ZHANG Rizhong*	0/2
Mr. WANG Xiaoding#	2/2
Mr. TSE Yue Kit#	2/2
Ms. KAN Ka Yee, Elizabeth#	2/2
Mr. KE Shifeng*	2/2
Mr. LIU Baojie**	2/2
Mr. TSANG Wah Kwong**	2/2
Dr. LI Fang**	2/2
Dr. GONG Shaolin**	2/2
Mr. Michael Charles VITERI** *(appointed on 18 October 2021)*	0/0
Mr. ZHANG Jian* *(Chairman) (resigned on 26 April 2021)*	0/1
Mr. CHU Lap Lik, Victor *(alternate to Ms. KAN Ka Yee, Elizabeth#) (resigned on 13 September 2021)*	0/2

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

BOARD OF DIRECTORS (CONTINUED)

Note: In addition to the regular Board meetings, there was a Board meeting convened by short notice and held during the year under review and attended by the Directors as follows: Mr. ZHOU Xing 1/1; Mr. ZHANG Rizhong 0/1; Mr. WANG Xiaoding 1/1; Mr. TSE Yue Kit 0/1; Ms. KAN Ka Yee, Elizabeth 1/1; Mr. KE Shifeng 1/1; Mr. LIU Baojie 1/1; Mr. TSANG Wah Kwong 1/1; Dr. LI Fang 1/1; Dr. GONG Shaolin 1/1; Mr. Michael Charles VITERI 0/0.

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.

BOARD OF DIRECTORS (CONTINUED)

Audit Committee (continued)

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

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 2021;
- reviewed the interim report and the interim results announcement for the six months ended 30 June 2021;
- reviewed the audit plan for the year 2021 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 2020; 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 Mr. ZHOU Xing as Chairman and Non-executive Director of the Company and Mr. Michael Charles VITERI as Independent Non-executive Director of the Company, respectively; and to recommend the renewal of appointment of Mr. TSE Yue Kit as Executive Director of the Company and Mr. TSANG Wah Kwong 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. ZHOU Xing* *(Chairman of the Nomination Committee)* *(appointed on 26 April 2021)*	2/2
Mr. TSANG Wah Kwong**	3/3
Dr. LI Fang**	3/3
Mr. ZHANG Jian* *(Chairman of the Nomination Committee)* *(resigned on 26 April 2021)*	0/1

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

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

Investment Committee

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

During the year under review, the Investment Committee has considered and approved a proposal relating to the investment made in a media project.

BOARD DIVERSITY POLICY

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

Summary of the Policy

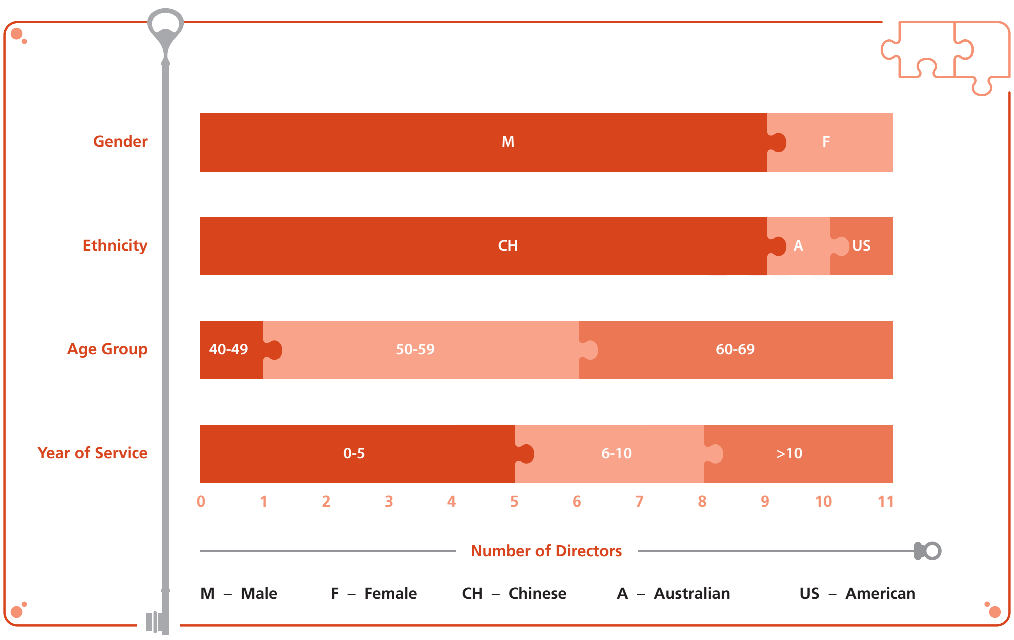
The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, the Board diversity has been considered from a number of aspects, including but not limited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

Measurable Objectives

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

Implementation

As at 31 December 2021, the Board's composition under major diversified perspectives was summarised as follows:



CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. ZHANG Jian was the Chairman of the Company until 26 April 2021 and Mr. ZHOU Xing was appointed to succeed Mr. ZHANG as the Chairman of the Company on the same date. 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 in the CPD during the year under review is as follows:

	Type of CPD
Mr. ZHOU Xing* *(Chairman) (appointed on 26 April 2021)*	a,c
Mr. ZHANG Rizhong*	a,c
Mr. WANG Xiaoding#	a,c
Mr. TSE Yue Kit#	a,c
Ms. KAN Ka Yee, Elizabeth#	a,c
Mr. KE Shifeng*	a,b,c
Mr. LIU Baojie**	a,c
Mr. TSANG Wah Kwong**	a,c
Dr. LI Fang**	a,c
Dr. GONG Shaolin**	a,c
Mr. Michael Charles VITERI** *(appointed on 18 October 2021)*	a,c

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

TRAINING AND SUPPORT FOR DIRECTORS (CONTINUED)

Notes:

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

b: giving talks at seminars, conferences, or forums

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

DIRECTORS' SECURITIES TRANSACTIONS

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

REMUNERATION OF DIRECTORS

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

The remuneration of the Directors is determined by the shareholders at the AGM of the Company. At the AGM of the Company held on 28 May 2021, it was resolved that the remuneration of the Directors for the year ended 31 December 2021 be fixed by the Board. All the Executive Directors did not receive any remuneration from the Company for the year ended 31 December 2021 (2020: Nil). The total remuneration payable to other Directors for the year ended 31 December 2021 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$151,443 and for non-audit services provided is US$86,477 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 2021 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 88 to 90.

