China Merchants China Direct Investments Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

CREATING VALUE IN

CHINA

ANNUAL REPORT 2022

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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
Dr. LI Fang
Mr. ZHU Qi

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,
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Wan Chai,
Hong Kong

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

1609, Three Pacific Place,
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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 2022 amounted to US$571.57 million, representing a decrease of 29.06% compared to US$805.70 million in 2021. The net asset value per share was US$3.752, representing the same percentage decrease of 29.06% compared to US$5.289 in 2021. The Group's audited consolidated loss for 2022 was US$153.17 million, while the audited consolidated profit after taxation for last year was US$24.21 million.

The Board has recommended the payment of a final dividend of US$0.07 per share for the year 2022, the same as last year. As there were no special dividends nor interim dividends during 2022, total dividends payable for the year 2022 were also US$0.07 per share, compared to US$0.14 per share (including a special dividend of US$0.07 per share) last year, representing a decrease of 50%.

In 2022, the global economy continued to recover gradually from the fight against the coronavirus pandemic. The World Bank estimated that, in 2022, the global economy grew by 2.9%, the US economy by 1.9%, the Eurozone economy by 3.3% and the Japanese economy by 1.2%. According to a preliminary report by the National Bureau of Statistics, in 2022, China's gross domestic product (GDP) was RMB121 trillion, breaking the milestone of RMB120 trillion and representing an increase of 3.0%, calculated in constant prices, as compared to last year. Based on the annual average exchange rate, China's total GDP was approximately US$18.0 trillion, ranking second in the world. Specifically, in 2022, China's total consumption expenditures were over RMB60 trillion, which represents a proportion of over 50% of GDP and a contribution rate to economic growth of 32.8%, driving GDP growth by 1.0 percentage point. Gross capital formation had a contribution rate to economic growth of 50.1%, driving GDP growth by 1.5 percentage points. Net exports of goods and services had a contribution rate to economic growth of 17.1%, driving GDP growth by 0.5 percentage points. It is worth pointing out that in 2022, imports and exports of China's foreign trade realised synchronising growth in scale, quality and efficiency, despite the impact of multiple unexpected factors. Gross imports and exports of goods broke the milestone of RMB40 trillion for the first time and reached RMB42.07 trillion, representing an increase of 7.7% as compared to 2021, which allowed China to preserve its status as the largest cargo trading country in the world for a consecutive 6 years. Furthermore, the Consumer Price Index of China for 2022 rose by 2.0%, representing an increase of 1.1 percentage points as compared to the growth rate last year, showing a trend of rise before fall.

In 2022, the A shares market of China experienced significant volatility. The SSE Composite Index started to fall early in the year, and then rose again after falling to its lowest point of the year at 2864 points on 27 April. Subsequently, the SSE Composite Index fluctuated between approximately 2900 and 3400 points for the rest of the year before finally ending 2022 at 3089 points, representing a decrease of 15.13% as compared to the end of 2021. In 2022, the Hong Kong stock market experienced a rally early in the year, and then fluctuated and fell, before starting another rally late in the year. The Hang Seng Index started 2022 by rising briefly to reach its highest point of the year at 25051 points on 10 February, then fluctuated and fell to its lowest point of the year at 14597 points on 31 October, and then gradually rose to close at 19781 points at the end of 2022, representing a decrease of 15.46% as compared to the end of 2021.

At the end of 2022, the Group's total holdings in investment projects amounted to US$690.07 million (US$967.37 million at the end of 2021), accounting for 96.43% of the Group's total asset value and representing a decrease of US$277.30 million. This was largely due to a significant net decrease in the fair value of investment projects, as well as a decrease in the Renminbi exchange rate. Meanwhile, cash and cash equivalents were US$25.49 million, accounting for 3.56% of the total asset value of the Group.

In 2022, the Investment Manager actively sought new investment opportunities, with intensive due diligence and the rigorous screening of many prospects. Consequently, the Group completed a direct investment in a new medical project in 2022, namely Immvira Bioscience Inc., with an investment amount of US$8 million. The Group also increased its investment in an existing information technology project, Beijing Huashun Xin'an Technology Co., Ltd., by US$1.02 million. The aggregate amount invested in the above projects was US$9.02 million.

In 2022, the Group decided to exit from the project of Shenzhen Geesun Intelligent Technology Co., Ltd. ("**Geesun Intelligent**") because the project's operating conditions were less than expected, and an exit would allow the Group to realise a return on this investment and to increase working capital. Therefore, the Group transferred all of its equity interest in Geesun Intelligent to its founding shareholder for net proceeds of US$8.20 million.

Looking ahead to 2023, there will be challenges as well as opportunities. During the three years of 2020 to 2022, the global economy experienced a series of major events: the impact on the economy by the coronavirus pandemic, stimulation from macro policies, economic recovery, the emergence of high inflation, monetary tightening, and slower economic growth. In 2023, downward pressure on global economic growth may persist. Global inflation remains high. The major developed economies are at risk of "stagflation." And yet, despite various pressures such as weakening external demand and falling growth expectations, we continue to believe that 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. In 2023, China's industrial production is expected to gradually return to normal due to a range of favourable factors, such as a relatively rapid implementation of investment projects in infrastructure and the manufacturing industry, ongoing structural improvements in production, a rebound in domestic demand, improvement in the real estate market, as well as low bases for comparison. Furthermore, it is expected that domestic consumption may rebound sharply in 2023 due to a number of favourable factors: as pandemic control measures are further relaxed, it may improve the consumption demand; as the economy stabilises, it may see improvements in employment and personal income, laying a sound foundation for future growth in consumption demand; the relaxation of pandemic control measures may also have a promotion effect on the rapid recovery of service industry, providing a solid support for the consumption rebound. 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. LIU Baojie for his valuable contributions to the Company during his tenure as a Director, 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 2023

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 loss attributable to equity shareholders of US$153.17 million for the year ended 31 December 2022, compared to a profit attributable to equity shareholders of US$24.21 million for last year. The reversal was mainly due to a significant decline in the overall value of the financial assets at fair value through profit or loss (the "**Financial Assets**"), resulting in the recognition of a loss, rather than a gain as in the prior year. As of 31 December 2022, the net assets of the Fund were US$571.57 million (31 December 2021: US$805.70 million), with a net asset value per share of US$3.752 (31 December 2021: US$5.289).

The net loss on the Financial Assets for the year was US$199.78 million, compared to a net gain of US$48.65 million for last year. Looking deeper, the Fund's listed and unlisted investments recorded net losses of US$116.88 million and US$82.90 million, respectively. For more information on the change in fair value of each of the listed and unlisted investments, please see the section titled "Review of Investments" in this Investment Manager's Discussion and Analysis.

Total investment income for the year increased by 5.02% to US$14.85 million (2021: US$14.14 million) as compared to last year, due mainly to an increase in dividend income from investments.

ACQUISITIONS AND DISPOSALS OF INVESTMENTS

In 2022, the Fund continued to seek out and rigorously evaluate investment opportunities. During the year, the Fund made investments in the information technology industry and medical industry. The direct investments completed include the following:

Beijing Huashun Xin'an Technology Co., Ltd. ("**Huashun Xin'an**") carried out a new round of equity financing and introduced several new investors. To avoid a dilution of its interest, the Fund entered into an investment agreement, along with other relevant agreements, in relation to Huashun Xin'an on 25 March 2022, and made a further investment of RMB6.50 million (equivalent to US$1.02 million) in Huashun Xin'an on 19 April 2022. The relevant formalities were duly completed on 25 April 2022 and the Fund holds a 4.295% equity interest in Huashun Xin'an, accordingly.

On 30 September 2022, the Fund entered into a preferred shares subscription agreement in relation to Immvira Bioscience Inc. ("**Immvira**"), pursuant to which the Fund agreed to contribute US$8 million to Immvira in order to subscribe to the preferred shares issued by Immvira and to obtain a 1.67% equity interest. The Fund paid the said investment amount to Immvira on 24 October 2022 to complete the transaction. Immvira is a biotech research and development company, and is principally engaged in clinical research and the development of vector technologies as potential cancer therapeutics. Leveraging intrinsic mechanisms of action and tumor microenvironment modifications, Immvira is focused on developing a new generation of novel anti-cancer drug vectors, including replicating and non-replicating herpes simplex virus vectors, drug delivery exosomes and tumor vaccines.

ACQUISITIONS AND DISPOSALS OF INVESTMENTS (CONTINUED)

In addition, the Fund exited from an equity investment project during the year.

On 31 March 2022, the Fund entered into an equity transfer agreement in relation to Shenzhen Geesun Intelligent Technology Co., Ltd. ("**Geesun Intelligent**"), pursuant to which the Fund agreed to transfer all of its 2.35% equity interest in Geesun Intelligent to the founding shareholder of Geesun Intelligent at a price of RMB53.13 million. All of the transfer consideration of RMB53.13 million (equivalent to US$8.20 million) was fully received by the Fund on 5 May 2022, and the equity transfer was duly completed on 1 June 2022. The pre-tax internal rate of return to the Fund from Geesun Intelligent was 8.90%.

LIQUIDITY, FINANCIAL RESOURCES, GEARING AND COMMITMENTS

The Fund's cash and cash equivalents decreased by 30.43%, from US$36.64 million at the end of last year to US$25.49 million (representing 3.56% of the Fund's total assets) as of 31 December 2022, due mainly to the payment of a special dividend for 2021 by the Fund.

As of 31 December 2022, the Fund had no outstanding bank loans (31 December 2021: Nil).

As of 31 December 2022, the Fund had no commitments (31 December 2021: US$1.96 million).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Most of the Fund's investments are located in China where the official currency is the Renminbi ("**RMB**"). The conversion rate of RMB against the US dollar recorded a decrease of 9.38% in 2022, which had a negative impact on the Fund since it holds a considerable amount of assets denominated in RMB. The Fund currently does not have any foreign currency hedging policy. However, the Fund continues to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

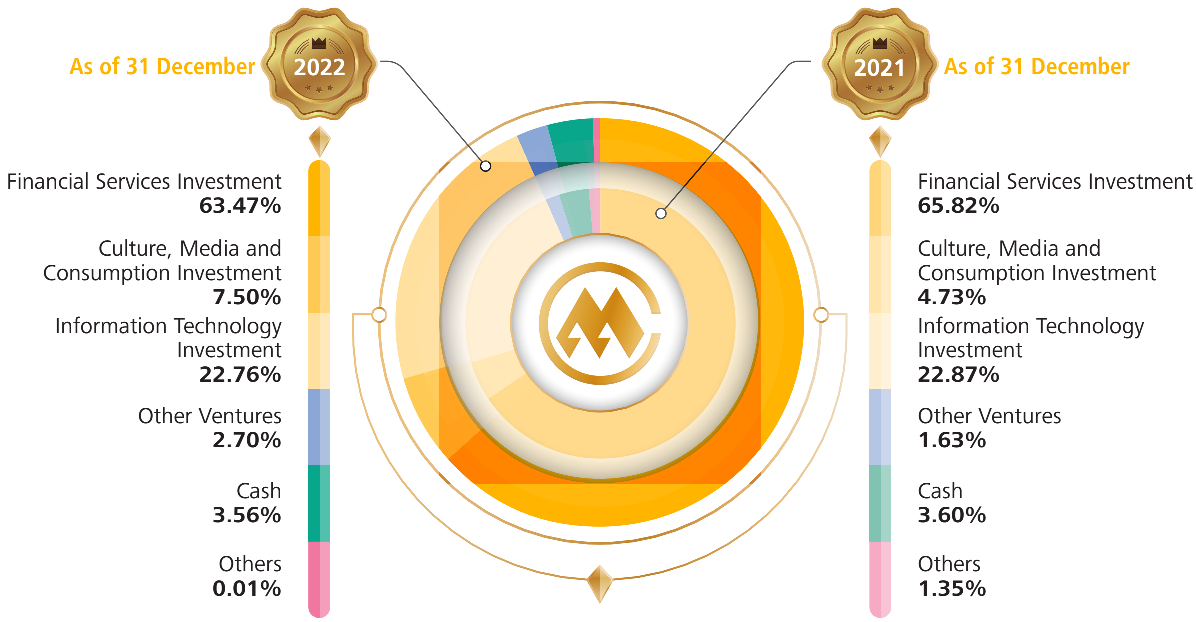
EMPLOYEES

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

THE PORTFOLIO

As of 31 December 2022, the Fund's total investments amounted to US$690.07 million. The sector distribution of investments was US$454.23 million in financial services (representing 63.47% of the Fund's total assets), US$53.66 million in culture, media and consumption (7.50%), US$162.89 million in information technology (22.76%), and US$19.29 million in other ventures (including manufacturing, energy and resources, and medical, etc.) (2.70%). In addition, cash and cash equivalents were US$25.49 million, representing 3.56% of the Fund's total assets as of 31 December 2022.