RISK MANAGEMENT AND INTERNAL CONTROL

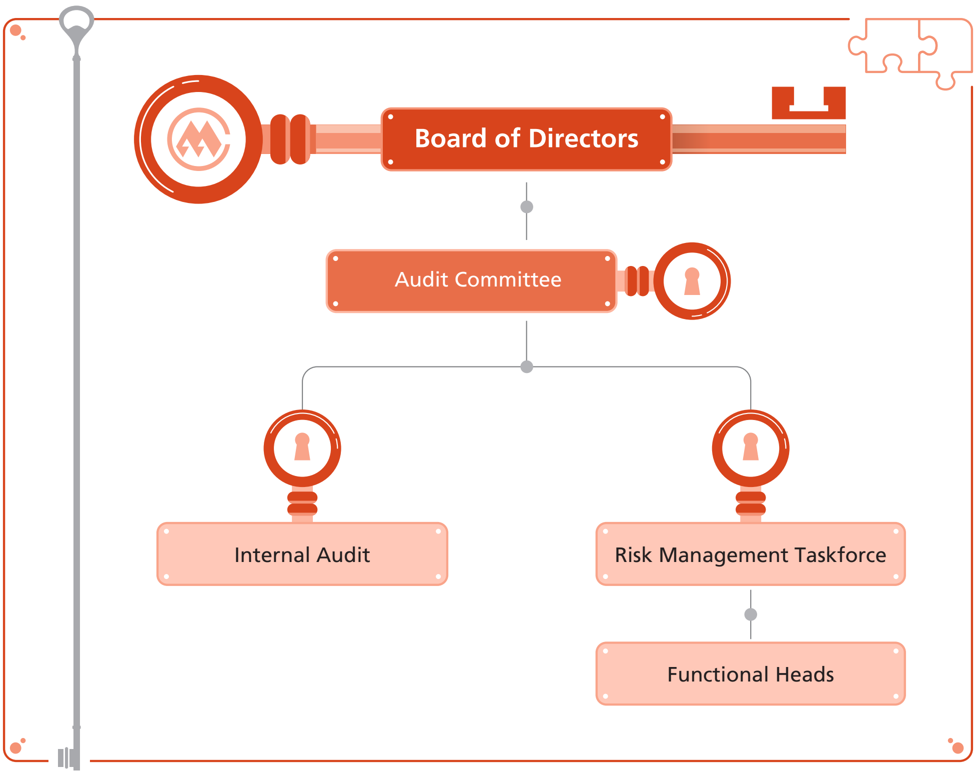
To manage and monitor the various risk factors which the Company may be exposed, the Board is responsible for establishing and overseeing the Company's risk management and internal control systems on an ongoing basis, and ensuring the review of the effectiveness of the risk management and internal control 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 ("**EGM**") 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 two general meetings 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 2021	EGM held on 29 November 2021
Mr. ZHOU Xing* *(Chairman) (appointed on 26 April 2021)*	1/1	0/1
Mr. ZHANG Rizhong*	0/1	0/1
Mr. WANG Xiaoding#	1/1	1/1
Mr. TSE Yue Kit#	1/1	0/1
Ms. KAN Ka Yee, Elizabeth#	1/1	1/1
Mr. KE Shifeng*	0/1	0/1
Mr. LIU Baojie**	0/1	0/1
Mr. TSANG Wah Kwong**	1/1	1/1
Dr. LI Fang**	0/1	0/1
Dr. GONG Shaolin**	0/1	0/1
Mr. Michael Charles VITERI** *(appointed on 18 October 2021)*	0/0	0/1
Mr. ZHANG Jian* *(Chairman) (resigned on 26 April 2021)*	0/0	0/0
Mr. CHU Lap Lik, Victor *(alternate to Ms. KAN Ka Yee, Elizabeth#) (resigned on 13 September 2021)*	0/1	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 69 to 85 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 Main Board Listing Rules ("**Listing Rules**") and Guidance published by The Stock Exchange of Hong Kong Limited ("**Hong Kong Stock Exchange**"), 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 2021 (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 notes.

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.

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.

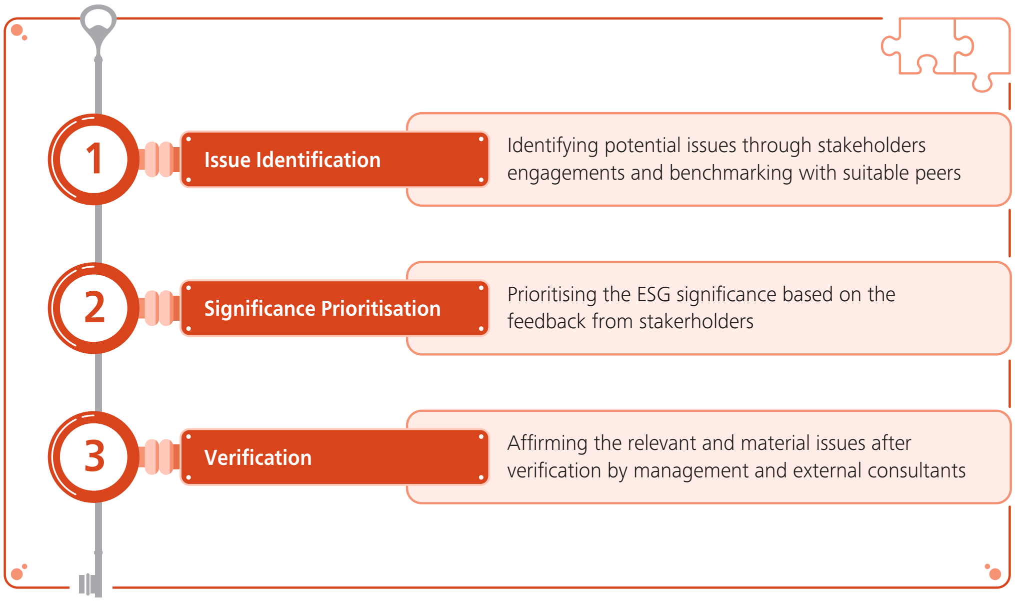
Stakeholder group	Engagement channel
Shareholders and investors	• Annual general meeting • Publication of interim and annual reports • Company website
Employees of the Investment Manager	• Internal policies and regulations • Internal emails • Trainings • Performance appraisal
Investee companies	• Due 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 coronavirus disease 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:



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 consumptions 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 staff to use electronic documents if possible; and
- advocating the use of 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	**Total consumption in 2021** *(kg)*	**Consumption intensity in 2021** *(kg/total number of employees)*	Total consumption in 2020 *(kg)*	Consumption intensity in 2020 *(kg/total number of employees)*
Waste disposed	**436.59**	**24.26**	374.22	19.70
Waste recycled (Note 1)	**1,050.00**	**58.33**	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 with 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
- avoiding the purchase of bottled water or other single-use plastic products.

During the Reporting Period, we have been consistently implementing the above measures to pursue our Target 1 and Target 2.

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.

ENVIRONMENTAL PROTECTION (CONTINUED)

Energy Consumption (continued)

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.*

With the target set, the Board and the ESG Taskforce work together to update the procurement policy of office equipment 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.

During the Reporting period, we have been taking the steps above to achieve Target 3 and Target 4. The rental agreement has been renewed in 2021 with considerations that the existing landlord has electricity conservation policy in place.

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.*

ENVIRONMENTAL PROTECTION (CONTINUED)

Energy Consumption (continued)

Greenhouse gas emissions (continued)

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

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

- requiring the investment team to consider whether there are significant non-compliance of ESG issues with the proposed investment projects and report in the investment proposals.

During the Reporting Period, all the new investment proposals indicated that no significant non-compliances of ESG issues have been identified. Therefore, we consider that we have achieved Target 5 during the Reporting Period.

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.

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 of operations.

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.*

ENVIRONMENTAL PROTECTION (CONTINUED)

Environmental Impact Management (continued)

Water Consumption (continued)

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.

During the Reporting period, we have considered the water conservation policy for selection of rental offices to attain Target 6.

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 resilient 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 weighing 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 in 2021 (CMCIM)**	**% of employee in 2021 (CMCIM)**	Number of employee in 2020 (CMCIM)	% of employee in 2020 (CMCIM)
Gender	Male	**7**	**38.89%**	8	42.11%
	Female	**11**	**61.11%**	11	57.89%
Employment type	Permanent	**18**	**100%**	19	100%
	Contract	**0**	**0%**	0	0%
Position	Director	**1**	**5.56%**	1	5.26%
	Management	**1**	**5.56%**	2	10.53%
	Others	**16**	**88.88%**	16	84.21%
Age	18-30	**1**	**5.56%**	3	15.79%
	31-50	**13**	**72.22%**	13	68.42%
	Above 50	**4**	**22.22%**	3	15.79%
Geographical location	Hong Kong	**12**	**66.67%**	13	68.42%
	Mainland China (Shenzhen)	**6**	**33.33%**	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 in 2021 (CMCIM)	% of employee in 2021 (CMCIM)	Number of employee in 2020 (CMCIM)	% of employee in 2020 (CMCIM)
Gender	Male	**1**	**14.29%**	0	0%
	Female	**1**	**9.09%**	0	0%
Employment type	Permanent	**2**	**11.11%**	0	0%
	Contract	**0**	**0%**	0	0%
Position	Director	**0**	**0%**	0	0%
	Management	**1**	**100%**	0	0%
	Others	**1**	**6.25%**	0	0%
Age	18-30	**0**	**0%**	0	0%
	31-50	**2**	**15.38%**	0	0%
	Above 50	**0**	**0%**	0	0%
Geographical location	Hong Kong	**2**	**17.67%**	0	0%
	Mainland China (Shenzhen)	**0**	**0%**	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:

	2021	2020	2019
Number of work-related fatalities of employees	**0**	0	0

Lost days due to work injury:

	2021	2020	2019
Number of lost days of employees caused by work injury	**0**	0	0

In response to the outbreak of coronavirus disease pandemic, 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)		2021	2020 (Note 4)
Total	All employees	**61.11%**	68.42%
Gender	Male	**36.36%**	42.00%
	Female	**63.64%**	58.00%
Employee category	Investment staff	**54.55%**	47.00%
	Back office staff	**45.45%**	53.00%

Average training hours completed per employee:

Average training hours completed per employee in CMCIM (Note 3)		2021 Hours	2020 Hours
Total	All employees	**9.69**	14.96
Gender	Male	**9.57**	16.58
	Female	**9.77**	13.57
Employee category	Investment staff	**13.19**	16.43
	Back office staff	**6.90**	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.

Note 4: The percentages of employees trained by gender and employee category in 2020 have been restated in accordance with the calculation method stated in the Reporting Guidance on Social KPIs issued by the Hong Kong Stock Exchange.

SOCIAL RESPONSIBILITY (CONTINUED)

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, and 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).

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.

SOCIAL RESPONSIBILITY (CONTINUED)

Supply Chain Management (continued)

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

Geographical location	**Number of active suppliers in 2021**	Number of active suppliers in 2020
Hong Kong	**10**	11
Mainland China	**4**	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.

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.

SOCIAL RESPONSIBILITY (CONTINUED)

Responsible Investment (continued)

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.

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	2021	2020
Brought against the Company and CMCIM	**0**	0
Brought against CMCIM's employees	**0**	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.

SOCIAL RESPONSIBILITY (CONTINUED)

Anti-corruption (continued)

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).

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.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of China Merchants China Direct Investments Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 91 to 139, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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$481.2 million and US$1.2 million respectively as at 31 December 2021 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 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
28 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** **US$**	2020 US$
Net gain on financial assets at fair value through profit or loss	6	**48,648,395**	126,204,803
Investment income	7	**14,144,426**	16,106,800
Other gains		**202,682**	1,267,514
Administrative expenses		**(19,974,735)**	(22,024,400)
Profit before taxation	9	**43,020,768**	121,554,717
Taxation	12	**(18,815,401)**	(31,766,962)
Profit for the year		**24,205,367**	89,787,755
Other comprehensive income for the year			
Item that will not be reclassified subsequently to profit or loss			
Exchange difference arising on translation to presentation currency		**18,247,958**	47,256,093
Total comprehensive income for the year		**42,453,325**	137,043,848
Profit for the year attributable to owners of the Company		**24,205,367**	89,787,755
Total comprehensive income for the year attributable to owners of the Company		**42,453,325**	137,043,848
Basic earnings per share	14	**0.159**	0.589

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 US$	2020 US$
Non-current asset			
Financial assets at fair value through profit or loss	15	**903,328,647**	835,620,757
Current assets			
Financial assets at fair value through profit or loss	15	**64,044,731**	73,652,221
Other receivables and prepayments	16	**13,740,736**	2,002,300
Cash and cash equivalents	17	**36,641,135**	60,363,011
		114,426,602	136,017,532
Current liabilities			
Other payables	18	**33,372,541**	37,760,154
Taxation payable	19	**2,338,940**	2,665,577
		35,711,481	40,425,731
Net current assets		**78,715,121**	95,591,801
Total assets less current liabilities		**982,043,768**	931,212,558
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	20	**1,318,564**	1,461,857
Deferred taxation	21	**175,027,741**	154,319,922
		176,346,305	155,781,779
Net assets		**805,697,463**	775,430,779
Capital and reserves			
Share capital	23	**139,348,785**	139,348,785
Reserves		**128,034,239**	109,346,497
Retained profits		**538,314,439**	526,735,497
Equity attributable to owners of the Company		**805,697,463**	775,430,779
Net asset value per share	25	**5.289**	5.090

The consolidated financial statements on pages 91 to 139 were approved and authorised for issue by the Board of Directors on 28 March 2022 and are signed on its behalf by:

Mr. WANG Xiaoding
Director

Ms. KAN Ka Yee, Elizabeth
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital US$	Translation reserve US$	General reserve US$	Retained profits US$	Equity attributable to owners of the Company US$
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
Balance at 1 January 2021	**139,348,785**	**96,584,489**	**12,762,008**	**526,735,497**	**775,430,779**
Profit for the year	**—**	**—**	**—**	**24,205,367**	**24,205,367**
Exchange difference arising on translation to presentation currency	**—**	**18,247,958**	**—**	**—**	**18,247,958**
Total comprehensive income for the year	**—**	**18,247,958**	**—**	**24,205,367**	**42,453,325**
2020 final and special dividends paid (note 13)	**—**	**—**	**—**	**(12,186,641)**	**(12,186,641)**
Transfer to general reserve	**—**	**—**	**439,784**	**(439,784)**	**—**
Balance at 31 December 2021	**139,348,785**	**114,832,447**	**13,201,792**	**538,314,439**	**805,697,463**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	**2021** **US$**	2020 US$
OPERATING ACTIVITIES			
Profit before taxation		**43,020,768**	121,554,717
Adjustments for:			
Interest income		**(297,161)**	(393,668)
Dividend income from equity investments		**(13,847,265)**	(15,713,132)
Net gain on financial assets at fair value through profit or loss		**(48,648,395)**	(126,204,803)
Operating cash flows before movements in working capital		**(19,772,053)**	(20,756,886)
Proceeds from disposal of financial assets at fair value through profit or loss		**798,344**	10,339,023
Return of capital from financial assets at fair value through profit or loss		**24,041,305**	29,563,554
Purchases of financial assets at fair value through profit or loss		**(25,943,085)**	(42,354,761)
Decrease (increase) in other receivables and prepayments		**199,329**	(199,312)
(Decrease) increase in other payables		**(4,387,613)**	10,579,359
(Decrease) increase in financial liabilities designated at fair value through profit or loss		**(217,573)**	23,660
Cash used in operations		**(25,281,346)**	(12,805,363)
Interest received		**291,737**	445,739
Dividends received		**14,558,328**	14,974,114
Income taxes paid		**(2,294,421)**	(616,980)
NET CASH (USED IN) GENERATED FROM OPERATING ACTIVITIES		**(12,725,702)**	1,997,510
CASH USED IN FINANCING ACTIVITIES			
Dividends paid	26	**(12,186,641)**	(10,663,311)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(24,912,343)**	(8,665,801)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		**60,363,011**	64,143,034
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**1,190,467**	4,885,778
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		**36,641,135**	60,363,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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

The application of the 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.

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 HKAS 1	Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020) [2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[2]
Amendments to HKAS 8	Definition of accounting estimates[2]
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 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 Directors have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that, at initial recognition, the results of the valuation technique equal the transaction price.