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 2022:

Name of projects	Location of headquarters	Main business	Listed (Stock Exchange)/ unlisted	Carrying value *US$ million*	Percentage of total assets *%*	Percentage of net assets *%*
Financial Services:						
#1. China Merchants Bank Co., Ltd.	Shenzhen, Guangdong	Banking	Shanghai Stock Exchange	295	41.26	51.66
#2. China Credit Trust Co., Ltd.	Beijing	Trust management	Unlisted	141	19.63	24.57
#3. JIC Leasing Co., Ltd.	Beijing	Finance leasing	Unlisted	16	2.27	2.84
4. China Reinsurance (Group) Corporation	Beijing	Reinsurance	Hong Kong Stock Exchange	1	0.11	0.14
5. China Media (Tianjin) Investment Management Co., Ltd.	Tianjin	Fund management	Unlisted	1	0.20	0.25
			Sub-total:	**454**	**63.47**	**79.46**
Culture, Media & Consumption:						
#6. China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Shanghai	Media investment	Unlisted	23	3.24	4.05
#7. NBA China, L.P.	Beijing	Sports marketing	Unlisted	24	3.30	4.13
8. Oriental Pearl Media Co., Ltd.	Shanghai	Multimedia	Shanghai Stock Exchange	1	0.13	0.17
9. Yunnan Jinlanmei International Travel Investment Development Co., Ltd.	Xishuangbanna, Yunnan	Travel	Unlisted	1	0.09	0.11
10. Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd.	Xining, Qinghai	Travel	Unlisted	5	0.74	0.92
			Sub-total:	**54**	**7.50**	**9.38**

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	0.08	0.10
#12. Anhui Iflytek Venture Capital LLP	Hefei, Anhui	Information technology investment	Unlisted	25	3.48	4.36
#13. Iflytek Co., Ltd.	Hefei, Anhui	Intelligent speech technology	Shenzhen Stock Exchange	32	4.48	5.61
#14. Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP	Beijing	Information technology investment	Unlisted	8	1.16	1.45
15. Pony AI Inc.	Fremont, California	Autonomous driving	Unlisted	5	0.71	0.89
16. Arashi Vision Inc.	Shenzhen, Guangdong	360-degree video products	Unlisted	6	0.84	1.05
17. Anhui iFlyHealth Co., Ltd.	Hefei, Anhui	Artificial intelligence medical	Unlisted	6	0.88	1.10
#18. China UnionPay Co., Ltd.	Shanghai	Financial payment	Unlisted	54	7.48	9.37
#19. CASREV FUND III-RMB L.P.	Beijing	Technology & medical investment	Unlisted	9	1.24	1.55
20. Flexiv Ltd.	Shanghai	Adaptive robots	Unlisted	6	0.87	1.09
21. Beijing Huashun Xin'an Technology Co., Ltd.	Beijing	Cyber security	Unlisted	2	0.28	0.35
22. Xinyi Information Technology Ltd.	Shanghai	System on a chip for Internet of Things	Unlisted	7	0.94	1.17
23. Rizhao Azuri Technologies Co., Ltd.	Rizhao, Shandong	Direct modulated lasers	Unlisted	2	0.32	0.40
			Sub-total:	**163**	**22.76**	**28.49**
Others:						
(i) Manufacturing:						
24. Hwagain Group Co., Ltd.	Nanning, Guangxi	Printing paper & tissue paper	Unlisted	3	0.48	0.60
(ii) Energy & Resources:						
25. Wuhan Rixin Technology Co., Ltd.	Wuhan, Hubei	Solar energy	New Third Board [Note]	3	0.47	0.59
(iii) Medical:						
26. Nanning Huiyou Xingyao Equity Investment Fund L.P.	Nanning, Guangxi	Biopharmaceutical investment	Unlisted	5	0.63	0.79
27. Immvira Bioscience Inc.	Shenzhen, Guangdong	Biotech research & development	Unlisted	8	1.12	1.40
			Sub-total:	**19**	**2.70**	**3.38**
			Total:	**690**	**96.43**	**120.71**

\# ***Ten largest investments of the Fund as of 31 December 2022***

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 2022, 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 2022, the Fund received a cash dividend of RMB84.01 million from CMB for 2021.

As of the end of 2022, the carrying value of the Fund's interest in CMB was US$295.30 million, representing a decrease of 30.05% from the value at the end of last year of US$422.16 million. The Fund's unrealised loss attributable to its investment in CMB for 2022 was negative of US$93.88 million, while the relevant amount for 2021 was US$40.72 million.

On 25 March 2023, CMB announced that its audited net profit for 2022 was RMB138.0 billion, up 15.08% year-over-year.

On 24 May 2022, CMB announced that its subsidiary, CMB Wealth Management Co., Ltd. ("**CMB Wealth Management**") had completed a change of business registration with respect to increasing its capital, along with other changes to its registered capital. As a result, the registered capital of CMB Wealth Management increased to approximately RMB5.56 billion. In addition, CMB and JPMorgan Asset Management (Asia Pacific) Limited ("**JPMorgan Asset Management**") came to hold stakes in CMB Wealth Management of 90% and 10%, respectively, whereas CMB had held a 100% stake before. As an important benefit of introducing JPMorgan Asset Management as a strategic investor, CMB Wealth Management can now draw upon the deep experience of JPMorgan Asset Management as a leading international asset management institution in fintech, investment research, risk management, etc.

On 29 June 2022, CMB's capital plan targets for 2022-2024 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.

On 22 July 2022, the board of directors of CMB considered and approved a resolution: the withdrawal of its application to commence operations for China Merchants Tuopo Bank Co., Ltd. ("**CM Tuopo Bank**") and, accordingly, terminated all preperatory work for the establishment of CM Tuopo Bank. CMB had announced in December 2020 that it intended to establish CM Tuopo Bank jointly with a company under the JD Group, of which CMB would hold a 70% equity interest. CM Tuopo Bank would have been an independent legal entity operating as a direct sales bank, but also as a digital bank that would solely operate online rather than through physical branch offices.

On 2 August 2022, CMB announced that it had received a "no objection" letter from the China Banking and Insurance Regulatory Commission ("**CBIRC**") in relation to the exercise of its redemption right to redeem all of the US$1 billion offshore preferred shares issued by the bank. On 25 October 2022, CMB redeemed all non-cumulative perpetual offshore preferred shares that were non-publicly issued on 25 October 2017. Upon redemption and cancellation of such shares, there were no more outstanding offshore preferred shares of CMB in issue.

REVIEW OF INVESTMENTS (CONTINUED)

On 30 December 2022, CMB announced that it had exercised its right of redemption on 28 December 2022, per the terms of the relevant bond prospectus, and had redeemed all subordinated bonds that had been issued previously on 28 December 2012 in the amount of RMB11.7 billion.

In 2022, 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 2022, the Fund held a 6.94% equity interest in CCT, with a total investment cost of US$50.49 million.

CCT has increased its registered capital from RMB2,457 million to RMB4,850 million by converting its capital reserves into registered capital. And the relevant change of business registration was completed on 28 February 2022. The Fund's stake in CCT remains unchanged afterwards.

As of the end of 2022, the carrying value of the Fund's interest in CCT was US$140.46 million, representing a decrease of 35.62% from the value at the end of last year of US$218.16 million. The Fund's unrealised loss attributable to its investment in CCT for 2022 was negative of US$61.09 million, up 1,909.54% year-over-year.

For 2022, CCT recorded an unaudited net profit of RMB1,092 million, up 4.83% year-over-year. During the year, the company recorded an increase in income from handling fees and commissions, as well as interest income, compared to last year. In addition, the loss due to credit impairment for the year decreased, while the sum of investment income and the gain on change in fair value saw an increase, compared to last year. In 2022, CCT's scale of trust management assets and active management business reported strong growth and outperformed its peers. It is important to note that both the revenue of trust business and profit of CCT grew despite an overall decline in revenue and profit for the trust industry in China during this period of time.

In light of the various regulatory measures imposed on the trust industry by the CBIRC and the downturn in China's real estate market, CCT has sought to optimise its business mix. To this end, CCT's real estate trust business and the proportion of such business has fallen sharply, while its standardised trust business has grown to become CCT's primary focus with the trust asset size increased from RMB25.7 billion by the end of 2021 to RMB168.9 billion by the end of 2022, up by more than 500%. CCT is also actively promoting its equity investment trust business. Meanwhile, CCT is seeking to expand its service trust business, encompassing securitised assets and family trusts (including insurance trust), and to enhance its brand value and industry influence by developing charity trusts. CCT and its single largest shareholder, the PICC Group, further strengthened their cooperation and, as a result, the insurance trust business that they have jointly promoted is growing rapidly and has commenced operations in over ten cities across the country. The two parties successfully signed an insurance trust on 20 May 2022, for the first time, with a value of over RMB100 million. And a more recent trust signed on 12 January 2023 set a new record high.

REVIEW OF INVESTMENTS (CONTINUED)

CCT constantly reviews its trust projects to identify projects with potential risk, as well as to review and evaluate existing risk protection measures. As a result, the firm has gradually reduced its scope of business with certain real estate enterprises. Starting from the second half of 2021, it was reported that several large real estate enterprises have been suffering financial difficulties. In this regard, CCT has closely monitored any risks this may pose to its existing projects, and has taken corresponding risk mitigation measures as soon as practical, in order to protect the interests of trust product investors. CCT has formulated specific strategies for real estate trust projects with default risk, and is making good progress in mitigating the risk posed by some of these projects. Furthermore, several new policies adopted by the regulatory authorities since November 2022 may help real estate enterprises to mitigate risk and to solve their financial difficulties, especially those policies designed to make it easier to obtain financing (whether by loans, debt, or equity). However, CCT will almost certainly continue to devote considerable time and effort to managing risk in this business.

On 17 June 2022, CCT won two awards: the Excellent Securities Investment Trust Product and the Excellent Family Office of the "The Second Session of Golden Honour Award for China Asset Management and Wealth Management Industry in 2022." On 30 December 2022, CCT's "Assembled Fund Trust Plan Products of Huiying Series" was recognised with the "Outstanding Securities Investment Trust Product Award" of "Golden Wisdom Award 2022" by JRJ Navigation China. Thus, CCT has now received awards by JRJ Navigation China for five consecutive years.

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 2022.

As of the end of 2022, the carrying value of the Fund's interest in JIC Leasing was US$16.23 million, representing a decrease of 23.80% from the value at the end of last year of US$21.30 million. The Fund's unrealised loss attributable to its investment in JIC Leasing for 2022 was negative of US$3.36 million, down 88.49% year-over-year.

In 2022, JIC Leasing strived to overcome the impact of the coronavirus pandemic, carefully implemented the regulatory requirements in all aspects of its operations, proactively served the national strategies, and continued to focus on the steady development of the business. As a result, JIC Leasing recorded an unaudited net profit of RMB353 million for 2022, up 12.97% year-over-year.

In June 2022, JIC Leasing withdrew its application for an initial public offering (IPO), previously submitted in May 2017, and has obtained a "notice of termination of examination" from the China Securities Regulatory Commission ("**CSRC**"). This decision was based on a financial adviser's recommendation, per their analysis of the review policy and industry regulatory policy on the listing of quasi-financial enterprises, as promulgated by the CSRC. Furthermore, it was approved by the shareholders meeting of JIC Leasing.

REVIEW OF INVESTMENTS (CONTINUED)

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 secondary stock market, for an aggregate invested amount of HK$150 million (equivalent to US$19.31 million). During the period of September to December 2022, the Fund sold a total of 54.64 million H shares of China Re for net proceeds of HK$28.32 million (equivalent to US$3.63 million). As of 31 December 2022, the Fund still held 12.60 million H shares of China Re, accounting for 0.03% of the total issued share capital of China Re. Subsequent to the balance sheet date and in early January 2023, the Fund further sold the remaining 12.60 million H shares of China Re for net proceeds of HK$6.45 million (equivalent to US$0.83 million). As such, the Fund has sold all of the China Re shares that it held. In August 2022, the Fund received a cash dividend (net of tax) of HK$3.19 million from China Re for 2021.

As of the end of 2022, the carrying value of the Fund's interest in China Re was US$0.80 million, representing a decrease of 87.63% from the value at the end of last year of US$6.47 million (Note: The primary reason for the significant decrease in carrying value was exactly as mentioned above: the Fund sold a majority of its China Re shares before the end of 2022).

On 10 February 2023, China Re pre-announced that its unaudited net profit for 2022 was estimated to be down by approximately 60% to 70% year-over-year. The primary reason for the decrease in profit was the decline in investment income year-over-year due to significant volatility in the capital markets. In addition, the company suffered losses from investments in certain non-controlled entities.

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 2022, the carrying value of the Fund's interest in China Media Management was US$1.45 million, representing a decrease of 17.14% from the value at the end of last year of US$1.75 million.

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 still 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**").

REVIEW OF INVESTMENTS (CONTINUED)

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 2022, 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 2022, the carrying value of the Fund's interest in China Media Investment was US$23.17 million, representing a decrease of 16.08% from the value at the end of last year of US$27.61 million.

As of the end of 2022, the unaudited net asset value of China Media Investment was RMB1,803 million, representing an increase of 3.76% compared to an audited net asset value as of the end of last year.

Through the end of December 2022, 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, applied for listing on the ChiNext of the Shenzhen Stock Exchange, but the application was unsuccessful. Subsequently, Star China reorganised internally and formed a new entity, Star CM Holdings Limited, as a listing vehicle, in order to apply for listing on the Hong Kong Stock Exchange. The firm submitted a prospectus in November 2021, and was at last successfully listed on the Hong Kong Stock Exchange on 29 December 2022.

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 2022, the Fund held a 1% partnership interest in NBA China. The Fund received a cash distribution from NBA China of US$1.39 million and US$2.05 million in 2022 and in the first quarter of 2023, respectively.

As of the end of 2022, the carrying value of the Fund's interest in NBA China was US$23.62 million, representing an increase of 90.33% over US$12.41 million at the end of last year. The Fund's unrealised loss attributable to its investment in NBA China for 2022 was US$11.21 million, up 18.88% year-over-year.

REVIEW OF INVESTMENTS (CONTINUED)

On 19 February 2022, NBA China and PUMA, the world's leading sports brand, jointly announced a long-term partnership in which PUMA became an official marketing partner of NBA China. Both parties will continue to use their joint resources in order to promote the strength of their respective brands as well as the diversification development of basketball industry.

On 30 March 2022, China Central Television Channel 5 (CCTV-5) resumed the broadcasting of NBA games, which had been suspended since October 2020.

As a match that is competitive, entertaining, enjoyable and open to the public, the NBA3X 3-on-3 Basketball Challenge 2022 held audition through satellite competitions, and then held qualifying matches in various cities. The regional finals of the tournament were held in Guangzhou, Changsha, Xi'an and Chengdu from mid-August to mid-September. The NBA3X tournament was held with the support of many NBA China's marketing and media partners.

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 2022, 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 August 2022, the Fund received a cash dividend of RMB0.27 million from Oriental Pearl for 2021.

As of the end of 2022, the carrying value of the Fund's interest in Oriental Pearl was US$0.95 million, representing a decrease of 35.81% from the value at the end of last year of US$1.48 million.

On 30 January 2023, Oriental Pearl pre-announced that its unaudited net profit for 2022 would be in a range of RMB127 million to RMB190 million, down 90% to 93% year-over-year. The decrease in profit was mainly due to the impact of the coronavirus pandemic on the company's core businesses, such as culture and tourism, and video shopping. In the meantime, the company's income and return on certain projects and equity investments also declined year-over-year for the reasons of pandemic and industry changes.

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 2022, the carrying value of the Fund's interest in Jinlanmei Travel was US$0.63 million, representing an increase of 10.53% over US$0.57 million at the end of last year.

In 2022, Jinlanmei Travel continued to move forward with the construction of a tourism pier. In the meantime, the tourism industry in Xishuangbanna has continued to be affected by the coronavirus pandemic. Cross-province travel was suspended several times throughout the autonomous prefecture during the year and outbound travel was brought to a full stop, resulting in a near shutdown of tourism in the Jinlanmei area. These developments had an adverse impact on the company's operations.

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 before the end of 2020, representing a full recovery of the loan made by the Fund. The Fund entered into a letter of confirmation with Qinghai Lake Tourism with respect to an extension of interest payments on 22 January 2021, pursuant to which Qinghai Lake Tourism might postpone the payment of interest due for the loan of RMB200 million to 30 June 2022. In addition, if Qinghai Lake Tourism underwent a shareholding restructuring during the period, the Fund reserved the right to convert an amount up to RMB200 million into shareholding under the above supplemental agreement, at its sole discretion. Given that the coronavirus pandemic has affected the normal development of Qinghai Lake Tourism over the past two years, the Fund is considering a further extension of interest payments by Qinghai Lake Tourism. The Fund is presently in discussion with Qinghai Lake Tourism about the specific terms of the extension, which will be formalised by a new letter of confirmation.

REVIEW OF INVESTMENTS (CONTINUED)

As of the end of 2022, the carrying value of the Fund's debt in Qinghai Lake Tourism was US$5.29 million, representing a decrease of 11.54% from the value at the end of last year of US$5.98 million.

In recent years, due to the impact of the coronavirus pandemic, Qinghai Lake Tourism has continued to operate at distressed levels, with a lower volume of tourists and limited operating costs. With the relaxation of pandemic control measures, the number of tourists is expected to increase progressively. In the meantime, the firm is actively communicating with government departments as it seeks a full acquisition of Qinghai Lake Tourism shares by state-owned enterprises. The Investment Manager is closely monitoring these developments.

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 2022, accounting for 4.825% of the issued share capital of Jinpower Electrical.

As of the end of 2022, the carrying value of the Fund's interest in Jinpower Electrical was US$0.57 million, representing a decrease of 38.04% from the value at the end of last year of US$0.92 million.

On 19 August 2022, Jinpower Electrical announced that its unaudited net loss for the first half of 2022 was RMB5.57 million, while the net loss for the same period last year was RMB6.50 million. The lesser loss was mainly due to a reversal of credit impairment loss for the receipt of past due receivables during the period.

In recent years, the company has faced many difficulties in production and operations, such as coronavirus pandemic outbreaks, rising raw material prices, tight liquidity and more intense competition in the industry, all of which has had an impact on the company's operations, and has caused the company's operating results to fall short of expectations in recent years.

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 2022, the Fund received cash distributions from Iflytek Venture Capital in a cumulative amount of RMB46.96 million.

As of the end of 2022, the carrying value of the Fund's interest in Iflytek Venture Capital was US$24.93 million, representing an increase of 123.99% over US$11.13 million at the end of last year.

REVIEW OF INVESTMENTS (CONTINUED)

As of the end of 2022, the unaudited net asset value of Iflytek Venture Capital was RMB2,436 million, representing an increase of 5.33% compared to an audited net asset value as of the end of last year.

Through the end of December 2022, Iflytek Venture Capital has made investments in twenty-seven projects. Currently, Iflytek Venture Capital has entered into the investment exit period. Of these projects, four projects have been fully exited and four projects (including iFlyHealth) have been partially exited.

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 2022, 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 2022, the Fund received a cash dividend (net of tax) of RMB0.65 million from Iflytek for 2021.

As of the end of 2022, the carrying value of the Fund's interest in Iflytek was US$32.07 million, representing a decrease of 42.83% from the value at the end of last year of US$56.10 million. The Fund's unrealised loss attributable to its investment in Iflytek for 2022 was negative of US$19.90 million, while the relevant amount for 2021 was US$12.27 million.

On 3 July 2022, the board of directors of Iflytek approved a repurchase plan for A shares of the company. According to the repurchase plan, the total amount of funds for the repurchase will not exceed RMB1 billion and will not be less than RMB500 million. Under the condition that the price of the repurchased shares shall not exceed RMB58.60 per share, it is estimated that the number of shares to be repurchased will not be less than 17,064,846 shares, representing approximately 0.73% of the total issued share capital of the company, based on the upper limit of the repurchase amount of RMB1 billion. Furthermore, it is estimated that the number of shares to be repurchased will not be less than 8,532,423 shares, representing approximately 0.37% of the total issued share capital of the company, based on the lower limit of the repurchase amount of RMB500 million. The repurchase period will be 12 months from the date the repurchase plan was approved by the board of directors. All repurchased shares will be used for subsequent issuances of shares under the company's share incentive or employee stock ownership plans. As of 31 December 2022, Iflytek has repurchased 18,555,961 shares of the company, representing 0.80% of the total issued share capital of the company, for an amount of RMB759 million. The highest and lowest repurchase price per share was RMB44.60 and RMB32.17, respectively.

On 30 January 2023, Iflytek pre-announced that its unaudited net profit for 2022 would be in a range of RMB467 million to RMB623 million, down 60% to 70% year-over-year. The decrease in profit was mainly due to the impact of unfavourable factors such as the resurgence of coronavirus pandemic in 2022, as well as a decrease in gain on the change in fair value of listed stock investments held by the company due to stock price fluctuations as compared to last year.

REVIEW OF INVESTMENTS (CONTINUED)

Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP (the "Jiangmen Ventures Fund") was established in Ningbo, Zhejiang in September 2016, with an investment horizon of 5 to 7 years and with a paid-in capital amounting 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 2022. In addition, through the end of December 2022, the Fund received cash distributions from the Jiangmen Ventures Fund in a cumulative amount of RMB8.75 million.

As of the end of 2022, the carrying value of the Fund's interest in the Jiangmen Ventures Fund was US$8.30 million, representing a decrease of 5.57% from the value at the end of last year of US$8.79 million.

As of the end of 2022, the unaudited net asset value of the Jiangmen Ventures Fund was RMB509 million, representing an increase of 11.43% compared to an audited net asset value as of the end of last year.

Through the end of December 2022, 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, two projects have been fully exited and three projects have been partially exited. A total of eight projects have completed new rounds of equity financing during 2022.

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, 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 2022, the carrying value of the Fund's interest in Pony AI was US$5.10 million, representing a decrease of 85.19% from the value at the end of last year of US$34.44 million.

On 20 January 2022, Pony AI has introduced its 6th generation autonomous driving system (including hardware and software), 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), has started road testing in China in 2022 and will be put into Robotaxi (self-driving taxi services) daily operations in the first half of 2023.

REVIEW OF INVESTMENTS (CONTINUED)

On 24 April 2022, Pony AI won the bid for a taxi license for 2022 in Nansha District, Guangzhou. On 28 April, it obtained an "Autonomous Vehicle Testing License" in Beijing and was approved to provide the public with autonomous driving services, specified as "no safety officer in the primary driver's seat, and a safety officer in the secondary driver's seat."

In July 2022, Pony AI established a company with Sany Heavy Equipment to produce self-driving trucks, and it also reached a strategic cooperation agreement with Cao Cao Mobility in August 2022. In addition, samples of Pony AI's autonomous driving domain controller, based on the NVIDIA DRIVE Orin SoC (system on a chip), has been delivered to customers, and is presently promoting the mass production of the domain controller.

Through the end of December 2022, Pony AI has recorded a total accumulated autonomous driving distance of over 20 million kilometres. The number of registered users of the Robotaxi service has reached 60,000 and is averaging 2,000 orders per day. The total accumulated autonomous driving distance of the Robotruck now exceeds 14 million kilometres and over 140,000 tons of cargo have been carried.

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 2022, the carrying value of the Fund's interest in Arashi Vision was US$6.01 million, representing a decrease of 4.75% from the value at the end of last year of US$6.31 million.