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. 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; or

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

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 available without undue cost and effort. 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 changes 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 assets (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 market data. However, areas such as specific risk of investees and marketability discount require management to make estimates. Whilst the Group considers these valuations are the best estimates, the ongoing coronavirus disease 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

	2021 ***US$***	2020 *US$*
Financial assets		
At FVTPL	**967,373,378**	909,272,978
Amortised cost	**50,362,496**	62,346,606
Financial liabilities		
Amortised cost	**13,184,182**	17,611,245
Designated at FVTPL	**1,318,564**	1,461,857

5. FINANCIAL INSTRUMENTS (CONTINUED)

Financial risk management objective and policies

The Group's major financial instruments include financial assets 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:

	2021 ***US$***	2020 *US$*
Monetary assets		
USD	**2,338,895**	7,202,108
Hong Kong Dollar	**7,738,688**	11,261,434
Monetary liabilities		
USD	**9,740,066**	14,441,448
Hong Kong Dollar	**36,716**	21,254

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$309,000 (2020: US$302,000). 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$322,000 (2020: US$469,000).

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 not subject to material fair value interest rate risk as the Group's fixed interest rate bearing financial assets are measured at amortised cost. 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 2021, bank balances of US$14,746,993 (2020: US$39,296,263) 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 considers the effect would be minimal at the end of the reporting period.

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% (2020: 20%) higher/lower, the Group's after taxation result for the year would increase/decrease by US$74,179,000 (2020: US$80,450,000). 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% (2020: 20%) higher/lower, the Group's after taxation result for the year would increase/decrease by US$75,857,000 (2020: US$75,032,000). 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, other receivables, and cash and cash equivalents.

The Group performed impairment assessment for financial assets and other items under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

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$13,721,361 (2020: US$1,983,595). 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	2021 Gross carrying amount US$	2020 Gross carrying amount US$
Cash and cash equivalents	17	A	12m ECL	36,641,135	60,363,011
Other receivables	16	N/A	12m ECL	13,721,361	1,983,595

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 are 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 2021 US$	31 December 2020 US$	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	31 December 2021 Range	31 December 2020 Range	Relationship of unobservable inputs to fair value	31 December 2021 Increase(+)/ decrease(-) in fair value of assets if 10% increase/ decrease of the unobservable inputs (Note 2) US$	31 December 2020 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)	486,206,288	423,278,417	Level 1	Quoted bid prices in active market	N/A	N/A	N/A	N/A	N/A	N/A
Listed equity securities within lock-up period (Note 1)	–	16,725,161	Level 3	Quoted bid price in active market and adjusted for lack of marketability	- Discount rate for lack of marketability	N/A	9.6%	The higher the discount rate, the lower the fair value	N/A	-178,000/ +178,000
Equity securities (including equity securities traded on the National Equities Exchange and Quotations ("**New Third Board**") and unlisted equity securities), unlisted preferred equity and participating preferred unit (Note 1)	357,474,540	294,607,458	Level 3	Market comparable companies	- Earnings multiples - Revenue multiples - Book value multiples	19.1x - 23.1x 1.8x - 273.6x 0.8x - 6.7x	12.0x - 84.8x 2.4x 1.4x - 6.7x	The higher the multiples, the higher the fair value	+36,565,000/ -36,565,000	+28,736,000/ -28,736,000
					- Discount rate for lack of marketability and specific risk	54%	52%	The higher the discount rate, the lower the fair value	-43,351,000/ +43,351,000	-30,587,000/ +30,587,000

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 2021 US$	31 December 2020 US$	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	31 December 2021 Range	31 December 2020 Range	Relationship of unobservable inputs to fair value	31 December 2021 Increase(+)/ decrease(-) in fair value of assets if 10% increase/ decrease of the unobservable inputs (Note 2) US$	31 December 2020 Increase(+)/ decrease(-) in fair value of assets if 10% increase/ decrease of the unobservable inputs (Note 2) US$
Unlisted debt investments (Notes 1 and 4)	5,980,463	27,562,108	Level 3	Discounted cash flow	- Discount rate	0%	0% - 4.3%	The higher the discount rate, the lower the fair value	–	-33,000/ +33,000
Unlisted equity (Note 1)	57,915,319	46,324,082	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 vlaue	N/A	N/A
Equity securities (including equity securities traded on the New Third Board and unlisted equity securities) (Note 1)	59,796,768	100,775,752	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	+5,979,677/ -5,979,677	+10,077,575/ -10,077,575
Closing balance	967,373,378	909,272,978								

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 2021.

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 ***US$***	**Level 2** ***US$***	**Level 3** ***US$***	**2021** **Total** ***US$***
Financial assets at FVTPL	**486,206,288**	**—**	**481,167,090**	**967,373,378**
Financial liabilities designated at FVTPL	**132,954**	**—**	**1,185,610**	**1,318,564**

	Level 1 *US$*	Level 2 *US$*	Level 3 *US$*	2020 Total *US$*
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

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 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
Balance at 1 January 2021	**485,994,561**
Losses recognised in profit or loss	**(1,841,099)**
Exchange difference arising on translation to presentation currency	**9,969,386**
Purchases	**25,943,085**
Return of capital	**(24,041,305)**
Transfer out of Level 3 to Level 1	**(14,857,538)**
Balance at 31 December 2021	**481,167,090**

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, loss of US$1,998,519 (2020: gain of US$75,272,243) 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 2021, the listed shares of Cambricon Technologies Corporation Limited ("**Cambricon**") held by the Group, which were classified as financial assets at FVTPL and subject to a lock-up period, were transferred from Level 3 to Level 1 during the year since the lock-up period expired on 19 July 2021.

In 2020, 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 tradable and thus were transferred from Level 3 to Level 1 in 2020.

In 2020, the investment deposits related to Anhui iFlyHealth Co., Ltd. ("**iFlyHealth**", formerly Anhui iFlytek Healthcare Information Technology Co., Ltd.) and China UnionPay Co., Ltd. ("**China UnionPay**"), which were classified as investment deposits at FVTPL for the 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 2020. The valuation technique for the fair value of iFlyHealth and China UnionPay had changed due to the lack of recent transaction price of the financial assets for reference. The fair value of these investments was 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 in 2020.