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

In 2022, Arashi Vision launched five consumer products, namely Insta360 ONE RS, Insta360 Sphere, Insta360 ONE RS 1-Inch, Insta360 Link, and Insta360 X3 (in order of launch date). Insta360 ONE RS, Insta360 ONE RS 1-Inch and Insta360 X3 are product versions of the original consumer camera ONE series and X series. Insta360 Sphere is an external hanging-drone panoramic camera, which can realise "full invisibility" of the drone in the user's aerial videography and scene creation. Insta360 Link is the first product launched by Arashi Vision for video meetings, and is able to provide users with 4K HD and abundant AI functions, as well as to enhance the experience of video meetings and live streaming for personal computer (PC). These five new products launched by Arashi Vision in 2022 not only optimise product function and design in order to improve the user experience compared to the original series, but also boldly innovate the usage of panorama shots and AI functions under scenarios such as aerial videography, video meetings and live streaming by users.

REVIEW OF INVESTMENTS (CONTINUED)

Anhui iFlyHealth Co., Ltd. ("iFlyHealth") 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$8.6 million) in February 2020 and RMB50 million (equivalent to US$7.8 million) in November 2021, for an aggregate investment of RMB110 million (equivalent to US$16.40 million) in iFlyHealth, representing a 3.514% equity interest in iFlyHealth as of 31 December 2022.

As of the end of 2022, the carrying value of the Fund's interest in iFlyHealth was US$6.27 million, representing a decrease of 84.64% from the value at the end of last year of US$40.83 million.

Through the end of June 2022, iFlyHealth's product, "Assistant to the General Medical Practitioner," was deployed in 30 provinces (autonomous regions and municipalities), as well as 353 districts and counties nationwide. It has been adopted by more than 50,000 grass-roots-level doctors and 100 million residents in total. Furthermore, it has helped the grass-roots-level doctors to complete more than 168 million standardised electronic medical records, and it has been used to provide more than 440 million AI-assisted diagnosis suggestions, and to add value in revising a diagnosis more than 540,000 (In this last scenario, the doctors revised their original diagnosis after referring to the diagnosis prompt of the "Assistant to the General Medical Practitioner," after which the final diagnosis was consistent with the medical record information).

As announced by its controlling shareholder, Iflytek, on 4 August 2021, iFlyHealth is actively preparing a plan for listing.

As disclosed in the interim report for 2022 published by Iflytek, the controlling shareholder of iFlyHealth, on 23 August 2022, its operating revenue from the intelligent healthcare business segment amounted to RMB140 million, up 40.17% year-over-year.

In October 2022, iFlyHealth established a new subsidiary, Shanghai iFly Zhixin Medical Technology Co., Ltd. ("**iFly Zhixin**"). By virtue of extensive product research and the development of "AI + medical" by iFlyHealth, iFly Zhixin will be able to offer AI capability construction and innovative applications in the field of cardiovascular health, as well as to realise the vision of digitised management of medical records over a lifetime for cardiovascular patients.

China UnionPay Co., Ltd. ("China UnionPay") was established in March 2002, with its headquarters in Shanghai. It is a leading enterprise in the financial payment industry and is responsible for the construction and operation of a nationwide unified inter-bank information exchange network for bank cards, the provision of professional services related to inter-bank information exchange for bank cards, the management and operation of the "UnionPay" brand name, and the formulation of business specifications and technical standards for inter-bank transactions for bank cards. The Fund invested RMB220 million (equivalent to US$31.12 million) in June 2020 for a 0.17% equity interest in China UnionPay. In December 2022, the Fund received a cash dividend of RMB4 million from China UnionPay for 2021.

As of the end of 2022, the carrying value of the Fund's interest in China UnionPay was US$53.53 million, representing an increase of 5.71% over US$50.64 million at the end of last year. The Fund's unrealised loss attributable to its investment in China UnionPay for 2022 was US$7.49 million, up 231.42% year-over-year.

REVIEW OF INVESTMENTS (CONTINUED)

According to the business information released by China UnionPay in June 2022 and on the occasion of the 25th anniversary of Hong Kong Handover, it stated that the company's growth in the Greater Bay Area has continued to accelerate. With an interconnected acceptance network and cross-border universal payment products, China UnionPay is actively pursuing the development of financial payment integration in the Greater Bay Area, while providing safe and convenient payment services for Hong Kong residents and supporting economic and trade cooperation as well as personnel exchanges between the Mainland China and Hong Kong. In Hong Kong, UnionPay cards have come to be accepted by almost all merchants and automated teller machines (ATMs), and more than 28 million cards have been issued locally. Including the Hong Kong and Macau version of Mobile QuickPass, more than 20 local wallets support UnionPay QR codes, for a total of more than 2.4 million cards using the services. In terms of population, one out of every three Hong Kong residents now uses UnionPay mobile payment services.

UnionPay International, a subsidiary of China UnionPay, announced in December 2022 that it had issued more than 25 million new UnionPay cards overseas in 2022, and more than 200 million cards cumulatively to date. These UnionPay cards can be used conveniently in the global UnionPay acceptance network, which includes 38 million overseas merchants.

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), RMB12.50 million (equivalent to US$1.93 million) and RMB12.50 million (equivalent to US$1.82 million) in September 2020, November 2020, August 2021 and July 2022, respectively, representing an aggregate of RMB50 million (equivalent to US$7.50 million) or 100% of the subscription amount committed by the Fund. In addition, through the end of December 2022, the Fund received cash distributions from CASREV Fund III in a cumulative amount of RMB2.08 million.

As of the end of 2022, the carrying value of the Fund's interest in CASREV Fund III was US$8.89 million, representing an increase of 83.68% over US$4.84 million at the end of last year.

As of the end of 2022, the unaudited net asset value of CASREV Fund III was RMB6.797 billion, representing an increase of 47.92% compared to an audited net asset value as of the end of last year.

Through the end of December 2022, the investment committee of CASREV Fund III has approved a total of 58 investment projects, for a total approved investment amount of RMB3.643 billion, of which RMB3.259 billion has been paid. At present, among the companies invested in by CASREV Fund III, five have been listed, and one has submitted IPO application materials to the SSE STAR Market.

REVIEW OF INVESTMENTS (CONTINUED)

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. In May 2022, Flexiv completed a new round of equity financing, and the equity interest held by the Fund in Flexiv was diluted from 1.67% to 1.58%, accordingly.

As of the end of 2022, the carrying value of the Fund's interest in Flexiv was US$6.24 million, representing an increase of 13.45% over US$5.50 million at the end of last year.

In 2022, Flexiv began to market and promote its Rizon 10 self-adjusting robot and successively released operating systems and development kits for its self-adjusting robots in order to fully empower innovative development. In addition, the company has completed the deployment, delivery and batch replication of the first self-adjusting production line using the Rizon Robot (Rizon 4), resulting in considerable business growth as compared to last year. In 2022, Flexiv also launched the first self-adjusting parallel robot, a revolutionary new force-controlled gripper with a universal end-of-arm socket and an all-new operating system—the NOEMA AI system. Furthermore, sales of the existing 7-axis series connection mechanical arm recorded considerable growth over last year.

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 is focused 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). In April 2022, in a new round of equity financing carried out by Huashun Xin'an, the Fund increased its investment in Huashun Xin'an by RMB6.50 million (equivalent to US$1.02 million) to avoid a dilution of its interest, for an aggregate investment of RMB36.50 million (equivalent to US$5.62 million), amounting to a 4.295% equity interest in Huashun Xin'an as of 31 December 2022.

As of the end of 2022, the carrying value of the Fund's interest in Huashun Xin'an was US$2.01 million, representing a decrease of 36.19% from the value at the end of last year of US$3.15 million.

On 23 June 2022, Huashun Xin'an was recognised as one of the "2022 China Cybersecurity Industry Growth Stars" released by the China Cybersecurity Industry Alliance, in acknowledgment of its strong professional and technical capabilities, along with its excellent market performance.

On 23 June 2022, the first "Digital 500 Golden Tiger List" was officially released around the world at the "SXRDC2022 Digital Conference." After being recommended and reviewed by a number of industry renowned organisations such as the China Cloud System Alliance, a total of 100 academic experts and leading entrepreneurs with significant influence and outstanding contributions with respect to industry, academia as well as research in the field of information technology were selected as the "Digital People Golden Tiger List TOP100." Mr. ZHAO Wu, founder and Chief Executive Officer of Huashun Xin'an, was selected for the Top 25 list for digital transformation and innovation under the "Digital People Golden Tiger List TOP100."

REVIEW OF INVESTMENTS (CONTINUED)

On 7 September 2022, Huashun Xin'an held a product launch conference entitled "Remapping Cyberspace Asset" to share its latest research and development achievements in fields such as cyberspace mapping technology and asset security. At present, Huashun Xin'an, based on its search engine for cyberspace resources, FOFA, has launched a total of six enterprise-level product systems—FOEYE, FORadar, DCC, FOASP, VulFocus and Goby—to meet the individual needs of different users.

On 28 December 2022, the project "Cyberspace Security Operations and Emergency Response System," jointly developed by Huashun Xin'an and the National Industrial Information Security Development Research Center, was recognised in the list of "2022 Application of Network Security Technology Pilot Demonstration Projects," as announced by twelve government departments, including the Ministry of Industry and Information Technology and the Cyberspace Administration of China.

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 2022, the carrying value of the Fund's interest in Xinyi was US$6.71 million, representing an increase of 22.00% over US$5.50 million at the end of last year.

Through the end of December 2022, nearly 40 million Xinyi NB-IoT XY1100 chips have been shipped, ranking first in the domestic industry in terms of shipments. The SoC of XY2100, a second-generation product specifically developed for smart meters, is now available for sale. In addition, the development of IoT CAT-1 chip for medium-speed IoT has been rapidly advancing and is expected to enter the market promotion stage in 2023.

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 2022, the carrying value of the Fund's interest in Azuri was US$2.28 million, representing a decrease of 51.59% from the value at the end of last year of US$4.71 million.

In 2022, the 10G-EPON PR30 OLT products continued to be shipped, and the industrial-grade 10G-EPON TO/BOSA products also began to be shipped to North America. At the same time, the company has made progress in the research and development of 10G 1270nm, 10G DML's new generation ultra-low chirp as well as 25G 1310/1358nm chips.

REVIEW OF INVESTMENTS (CONTINUED)

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 2022, the carrying value of the Fund's interest in Hwagain was US$3.42 million, representing a decrease of 5.52% from the value at the end of last year of US$3.62 million.

In 2022, Hwagain continued to maintain sound and stable development. In addition to addressing daily business operation management issues in areas such as pulp paper production, paper product sales and forestry operations, the company has also made certain optimisations and technological upgrades to the production process at the Ganzhou base plant and Chongzuo factory. Furthermore, the company has also focused on increasing production safety, improving environmental protection, and adopting other best practices. Hwagain recorded an unaudited net profit of RMB56.84 million for 2022, up 78.24% 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 2022, 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. In June 2022, the Fund received a cash dividend of RMB0.79 million from Wuhan Rixin for 2021.

As of the end of 2022, the carrying value of the Fund's interest in Wuhan Rixin was US$3.37 million, representing a decrease of 16.58% from the value at the end of last year of US$4.04 million.

On 23 August 2022, Wuhan Rixin announced that its unaudited net loss for the first half of 2022 was RMB14.70 million, while it recorded a net loss of RMB18.15 million for the same period last year. The main reason for the loss decrease was that the two complementary photovoltaic power plant projects sold by the company were completed and recognised as revenue during the period.

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.

REVIEW OF INVESTMENTS (CONTINUED)

As of the end of 2022, the carrying value of the Fund's interest in Huiyou Xingyao Fund was US$4.50 million, representing an increase of 18.73% over US$3.79 million at the end of last year.

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

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 January 2022, YZY Biopharma completed a phase I clinical trial of M701 in treating malignant ascites, and is currently conducting a phase II clinical trial to evaluate the efficacy of M701 in combination with systematic treatment for malignant ascites. In addition, YZY Biopharma commenced a phase Ib/II clinical trial of M701 in treating malignant pleural effusion in China in November 2022.

On 9 December 2022, YZY Biopharma made an application for listing on the Hong Kong Stock Exchange. The prospectus discloses that its loss and comprehensive expenses for the years ended 31 December 2020 and 2021 and for the six months ended 30 June 2022 was RMB108 million, RMB149 million and RMB90 million, respectively.

Immvira Bioscience Inc. ("Immvira") was established in Cayman Islands in May 2018 and is a biotech research and development company, principally engaged in clinical research and the development of vector technologies as potential cancer therapeutics. Leveraging intrinsic mechanisms of action and tumor microenvironment modifications, Immvira is focused on developing a new generation of novel anti-cancer drug vectors, including replicating and non-replicating herpes simplex virus vectors, drug delivery exosomes and tumor vaccines. The Fund invested US$8 million in October 2022 for a 1.67% equity interest in Immvira.

As of the end of 2022, the carrying value of the Fund's interest in Immvira was US$8 million.

In August 2022, two of Immvira's oncolytic virus products were respectively approved for clinical trials. Its oncolytic herpes simplex virus therapy program, MVR-T3011 IV (intravenous administration), obtained approval from the National Medical Products Administration (NMPA) of China for clinical trials on 6 August. And its self-developed product, MVR-C5252, specifying for malignant glioma, obtained approval by the United States Food and Drug Administration (FDA) for clinical trials on 9 August.

PROSPECTS

In view of five factors—the delayed effects of tightening of monetary policy in the world's major developed economies, the partial restoration of the global supply chain, the decline in global energy and food prices, the retracement of a strong US dollar from its recent peak, and the high inflation base in 2022—global inflation is expected to weaken quarter by quarter in 2023, but inflationary pressures may remain stubborn throughout the year. As a result of persistent high inflation and monetary tightening, the economic growth of major developed economies is likely to face additional downward pressure. However, it is expected that the development of China's economy will continue to assign greater importance to the promotion of industrial transformation and upgrade and to investments in people-oriented urbanisation, as a hedge against these external downward pressures on economic growth. Given that China's overall economic growth environment is expected to stabilise and to pursue progress in 2023, and that China's economic restructuring is continuing under 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 continue to improve.

According to the principles of the Central Economic Working Conference held in December 2022, China's economic growth should insist on prioritising stability, while also striving for progress in 2023. It should continue to implement a proactive fiscal policy and a prudent monetary policy, as well as to strengthen macro policy control and enhance coordination among various policies, so as to achieve synergy for high-quality economic development. The five main policy points are: (1) To focus on expanding domestic demand by giving priority to restoring and expanding consumption. (2) To accelerate the construction of a modern industrial system. For key industry chains in the manufacturing industry, we have to precisely identify the weak links in key technologies and component parts, and then focus our collective efforts, coupled with quality resources, to strengthen these weak links so as to ensure that the industrial system is independently controllable, safe, and reliable, and that the national economic circulation is smooth. (3) To deepen the reform of state-owned enterprises and improve their core competitiveness. (4) To make greater efforts to attract and utilise foreign investment, while promoting a high level of openness to the outside world and improving the quality and level of trade and investment cooperation. And, (5) To effectively prevent and mitigate major economic and financial risks. To ensure the stable development of the real estate industry, do a solid job of ensuring the delivery of buildings and preserving people's livelihoods and stability, meet the reasonable financing needs of the industry, promote restructuring within the industry through mergers and acquisitions, and prevent and mitigate risks of outstanding and leading real estate enterprises in an effective manner, while improving their assets and liabilities positions. 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.

CORPORATE CULTURE, BUSINESS STRATEGY AND INVESTMENT RESTRICTIONS

The Fund is an investment company listed on the Hong Kong Stock Exchange. We have built our investment philosophy and corporate culture on the concept of "Focus, Prudence, Innovation, and Win-win," as well as on the standards of Environmental, Social and Governance (ESG). It is with these principles in mind that we determine our investment direction and strategy, as we seek to create value for our shareholders and achieve sustainable corporate development.

Currently, our 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.

KEY RISK FACTORS (CONTINUED)

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.

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 2022, 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
Wuhan Rixin	2,195,500	43,900	2.000%
China Media Management	676,100	4,500	0.666%
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%
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	1,489,000	14,180	0.952%
Iflytek	18,827,500	33,500	0.178%
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%

SUB-PARTICIPATION SCHEME (CONTINUED)

Name of projects	Original investment amount of the Fund *US$**	Original amounts actually paid by the Participants *US$**	Relative proportion
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 for 1st round capital injection)	3,669,220	18,510	0.504%
Huashun Xin'an (2nd installment capital contribution for 1st round capital injection)	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%
Huashun Xin'an (2nd round capital injection)	1,020,090	11,470	1.125%
CASREV Fund III (4th installment capital contribution)	1,816,810	2,580	0.140%
Immvira	8,000,000	21,660	0.271%

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

SUB-PARTICIPATION SCHEME (CONTINUED)

In addition, as of 31 December 2022, details of the amounts actually paid by some of the Directors of the Fund as well as a Director of the Investment Manager for the Scheme were as follows:

Name of projects	Mr. 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$
Wuhan Rixin	4,390	N/A	3,510	1,290	N/A
China Media Management	300	N/A	1,160	30	N/A
China Media Investment (1st installment capital contribution)	2,510	N/A	10,040	250	N/A
Jinpower Electrical	6,030	N/A	6,030	1,280	N/A
China Media Investment (2nd installment capital contribution)	390	N/A	1,570	40	N/A
Hwagain	19,330	N/A	12,880	1,290	N/A
China Media Investment (3rd installment capital contribution)	430	N/A	1,710	40	N/A
China Media Investment (4th installment capital contribution)	1,820	N/A	7,260	180	N/A
China Media Investment (5th installment capital contribution)	190	N/A	780	20	N/A
China Media Investment (6th installment capital contribution)	2,220	N/A	8,880	220	N/A
China Media Investment (7th installment capital contribution)	1,300	N/A	5,200	130	N/A
China Media Investment (8th installment capital contribution)	790	N/A	3,170	80	N/A
China Media Investment (9th installment capital contribution)	330	N/A	1,330	30	N/A
Oriental Pearl	30,650	N/A	38,870	1,390	N/A
JIC Leasing	12,900	N/A	12,900	1,290	N/A
China Re	6,450	N/A	12,900	1,290	N/A
Jinlanmei Travel	N/A	N/A	3,220	640	N/A
Iflytek	N/A	N/A	12,890	1,290	N/A
Iflytek Venture Capital (1st installment capital contribution)	N/A	N/A	6,440	1,290	N/A

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$
Iflytek Venture Capital (2nd installment capital contribution)	N/A	N/A	970	190	N/A
Qinghai Lake Tourism (1st installment capital contribution)	N/A	640	3,200	320	N/A
Qinghai Lake Tourism (2nd installment capital contribution)	N/A	1,920	9,600	960	N/A
Iflytek Venture Capital (3rd installment capital contribution)	N/A	N/A	970	190	N/A
The Jiangmen Ventures Fund	N/A	1,280	3,840	1,280	N/A
Pony AI (1st round capital injection)	N/A	1,270	6,370	1,270	N/A
Iflytek Venture Capital (4th installment capital contribution)	N/A	N/A	970	190	N/A
Pony AI (2nd round capital injection)	N/A	1,280	1,280	1,280	N/A
Arashi Vision	N/A	1,280	3,830	1,280	N/A
iFlyHealth (1st round capital injection)	N/A	6,420	19,260	1,280	N/A
Iflytek Venture Capital (5th installment capital contribution)	N/A	N/A	320	60	N/A
China UnionPay	N/A	3,870	12,900	1,290	N/A
Iflytek Venture Capital (6th installment capital contribution)	N/A	N/A	640	130	N/A
CASREV Fund III (1st installment capital contribution)	N/A	320	320	320	N/A
CASREV Fund III (2nd installment capital contribution)	N/A	320	320	320	N/A
Huiyou Xingyao Fund (1st installment capital contribution)	N/A	1,750	880	880	N/A

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$*
Flexiv	N/A	1,290	20,460	1,290	N/A
Huashun Xin'an (1st installment capital contribution for 1st round capital injection)	N/A	1,030	1,030	1,030	N/A
Huashun Xin'an (2nd installment capital contribution for 1st round capital injection)	N/A	260	260	260	N/A
Huiyou Xingyao Fund (2nd installment capital contribution)	N/A	830	410	410	N/A
CASREV Fund III (3rd installment capital contribution)	N/A	320	320	320	N/A
Xinyi	N/A	6,430	1,290	1,290	N/A
iFlyHealth (2nd round capital injection)	N/A	N/A	1,280	N/A	1,280
Azuri	N/A	N/A	1,280	N/A	1,280
Huashun Xin'an (2nd round capital injection)	N/A	N/A	1,270	N/A	1,270
CASREV Fund III (4th installment capital contribution)	N/A	320	320	320	N/A
Immvira	N/A	N/A	1,270	N/A	1,270

Note 1: The Chairman of the Fund
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

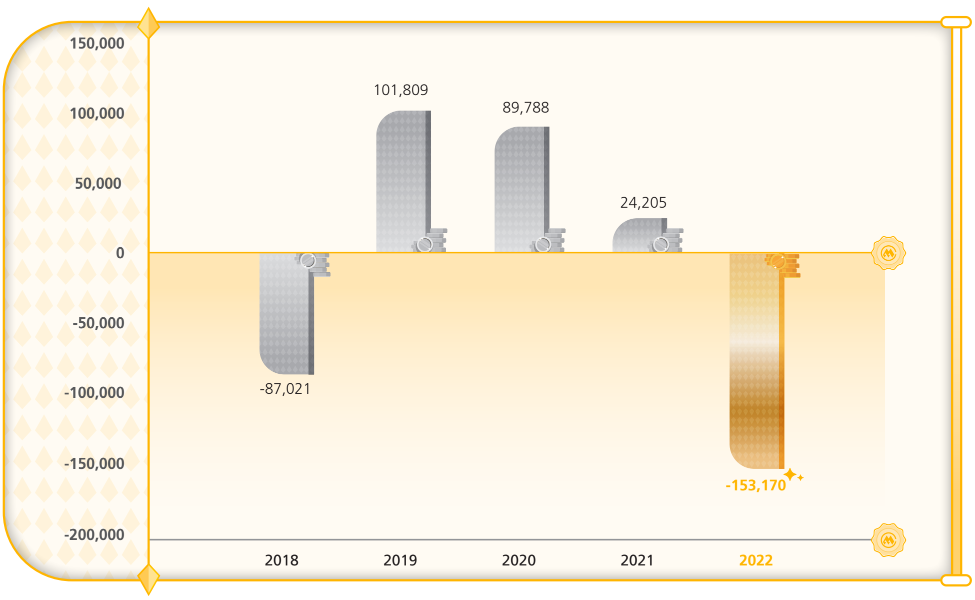
Mr. WANG Xiaoding
Director & General Manager
China Merchants China Investment Management Limited

Hong Kong, 28 March 2023

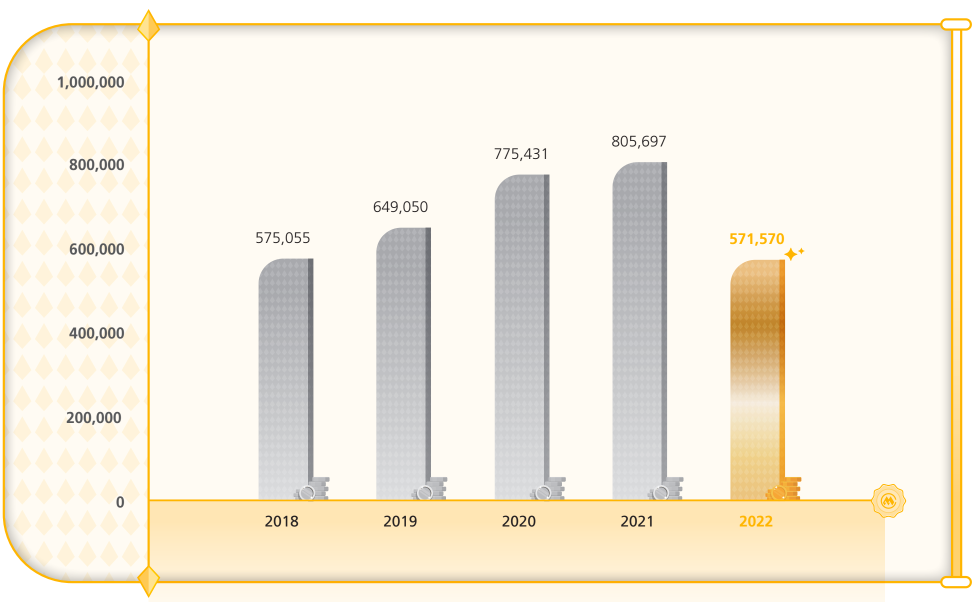
FINANCIAL HIGHLIGHTS

YEAR	NET (LOSS) PROFIT *US$'000*	NET ASSETS *US$'000*
2022	**(153,170)**	**571,570**
2021	24,205	805,697
2020	89,788	775,431
2019	101,809	649,050
2018	(87,021)	575,055

NET (LOSS) PROFIT (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 2022.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of the subsidiaries are set out in note 28 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 144 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 55 to 71 of the Annual Report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2022 and the financial position of the Group at that date are set out in the consolidated financial statements on pages 97 to 98.