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 2020	1,084,041
Issuances	179,061
Redemptions	(49,849)
Change in fair value	130,592
Balance at 31 December 2020	1,343,845
Balance at 1 January 2021	**1,343,845**
Issuances	**90,298**
Redemptions	**(320,962)**
Change in fair value	**72,429**
Balance at 31 December 2021	**1,185,610**

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 2021. 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:

	2021	2020
	US$	*US$*
Net gain (loss) on financial assets at FVTPL		
Listed investments		
Realised	**(4,232,791)**	199,954
Unrealised	**54,297,642**	61,615,073
Unlisted investments		
Realised	**141,076**	(1,684,580)
Unrealised	**(1,557,532)**	66,074,356
Total	**48,648,395**	126,204,803

7. INVESTMENT INCOME

	2021	2020
	US$	*US$*
Interest income on bank deposits	**297,161**	393,668
Dividend income on financial assets at FVTPL		
Listed equity investments	**11,393,412**	10,184,168
Unlisted equity investments	**2,453,853**	5,528,964
	13,847,265	15,713,132
Total	**14,144,426**	16,106,800

7. INVESTMENT INCOME (CONTINUED)

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

	2021 **US$**	2020 US$
Interest income for financial assets at amortised cost	**297,161**	393,668
Dividend income on financial assets at FVTPL	**13,847,265**	15,713,132
Total	**14,144,426**	16,106,800

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 and agriculture activities (2020: manufacturing, energy and resources, pharmaceutical, 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 2021

	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	8,506,147	9,065,243	32,262,722	49,834,112	(1,185,717)	48,648,395
Dividend income on financial assets at FVTPL	13,193,759	246,672	406,834	13,847,265	—	13,847,265
Other gains	—	280,120	—	280,120	—	280,120
Segment profit (loss)	21,699,906	9,592,035	32,669,556	63,961,497	(1,185,717)	62,775,780
Unallocated:						
– Administrative expenses						(19,974,735)
– Interest income on bank deposits						297,161
– Other losses						(77,438)
Profit before taxation						43,020,768

8. SEGMENTAL INFORMATION (CONTINUED)

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

Segment profit (loss) represents the net gain (loss) on financial assets at FVTPL, 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 (losses). 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:

	2021 US$	2020 US$
Segment assets		
Financial services	670,770,763	694,286,699
Culture, media and consumption	48,047,832	61,334,033
Information technology	232,867,920	139,283,555
Total assets for reportable segments	951,686,515	894,904,287
Others	16,611,825	16,204,715
Unallocated	49,456,909	60,529,287
Consolidated assets	1,017,755,249	971,638,289
Segment liabilities		
Financial services	61,734	186,213
Culture, media and consumption	209,039	285,098
Information technology	830,862	787,728
Total liabilities for reportable segments	1,101,635	1,259,039
Others	4,930,651	4,802,758
Unallocated	206,025,500	190,145,713
Consolidated liabilities	212,057,786	196,207,510

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

	2021 **US$**	2020 US$
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration	**229,226**	205,347
Net foreign exchange loss (gain)	**77,438**	(182,838)
Investment Manager's management fee (note 28 (a))	**13,971,923**	11,511,019
Investment Manager's performance fee (note 28 (b))	**4,906,543**	9,587,735
Directors' fees	**166,318**	138,505

10. DIRECTORS' EMOLUMENTS

The Group has no chief executives and the Directors' fees paid or payable to each of the 13 (2020: 11) Directors were as follows:

	2021 **US$**	2020 US$
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)

	2021 US$	2020 US$
Non-executive Directors :		
Mr. ZHOU Xing*	—	N/A
Mr. ZHANG Rizhong	—	—
Mr. KE Shifeng	30,959	30,967
Mr. ZHANG Jian##	—	—
	30,959	30,967
Independent Non-executive Director and Chairman of the Audit Committee :		
Mr. TSANG Wah Kwong	36,120	36,128
Independent Non-executive Directors :		
Mr. LIU Baojie	30,959	30,967
Dr. LI Fang	30,959	30,967
Dr. GONG Shaolin	30,959	9,476
Mr. Michael Charles VITERI**	6,362	N/A
	99,239	71,410
Total	166,318	138,505

* The Director was appointed as Non-executive Director and Chairman of the Board of Directors during the year 2021.

** The Director was appointed as Independent Non-executive Director during the year 2021.

\# The Director resigned as Alternate Director during the year 2021.

\## The Director resigned as Non-executive Director and Chairman of the Board of Directors during the year 2021.

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 was 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 Investment Manager also entered into an investment management agreement on 18 October 2021 (the "**Revised Management Agreement**") with the Company in relation to the re-appointment of the Investment Manager as the investment manager of the Company immediately following the expiry date of the existing investment management agreement. The Revised Management Agreement became effective on 1 January 2022 and is for a fixed term ending on 31 December 2024. The details of the Revised Management Agreement can be referred to the circular dated 8 November 2021. 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 Executive Directors, Non-executive Directors and Independent Non-executive Directors shown above were paid or payable in accordance with their service contracts and 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 (2020: five) 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:

	2021 **US$**	2020 *US$*
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	**(163,943)**	(302,205)
Withholding tax for distributed earnings	**(1,908,006)**	(2,032,086)
Deferred taxation (note 21)		
Current year	**(16,743,452)**	(29,432,671)
Total	**(18,815,401)**	(31,766,962)

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:

	2021 **US$**	2020 *US$*
Profit before taxation	**43,020,768**	121,554,717
Tax at the domestic income tax rate of 25% (2020: 25%) (Note)	**(10,755,192)**	(30,388,679)
Tax effect of expenses not deductible for tax purpose	**(4,505,864)**	(5,047,003)
Tax effect of income not taxable for tax purpose	**3,031,736**	3,499,281
Tax effect of tax losses not recognised	**(365)**	(2,079,414)
Utilisation of tax losses previously not recognised	**2,243,008**	104,886
Withholding tax for undistributed earnings of PRC subsidiaries	**(2,769,098)**	(882,019)
Withholding tax for distributed earnings	**(1,908,006)**	(2,032,086)
Effect of different tax rates of the Company and its subsidiaries operating in other regions in the PRC	**(4,151,620)**	5,058,072
Taxation	**(18,815,401)**	(31,766,962)

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

13. DIVIDENDS

Subsequent to the end of the reporting period, a final dividend of US$0.07 per share (2020: US$0.07 per share) and a special dividend of US$0.07 per share (2020: US$0.01 per share), totaling US$0.14 (2020: US$0.08) per share, in an aggregate amount of US$21,326,622 (2020: US$12,186,641), in respect of the year ended 31 December 2021 (2020: year ended 31 December 2020) have been proposed by the Directors and are subject to approval by the shareholders at the forthcoming annual general meeting.