The Directors recommend the payment of a final dividend of US$0.07 per share for 2022 (2021: a final dividend of US$0.07 per share and a special dividend of US$0.07 per share, totaling US$0.14 per share) to the shareholders on the register of members on 2 June 2023 amounting to US$10,663,311 (2021: US$21,326,622).

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 144 of the Annual Report.

DISTRIBUTABLE RESERVES OF THE COMPANY AND DIVIDEND POLICY

The Company has an amount of US$36,514,464 (31 December 2021: US$34,577,161) available for distribution as at 31 December 2022.

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)*	
Mr. ZHANG Rizhong*	
Mr. WANG Xiaoding#	
Ms. KAN Ka Yee, Elizabeth#	
Mr. KE Shifeng*	
Mr. TSE Yue Kit*	*(Re-designated as Non-executive Director on 26 April 2022)*
Mr. TSANG Wah Kwong**	
Dr. LI Fang**	
Dr. GONG Shaolin**	
Mr. Michael Charles VITERI**	
Mr. ZHU Qi**	*(Appointed on 2 December 2022)*
Mr. LIU Baojie**	*(Resigned on 2 December 2022)*

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. ZHOU Xing, Ms. TSE Yue Kit, Dr. LI Fang. Dr. GONG Shaolin and Mr. ZHU Qi 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 42, has been the Chairman and Non-executive Director of the Company since April 2021. He is currently the Deputy General Manager and Secretary of the board of China Merchants Financial Holdings Co., Ltd., a substantial shareholder of the Company. Prior to this, he was a Standing Member of the Executive Committee of China Merchants Financial Services Business Unit under China Merchants Group Limited. He is also a Director of China Merchants Capital Investment Co., Ltd. and China Merchants Innovation Investment Management 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 54, has been a Non-executive Director of the Company since April 2017. He is the Chairman of the Investment Manager. He has been the General Manager and a Director of China Merchants Investment Development Company Limited since August 2021. 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 54, 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.

Ms. KAN Ka Yee, Elizabeth, aged 65, 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. KE Shifeng, aged 57, has been a Non-executive Director of the Company since December 2009. He has 26 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 Shanghai Heartland Investment Management Limited, an onshore investment management platform providing Renminbi investment management services to domestic high-net-worth clients and institutional investors investing in the Greater China area. Mr. KE holds a law degree from Renmin University of China and an MBA degree from The University of Edinburgh, UK.

Mr. TSE Yue Kit, aged 61, was re-designated as a Non-executive Director of the Company on 26 April 2022. He was an Executive Director of the Company from November 2000 to April 2022. Mr. TSE currently holds directorship in a subsidiary of the Company and in the Investment Manager. 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)

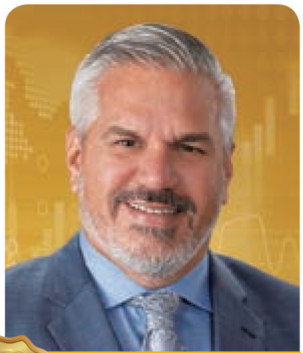
Mr. TSANG Wah Kwong, aged 70, has been an Independent Non-executive Director of the Company since September 2012. He is a former partner of Hong Kong and China firm of PricewaterhouseCoopers. He has over 30 years of experience in auditing and providing support for initial public offerings and acquisition transactions. Currently, Mr. TSANG is an Independent Non-executive Director of a number of companies, including Sihuan Pharmaceutical Holdings Group Ltd. (Stock Code: 460.HK), TK Group (Holdings) Limited (Stock Code: 2283.HK) and 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, an Independent Non-executive Director of Ping An Securities Group (Holdings) Limited (Stock Code: 231.HK) from February 2016 to March 2020 and an Independent Non-executive Director of CA Cultural Technology Group Limited (Stock Code: 1566.HK) from November 2014 to November 2022. 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 65, 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 67, 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, and served as Senior Adviser of China Merchants Securities Co., Ltd. from May 2017 to 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 60, has been an Independent Non-executive Director of the Company since 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT (CONTINUED)

Mr. ZHU Qi, aged 62, was appointed as an Independent Non-executive Director of the Company on 2 December 2022. He has extensive experience in the banking and finance industry. He joined CMB Wing Lung Bank in September 2008, where he served as the Chief Executive Officer and Executive Director from September 2008 to June 2019 and the Chairman and Executive Director from October 2019 to January 2022. He was also a Vice President of China Merchants Bank from September 2008 to February 2019. In addition, he served as the Chairman and a Director of CMB International Capital Corporation Limited from July 2009 to July 2012 and from January 2016 to January 2022, respectively. Prior to this, Mr. ZHU joined Industrial and Commercial Bank of China in August 1986. He successively served as the Deputy General Manager, General Manager of Hong Kong Branch of Industrial and Commercial Bank of China and the Director, Managing Director and Chief Executive Officer of Industrial and Commercial Bank of China (Asia) Limited from June 1994 to July 2008. Currently, Mr. ZHU is an Independent Non-executive Director of Great Eagle Holdings Limited (Stock Code: 41.HK) and ZA Bank. Mr. ZHU graduated with a bachelor's degree in Economics from Dongbei University of Finance and Economics, PRC and obtained his master's degree in Economics from Central South University of Finance and Economics, PRC.

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 28 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 31 December 2022, 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 2022, 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 2022.

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 the General Manager and a Director 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 2022, 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	24,213,051	15.89%

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 2022, 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, Ms. KAN Ka Yee, Elizabeth and Mr. TSE Yue Kit are Directors of both the Company and the Investment Manager. Ms. KAN Ka Yee, Elizabeth has 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 2021 became effective on 1 January 2022 and is for a fixed term ending on 31 December 2024.

For the year ended 31 December 2022, the management fees which were calculated based on a fixed percentage on the value of the Group's adjusted assets on a quarterly basis as stipulated in the Existing Management Agreement totaling US$11,154,282 (2021: US$13,971,923) were paid or payable to the Investment Manager.

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

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

2. on normal commercial terms or better; and

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

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 27 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 2023

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.

Besides, owing to a business trip, the Chairman, Mr. ZHOU Xing, has given an apology for not being able to attend and chair the annual general meeting of the Company which was held on 27 May 2022. Mr. WANG Xiaoding, the Executive Director, then took the chair of the meeting according to the Articles of Association of the Company.

The Board continues to monitor and review the Company's corporate governance practices to ensure compliance. During the year under review, a whistle-blowing policy was adopted in replacement of the Company's existing arrangement for reporting possible improprieties. Further, the Company's nomination policy and board diversity policy were amended to comply with certain recent amendments to the Listing Rules.

BOARD OF DIRECTORS

As at 31 December 2022, the Board consisted of two Executive Directors, four Non-executive Directors and five Independent Non-executive Directors. Further details of the composition of the Board and the biography of the Directors are set out on page 2 and pages 43 to 49 of the Annual Report, respectively. In addition, an updated list of the Directors identifying their role and function is available on the Company's website. Save as disclosed, members of the Board are not related to each other, including financial, business, family or other material relationship.

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 has performed the above duties.

For ensuring that independent views and input are available to the Board, the Company has in place the following mechanism:

- the Board has a number of five Independent Non-executive Directors representing more than one-third of the Board and all of them have different backgrounds and qualifications;
- Independent Non-executive Directors may take independent professional advice if they so wish at the expense of the Company to assist them to perform their duties;
- meeting held at least once a year between the Chairman and all Independent Non-executive Directors without the presence of other Directors provides a useful forum for the Independent Non-executive Directors to express their views on the Company's affairs; and
- company visits to investee companies are arranged for the Independent Non-executive Directors to enhance their understanding of the Company's investments.

During the year under review, the Board has reviewed and considers that the above mechanism has been properly implemented and remains effective to ensure an independent element on the Board.

BOARD OF DIRECTORS (CONTINUED)

Regular Board meetings are held at least twice a year with at least 14 days' notice and additional meetings with reasonable notice are held as and when the Board considers appropriate. Directors are also consulted to include matters in the agenda for every regular 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 2022
Mr. ZHOU Xing* *(Chairman)*	1/2
Mr. ZHANG Rizhong*	0/2
Mr. WANG Xiaoding#	2/2
Ms. KAN Ka Yee, Elizabeth#	2/2
Mr. KE Shifeng*	2/2
Mr. TSE Yue Kit*	2/2
Mr. TSANG Wah Kwong**	2/2
Dr. LI Fang**	2/2
Dr. GONG Shaolin**	2/2
Mr. Michael Charles VITERI**	2/2
Mr. ZHU Qi** *(appointed on 2 December 2022)*	0/0
Mr. LIU Baojie** *(resigned on 2 December 2022)*	2/2

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

Note: In addition to the regular Board meetings, there were two Board meetings convened by short notice and held during the year under review and attended by the Directors as follows: Mr. ZHOU Xing 1/2; Mr. ZHANG Rizhong 0/2; Mr. WANG Xiaoding 2/2; Ms. KAN Ka Yee, Elizabeth 2/2; Mr. KE Shifeng 2/2; Mr. TSE Yue Kit 2/2; Mr. TSANG Wah Kwong 2/2; Dr. LI Fang 2/2; Dr. GONG Shaolin 2/2; Mr. Michael Charles VITERI 2/2; Mr. ZHU Qi 0/0; Mr. LIU Baojie 1/2.

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.

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:

BOARD OF DIRECTORS (CONTINUED)

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
- monitoring and reviewing the effectiveness of the Company's whistle-blowing policy and the actions resulting from the investigation.

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

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

	Attendance/ number of meetings
Mr. TSANG Wah Kwong *(Chairman of the Audit Committee)*	2/2
Dr. LI Fang	2/2
Mr. ZHU Qi *(appointed on 2 December 2022)*	0/0
Mr. LIU Baojie *(resigned on 2 Decemeber 2022)*	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 2022;
- reviewed the interim report and the interim results announcement for the six months ended 30 June 2022;
- reviewed the audit plan for the year 2022 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 2021; and
- considered the internal controls assessment report prepared by the international accountancy firm.

BOARD OF DIRECTORS (CONTINUED)

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.

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.

BOARD OF DIRECTORS (CONTINUED)

Nomination Committee and Nomination Policy (continued)

(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 and their tenure of services as well. 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.

During the year under review, the Nomination Committee has resolved to recommend the re-designation of Mr. TSE Yue Kit from Executive Director to Non-executive Director of the Company; to recommend the appointment of Mr. ZHU Qi as Independent Non-executive Director of the Company; to recommend the re-election of Mr. WANG Xiaoding, Ms. KAN Ka Yee, Elizabeth, Mr. KE Shifeng, Mr. TSANG Wah Kwong and Mr. Michael Charles VITERI as Directors of the Company at the AGM held on 27 May 2022; and to recommend the renewal of appointment of Mr. KE Shifeng as Non-executive Director of the Company and Mr. LIU Baojie 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)*	2/3
Mr. TSANG Wah Kwong**	3/3
Dr. LI Fang**	3/3

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

According to the Articles of Association of the Company and since 30 September 2022, any Directors appointed by the Board shall hold office only until the first AGM after their appointment, and shall then be eligible for re-election.

BOARD OF DIRECTORS (CONTINUED)

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 a proposal relating to a further extension of interest payments by Qinghai Provincial Qinghai Lake Tourism Group Co., Ltd.

BOARD DIVERSITY POLICY

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

Summary of the BD 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 (including gender diversity) on the Board.

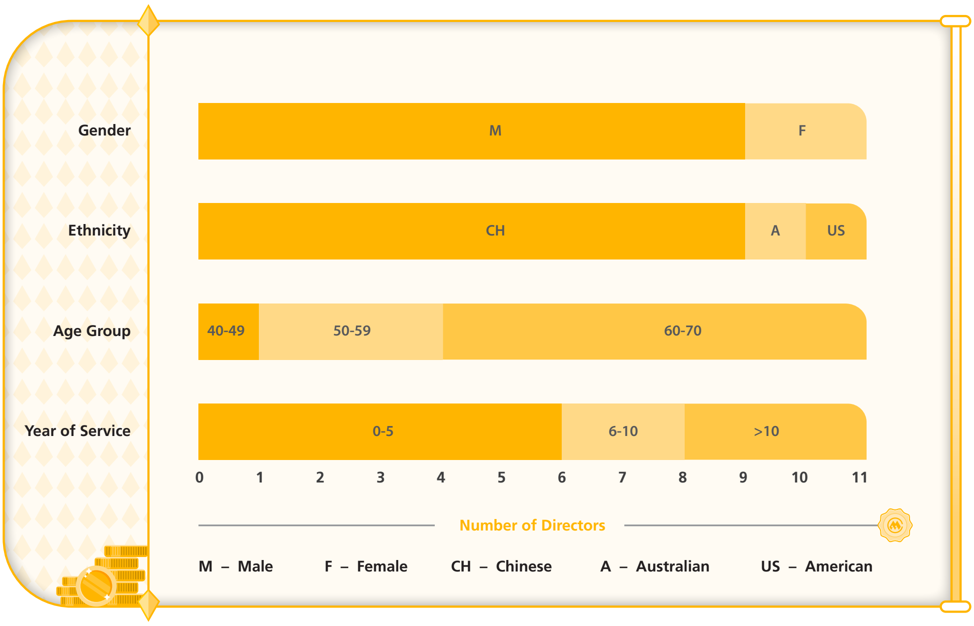
Measurable Objectives

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.

BOARD DIVERSITY POLICY (CONTINUED)

Implementation

As at 31 December 2022, the Board's composition under major diversified perspectives was summarised as follows:



CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

NON-EXECUTIVE DIRECTORS

There is no specific term of office for each Non-executive Director (including Independent Non-executive Director) since 1 January 2022. However, they will be subject to rotational retirement and re-election requirements at AGMs pursuant to the Articles of Association of the Company.

TRAINING AND SUPPORT FOR DIRECTORS

Directors must keep abreast of their collective responsibilities. Each newly appointed 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)*	a,c
Mr. ZHANG Rizhong*	a,c
Mr. WANG Xiaoding#	a,c
Ms. KAN Ka Yee, Elizabeth#	a,c
Mr. KE Shifeng*	a,c
Mr. TSE Yue Kit*	a,c
Mr. TSANG Wah Kwong**	a,c
Dr. LI Fang**	a,c
Dr. GONG Shaolin**	a,c
Mr. Michael Charles VITERI**	a,b,c
Mr. ZHU Qi** *(appointed on 2 December 2022)*	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 27 May 2022, it was resolved that the remuneration of the Directors for the year ended 31 December 2022 be fixed by the Board. All the Executive Directors did not receive any remuneration from the Company for the year ended 31 December 2022 (2021: Nil). The total remuneration payable to other Directors for the year ended 31 December 2022 is disclosed in note 10 to the consolidated financial statements.

AUDITOR'S REMUNERATION

The Company has appointed Deloitte Touche Tohmatsu as the Company's independent auditor. During the year under review, the fees paid or payable to the Company's independent auditor for audit services provided is US$167,859 and for non-audit services provided is US$100,142 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 2022 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. All Directors are provided with monthly updates on the Company's major business activities and year-to-date financials, which give the Directors a balanced and understandable assessment of the Company's performance, position and prospects, enabling the Board as a whole and each Director to discharge their responsibility.

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 94 to 96.

RISK MANAGEMENT AND INTERNAL CONTROL

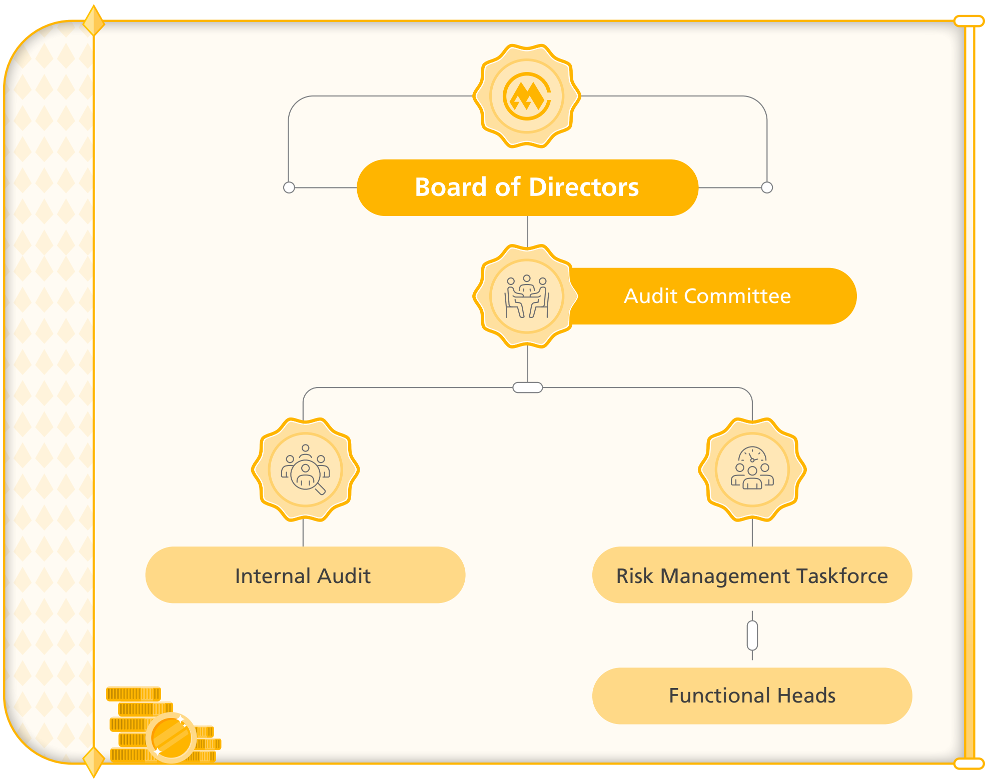
To manage and monitor the various risk factors which the Company may be exposed, the Board is responsible for establishing and overseeing the Company's risk management and internal control systems on an ongoing basis, and ensuring the review of the effectiveness of the risk management and internal control 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.

RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Review on Effectiveness of Risk Management and Internal Control Systems

The Board has 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.

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, including environmental, social and governance (ESG) 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, including ESG risks, 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. WANG Xiaoding, 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, the Articles of Association of the Company was amended to chiefly allow (but not require) general meetings to be held as a hybrid meeting. In addition, some other amendments were also made to introduce corresponding and house-keeping changes and to comply with certain recent amendments to the Listing Rules. The updated Articles of Association of the Company is available on the Company's website.

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 K 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.

SHAREHOLDERS' RIGHTS (CONTINUED)

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.

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 (the "**SC Policy**") that posted on the Company's website for more details. The Company has reviewed the prevailing SC Policy during the year under review and believes the SC Policy remains effective.

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. To serve the purpose of communication, some Directors, Chairman of the Company's Audit Committee and the external auditor were present at the AGM of the Company held on 27 May 2022 to answer shareholders' questions. In addition, some Directors and Chairman of the Company's Audit Committee were also present at the extraordinary general meeting of the Company held on 30 September 2022 to answer shareholders' questions.

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 21 clear days prior to an AGM and at least 14 clear days prior to an extraordinary general meeting (EGM) according to the Articles of Association of the Company 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 is as follows:

	Attendance/number of meetings	
	AGM held on 27 May 2022	EGM held on 30 September 2022
Mr. ZHOU Xing* *(Chairman)*	0/1	0/1
Mr. ZHANG Rizhong*	0/1	0/1
Mr. WANG Xiaoding#	1/1	0/1
Ms. KAN Ka Yee, Elizabeth#	1/1	1/1
Mr. KE Shifeng*	0/1	0/1
Mr. TSE Yue Kit*	1/1	1/1
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**	0/1	0/1
Mr. ZHU Qi** *(appointed on 2 December 2022)*	0/0	0/0
Mr. LIU Baojie** *(resigned on 2 December 2022)*	0/1	0/1

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

ENVIRONMENTAL POLICY

The Company is an investment company listed under Chapter 21 of the Listing Rules. The Company has appointed an Investment Manager to manage its investment portfolio as well as corporate affairs and to deal with its day-to-day administration under the Investment Management Agreement. The Company, therefore, has no salaried employees, premises, manufacturing or other operations. The Investment Manager is requested to take into account the environmental matters (for example, minimising use of paper, 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 72 to 91 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, 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 2022 (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

We have established an ESG governance structure to further implement sustainable values for both the Company and our stakeholders, through consistent management and effective communication of ESG issues and constant improvement on the Company's ESG policies, action plans, performances, and reporting.

It is the Board's responsibility to oversee the Company's ESG strategy and reporting, as it 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. In addition, 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.

The ESG Taskforce is led by an Executive Director and supported by respective officers from different functional departments of CMCIM, and the Board has authorised the ESG Taskforce to manage the Company's ESG-related matters, and their responsibilities include:

- 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.

ESG GOVERNANCE STRUCTURE (CONTINUED)

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

As the Board and the ESG Taskforce join forces, this not only ensures that the Company's ESG governance structure is running smoothly in accordance with the relevant ESG guidelines and regulations, but also helps the Company better manage its ESG risks and opportunities effectively.

STAKEHOLDER ENGAGEMENT

The Company values the importance of stakeholder's participation and the long-term success in its business, as this can guarantee that the expectations of the stakeholders can be properly conveyed and understood, which can also help further demonstrate the Company's current and future sustainability strategies.

It is important to maintain close communication with its key stakeholders, as this allows the Company to understand their views and expectations of the Company's operations and sustainability performances. The Company also frequently engages with its key stakeholders to listen to their opinions and suggestions, as well as to understand their concerns and demands. Such key stakeholder groups include: shareholders and investors, employees of the Investment Manager, investee companies, communities, and government and regulatory bodies. During the coronavirus pandemic lockdowns, the Company has also adopted various e-channels to sustain frequent communication with the stakeholders.

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

We believe the Company has great responsibility in addressing the stakeholders' concerns regarding our ESG and sustainability related practices in our ESG report and improving our practices step by step.

MATERIALITY ASSESSMENT

In order to understand the needs of stakeholders and the latest sustainability trends, an ESG materiality assessment has been performed. This also ensures that our ESG report addresses the relevant and material ESG issues of the Company.