Final and special dividends of US$12,186,641 (2020: final dividend of US$10,663,311) for the year ended 31 December 2020 (2020: year ended 31 December 2019) were paid in cash on 27 July 2021 (2020: 27 July 2020).

14. BASIC EARNINGS PER SHARE

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

	2021	2020
Profit for the purpose of basic earnings per share (US$)	**24,205,367**	89,787,755
Number of ordinary shares for the purpose of basic earnings per share	**152,333,013**	152,333,013
Basic earnings per share (US$)	**0.159**	0.589

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

	2021 ***US$***	2020 *US$*
Equity and debt securities at FVTPL:		
– listed equities in PRC (Note a)	**479,739,809**	416,426,641
– listed equity in HK (Note a)	**6,466,479**	6,851,776
– listed equities within lock-up period in PRC (Note a)	**—**	16,725,161
– listed equities on New Third Board (Note a)	**4,965,920**	3,295,070
– unlisted equities (Notes b and c)	**457,810,707**	435,432,222
– unlisted participating preferred unit (Note b)	**12,410,000**	2,980,000
– unlisted debt investment (Note b)	**5,980,463**	27,562,108
Total	**967,373,378**	909,272,978
Analysed to reporting purposes as		
Current assets	**64,044,731**	73,652,221
Non-current assets	**903,328,647**	835,620,757
Total	**967,373,378**	909,272,978

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 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 as at 31 December 2020. The lock-up period expired on 19 July 2021 and all the shares of Cambricon held by the Group were disposed of during the year. For equity securities listed on the New Third Board, namely Wuhan Rixin Technology Co., Ltd. and Xi'an Jinpower Electrical Co., Ltd., whose fair values were arrived at by reference to the recent transaction price or 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 2021, fair values of unlisted equities and debt investment amounting to US$65,777,231 (2020: US$128,337,860) 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 2021, included in unlisted equities investments amounting to US$573,232 (2020: US$692,731) 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 2021 and 31 December 2020 and also details of ten largest investments of the Group.

For the year ended 31 December 2021

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	422	10.68	52.40%
China Credit Trust Co., Ltd.	Trust management	6.94%	50.49	218	2.77	27.08%
Iflytek Co., Ltd.	Intelligent speech technology	0.29%	18.83	56	0.20	6.96%
China UnionPay Co., Ltd.	Financial payment	0.17%	31.12	51	0.20	6.29%
Anhui iFlyHealth Co., Ltd. (formerly Anhui iFlytek Healthcare Information Technology Co., Ltd.)	Artificial intelligence medical	3.51%	16.41	40	Nil	5.07%
Pony AI Inc.	Autonomous driving	0.67% Preferred shares	8.61	34	Nil	4.28%
China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Media investment	10.00%	0.00	28	Nil	3.43%
JIC Leasing Co., Ltd.	Finance leasing	4.98%	38.78	21	Nil	2.64%
NBA China, L.P.	Sports marketing	1% participating preferred unit	0.00	12	0.49	1.54%
Anhui Iflytek Venture Capital LLP	Information technology investment	14.95%	6.42	11	1.79	1.38%

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

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 iFlyHealth Co., Ltd. (formerly Anhui iFlytek Healthcare Information Technology Co., Ltd.)	Artificial intelligence medical	3.00%	8.60	14	Nil	1.88%

16. OTHER RECEIVABLES AND PREPAYMENTS

	2021 ***US$***	2020 *US$*
Consideration receivable on disposal of investment	**12,658,436**	—
Dividend receivable	**924,962**	1,636,025
Interest receivable	**45,339**	39,915
Other receivables and prepayments	**111,999**	326,360
Total	**13,740,736**	2,002,300

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 2021 was approximately of US$15.61 million (2020: US$42.05 million).

18. OTHER PAYABLES

	2021 ***US$***	2020 *US$*
Partial consideration received on disposal of investment	**4,713,722**	4,599,940
Management fee payable	**3,514,957**	3,391,856
Performance fee payable	**4,906,543**	9,587,735
Business tax payable	**19,607,487**	19,607,487
Other payables	**629,832**	573,136
Total	**33,372,541**	37,760,154

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 2021 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), 青海省青海湖旅遊集團有限公司 (Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd.), 寧波梅山保税港區將門創業投資中心 (有限合夥) (Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP), Pony AI Inc., 影石創新科技股份有限公司 (Arashi Vision Inc.), 安徽訊飛醫療股份有限公司 (Anhui iFlyHealth 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.), Flexiv Ltd., 北京華順信安科技有限公司 (Beijing Huashun Xin'an Technology Co., Ltd.), 芯翼信息科技 (上海) 有限公司 (Xinyi Information Technology Ltd.) and 日照市艾鋭光電科技有限公司 (Rizhao Azuri Technologies Co., Ltd.) (collectively referred to as the "**Project Companies**"). All above mentioned investments by the Group in the Project Companies are classified as financial assets at FVTPL categorised in Level 1 or Level 3. The classification and fair value of the Sub-participation Agreements are associated directly with these underlying investments and their valuation details are set out in note 5. As the Group considers that the Group's exposure to price risk of such financial liabilities is insignificant, no sensitivity analysis on price risk of such financial liabilities is presented. As at 31 December 2021 and 2020, 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 2020	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**
Charged to profit or loss for the year	**13,974,354**	**2,769,098**	**16,743,452**
Exchange differences	**3,363,530**	**600,837**	**3,964,367**
Balance at 31 December 2021	**147,367,214**	**27,660,527**	**175,027,741**

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$6.18 million (2020: US$13.64 million) available for offsetting against future profits and may be carried forward indefinitely (2020: tax losses of US$8.79 million that will expire in 2025).

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 (2020: Nil).

22. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 US$	2020 US$
Non-current assets			
Investments in subsidiaries		44,840,372	44,840,372
Financial assets at fair value through profit or loss		104,680,435	103,595,705
Amounts due from subsidiaries		59,949,876	51,717,268
		209,470,683	200,153,345
Current assets			
Amounts due from subsidiaries		82,239,460	81,886,374
Other receivables and prepayments		1,036,961	1,766,000
Cash and cash equivalents		8,972,304	14,928,142
		92,248,725	98,580,516
Current liabilities			
Amounts due to subsidiaries		14,695,406	14,213,054
Other payables		8,952,886	13,458,527
Taxation payable		2,180,559	2,333,818
		25,828,851	30,005,399
Net current assets		66,419,874	68,575,117
Total assets less current liabilities		275,890,557	268,728,462
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss		1,318,564	1,461,857
Deferred taxation		8,938,170	8,829,697
		10,256,734	10,291,554
Net assets		265,633,823	258,436,908
Capital and reserves			
Share capital	23	139,348,785	139,348,785
Reserves	24	126,285,038	119,088,123
Equity attributable to owners of the Company		265,633,823	258,436,908

Mr. WANG Xiaoding
Director

Ms. KAN Ka Yee, Elizabeth
Director

23. SHARE CAPITAL OF THE COMPANY

	Number of shares	US$
Issued and fully paid:		
At 1 January and 31 December 2020,		
1 January and 31 December 2021		
– 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 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 1 January 2021	**4,503,785**	**114,584,338**	**119,088,123**
Profit for the year	**—**	**17,057,377**	**17,057,377**
Exchange difference	**2,326,179**	**—**	**2,326,179**
Total comprehensive income for the year	**2,326,179**	**17,057,377**	**19,383,556**
2020 final and special dividends paid	**—**	**(12,186,641)**	**(12,186,641)**
Balance at 31 December 2021	**6,829,964**	**119,455,074**	**126,285,038**

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$805,697,463 (2020: US$775,430,779) and 152,333,013 ordinary shares (2020: 152,333,013 ordinary shares) with no par value in issue at 31 December 2021.

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 2020	—
Dividend declared	10,663,311
Financing cash flow	(10,663,311)
At 31 December 2020	—
At 1 January 2021	**—**
Dividend declared	**12,186,641**
Financing cash flow	**(12,186,641)**
At 31 December 2021	**—**

27. COMMITMENT

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

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$7.64 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 2021, the Group has injected RMB37.50 million (equivalent to approximately US$5.68 million) (2020: 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 asset. The Group had outstanding payment of RMB12.50 million (equivalent to approximately US$1.96 million) as at 31 December 2021.

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$13,971,923 (2020: US$11,511,019). 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$4,906,543 (2020: US$9,587,735) is provided for the year 2021 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 2021 was US$8,470,460 (2020: US$13,011,305). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(d) Securities brokerage commission fee totaling US$329 (2020: US$2,777) 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 2021, were US$49,930, US$275,032 and US$38,887, respectively (31 December 2020: US$53,084, US$316,300 and US$37,360, respectively). The financial liability of the Group with Mr. ZHOU Xing, a Director of the Company and appointed on 26 April 2021, was US$38,571 (31 December 2020: US$48,363). Moreover, the financial liabilities of the Group with Mr. KANG Dong, a Director of the Investment Manager and appointed on 23 August 2021, and Mr. LAW Hung Kuen, Janson, a Director of the Investment Manager and resigned on 23 August 2021, were US$4,474 and US$57,555, respectively (31 December 2020: Nil and US$52,577, respectively).

(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 2021 and 2020, 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 Ms. Ma Xiaonan* Mr. CHOI King Yin, Christopher#
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 2021 and 2020 or at any time during the year.

* The Director was appointed during the year 2021.

\# The Director resigned during the year 2021.

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				
	2017 US$	2018 US$	2019 US$	2020 US$	**2021 US$**
Net gain (loss) on financial assets at fair value through profit or loss	174,206,045	(111,123,083)	131,848,627	126,204,803	**48,648,395**
Investment income	15,207,807	18,884,552	15,528,387	16,106,800	**14,144,426**
Profit (loss) from operations	168,834,048	(105,266,617)	136,355,337	121,554,717	**43,020,768**
Taxation	(50,931,214)	18,245,492	(34,546,363)	(31,766,962)	**(18,815,401)**
Profit (loss) attributable to owners of the Company	117,902,834	(87,021,125)	101,808,974	89,787,755	**24,205,367**
Basic earnings (loss) per share	0.774	(0.571)	0.668	0.589	**0.159**
Dividend per share					
– Final	0.06	0.07	0.07	0.07	**0.07**
– Special	—	0.10	—	0.01	**0.07**
– Total	0.06	0.17	0.07	0.08	**0.14**

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2017 US$	2018 US$	2019 US$	2020 US$	**2021 US$**
Total assets	872,826,995	687,899,613	794,032,860	971,638,289	**1,017,755,249**
Total liabilities	(167,200,881)	(112,844,445)	(144,982,618)	(196,207,510)	**(212,057,786)**
Net assets	705,626,114	575,055,168	649,050,242	775,430,779	**805,697,463**
Net asset value per share	4.632	3.775	4.261	5.090	**5.289**