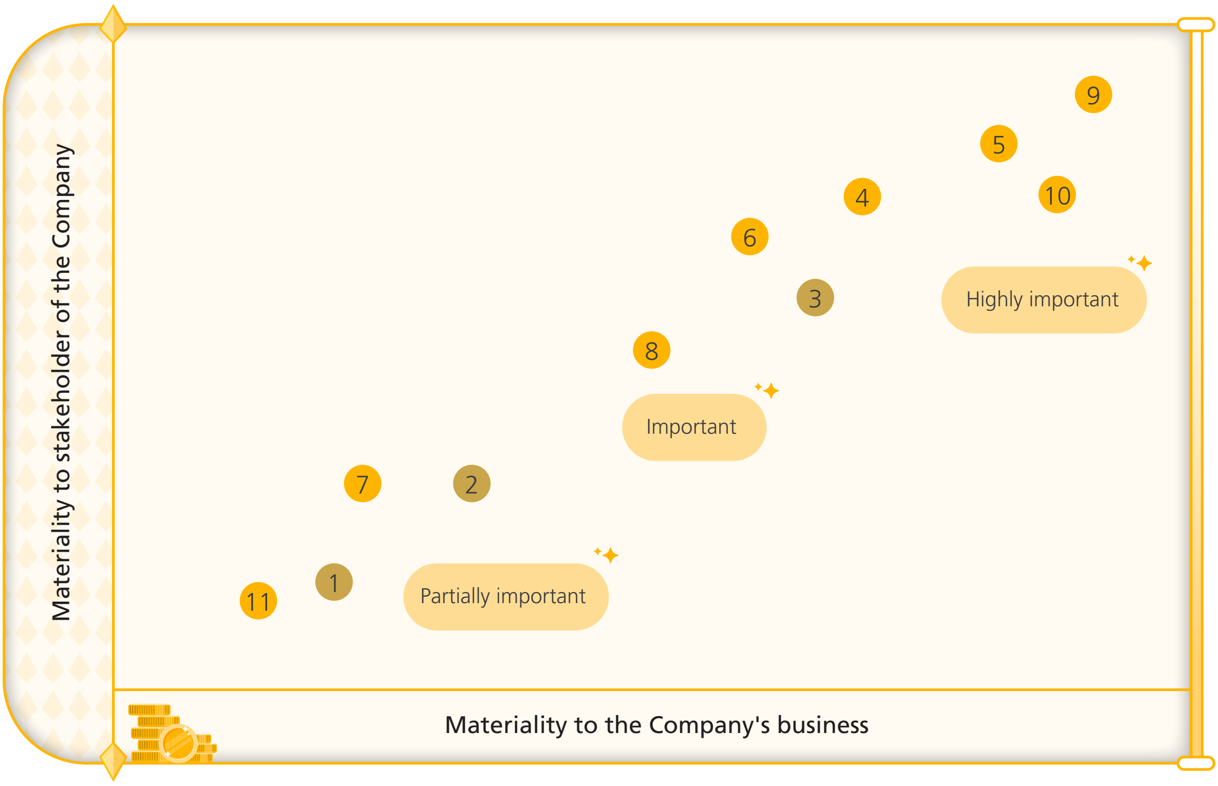
We have adopted a 3-step approach when performing the materiality assessment:

1. Issue Identification	Identifying the ESG related potential issues through stakeholders engagements and benchmarking with suitable peers
2. Significance Prioritisation	Prioritising the ESG significance based on the feedback from stakeholders and materiality matrix
3. Verification	Recognising relevant and material issues after verification by management and external consultants

We utilise results from the materiality assessment to define the scope to the extent of our ESG report, which is used to identify the focus of the Company's ESG effort, and this also allows the development of a more comprehensive, transparent and specific responses to further enhance the quality of our ESG report and meet stakeholders' expectations.

MATERIALITY ASSESSMENT (CONTINUED)

We have identified the following 11 ESG issues that are considered important by the Company and the Investment Manager. Based on the results obtained through internal and external materiality assessment in the form of questionnaire, this allows us to analyse and understand the importance of each of the ESG issues. These issues are ranked and listed below:



Environmental Protection	1	Waste Management
	2	Energy Consumption
	3	Environmental Impact Management
Social Responsibility	4	Labour Practices
	5	Health and Occupational Safety
	6	Employees' Development and Training
	7	Prevention of Child and Forced Labour
	8	Supply Chain Management
	9	Responsible Investment
	10	Anti-corruption
	11	Community Programmes

ENVIRONMENTAL PROTECTION

The Company has always cared a great amount for the environment. The main objective to our environmental management approach is to comply with all the relevant environmental laws in the market regions that the Company operates in, which includes the implementation of a sound monitoring system to manage environmental risks, accurately reporting the Company's environmental impacts and performance in our ESG report, and most importantly, establishing achievable environmental targets and making efforts to reach these goals.

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

The Company's main emission sources are electricity and paper consumption. Even though the impact of our direct consumptions to the environment is minor, we have adopted a series of measures to closely monitor and ensure that the environmental targets can be met. Below are some of the few key measures that the Company follows:

- establishing functional telecommunication systems to allow effective communication between staff;
- encouraging staff to reduce the number of business-related travels and/or unnecessary travels;
- motivating staff to use electronic documents if possible; and
- promoting the behaviour of paper recycling and the use of recycled paper when possible.

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.

ENVIRONMENTAL PROTECTION (CONTINUED)

Waste Management (continued)

Non-hazardous Office Waste Management

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

Non-hazardous office waste	Total Consumption in 2022 *(kg)*	Consumption intensity in 2022 *(kg/total number of employees)*	Total consumption in 2021 *(kg)*	Consumption intensity in 2021 *(kg/total number of employees)*
Waste disposed	**250.00**	**13.89**	436.59	24.26
Waste recycled (Note 1)	**1,035.00**	**57.50**	1,050.00	58.33

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

Waste generated by the Company and the Investment Manager are collected by waste management service provided by the building service providers, which are then processed at their discretion. Although the amount of waste that the Company and the Investment Manager produce each year is little, we strongly believe that it is still important to promote the concept of practicing zero waste at our offices, as no resources should be wasted. The Company and the Investment Manager have set the following targets for its sustainable development:

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 reach the established goals, which are as follows:

- promoting resources conservation through posters and internal communications;
- setting up suggestion boxes for employees to provide additional resource conservation practices ideas;
- placing recycling bins at different spaces in the offices;
- phasing out paper documents and replacing them with electronic documents;
- encouraging employees to bring and use 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 regularly implementing the above measures to pursue Target 1 and Target 2.

ENVIRONMENTAL PROTECTION (CONTINUED)

Energy Consumption

The Company is committed to conserving the scarce resources. In order to improve energy efficiency and reduce the office energy consumption, a series of practices have been adopted by the Investment Manager. It is also the Investment Manager's goal to help employees develop a better green mind-set by integrating energy saving behaviour into the daily habits of employees in and out of the office. We hope that with the above mentioned practices, the energy consumption and greenhouse gas emissions would be kept at minimal.

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

As mentioned previously 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 2025.*

With the target set, the Board and the ESG Taskforce work collaboratively to update the procurement policy of office equipment by reviewing energy efficiency options whilst promoting an energy saving culture within the offices. We consider that we have achieved Target 3 during the Reporting Period by completing the update of the procurement policy.

Further, a number 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
- installation of occupancy/motion sensor to automatically switch on and off the air conditioning in those areas infrequently used.

During the Reporting period, we continue to consider the electricity conservation policy in place for selection of new rental offices to attain Target 4.

ENVIRONMENTAL PROTECTION (CONTINUED)

Energy Consumption (continued)

Greenhouse gas emissions

Due to the fact that the majority of business activities of the Company and the Investment Manager are performed in an office environment, there is no generation of scope 1 direct greenhouse gas emissions (GHG). 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.

Despite the above mentioned, the Company and the Investment Manager have set the following target:

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

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

- incorporating 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 ESG issues happened with the proposed investment projects and to report such issues in the investment proposals.

During the Reporting Period, all the new investment proposals indicated that no significant non-compliance 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 aim to reduce our footprint on the environment and natural resources. An environmental management system has been founded and is carried out along with the "Green Office Guideline" that is included in the induction package, offering useful sustainable office tips for employees and the management to adapt in and out of the office environment. The ESG Taskforce is in charge of promoting and updating the guideline.

Given the business nature of the Company and the Investment Manager, we have not been aware that there is any significant impact from our business operations 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. An example is to considering environmental friendliness as one of our criteria when making procurement decision.

ENVIRONMENTAL PROTECTION (CONTINUED)

Environmental Impact Management (continued)

Water Consumption

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

We fully understand that water is very precious and measures are necessary to be taken to keep the consumption of water to minimal. For example, to emphasise the importance of cultivating employees' awareness and habits of water conservation, we constantly encourage employees to develop good habit of conserving all types of 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 2025.*

We would consider a number of factors when selecting new rental offices; for example, whether 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 continue to consider the water conservation policy in place for selection of new rental offices to attain Target 6.

Climate Change

Climate change has gradually become a global concerning issue in recent years. The Company recognises that these risks may have impacts on the Company's investment returns. Such risks should be timely identified, and measures should be established in order to mitigate these climate-related risks caused by extreme weather conditions. The Company has established its climate change policy to provide guidelines for the Company and the Investment Manager to identify and mitigate these risks and potential impacts to the Company and its shareholders. Moreover, the climate change policy also provides guidance to climate risks identification, mitigation and adaptation to help build resilience to these potential climate events, which can help the management to prevent and cope with the impacts from extreme weather.

ENVIRONMENTAL PROTECTION (CONTINUED)

Environmental Impact Management (continued)

Climate Change (continued)

Climate-related issues such as risks in regulatory change may lead to the devaluation of the assets held by the Company. Such potential grounded assets could be energy related, which may lead to unexpected changes in the Company's value. For that reason, we believe it is important to also consider climate-related issues and trend when making important business and investment decisions, after studying its costs and benefits. For example, considering climate-related risks before making 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

The Company considers that employees are indispensable assets to the success of the Company, and the Company and the Investment Manager are constantly striving to attract and retain talents. In order to further improve 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 core 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.

SOCIAL RESPONSIBILITY (CONTINUED)

Labour Practices (continued)

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

Specification		Number of employees in 2022 (CMCIM)	% of employees in 2022 (CMCIM)	Number of employees in 2021 (CMCIM)	% of employees in 2021 (CMCIM)
Gender	Male	**7**	**38.89%**	7	38.89%
	Female	**11**	**61.11%**	11	61.11%
Employment type	Permanent	**18**	**100%**	18	100%
	Contract	**0**	**0%**	0	0%
Position	Director	**1**	**5.56%**	1	5.56%
	Management	**1**	**5.56%**	1	5.56%
	Others	**16**	**88.88%**	16	88.88%
Age	18-30	**0**	**0%**	1	5.56%
	31-50	**14**	**77.78%**	13	72.22%
	Above 50	**4**	**22.22%**	4	22.22%
Geographical location	Hong Kong	**12**	**66.67%**	12	66.67%
	Mainland China (Shenzhen)	**6**	**33.33%**	6	33.33%

SOCIAL RESPONSIBILITY (CONTINUED)

Labour Practices (continued)

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

Specification		Number of employees in 2022 (CMCIM)	% of employees in 2022 (CMCIM)	Number of employees in 2021 (CMCIM)	% of employees in 2021 (CMCIM)
Gender	Male	0	0%	1	14.29%
	Female	0	0%	1	9.09%
Employment type	Permanent	0	0%	2	11.11%
	Contract	0	0%	0	0%
Position	Director	0	0%	0	0%
	Management	0	0%	1	100%
	Others	0	0%	1	6.25%
Age	18-30	0	0%	0	0%
	31-50	0	0%	2	15.38%
	Above 50	0	0%	0	0%
Geographical location	Hong Kong	0	0%	2	16.67%
	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).

SOCIAL RESPONSIBILITY (CONTINUED)

Health and Occupational Safety

The Investment Manager cares a great amount to provide a safe working environment as well as protect its employees from occupational hazards. On top of that, it is important for the Investment Manager to track with relevant regulatory requirements to make sure that there is no non-conformity occurred. Every employee is responsible to maintain a safe and healthy working space, with the goal to foster a zero-injury work culture. These guidelines and standards are outlined in employees' induction package, and such guidelines and standards are subjected to review for continuous improvement.

Work-related fatalities:

	2022	2021	2020
Number of work related fatalities of employees	0	0	0

Lost days due to work injury:

	2022	2021	2020
Number of lost days of employees caused by work injury	0	0	0

In response to the outbreak of coronavirus pandemic, the Investment Manager has been devoting to strengthen its measures to prevent and control the spread of the coronavirus disease in order to ensure the health and safety of its employees and management. Health advice from the government has been closely observed 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 the 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 laws and regulations, including but not limited to Occupational Safety and Health Ordinance (Cap. 509, Law of Hong Kong).

SOCIAL RESPONSIBILITY (CONTINUED)

Employees' Development and Training

We believe that creating a culture of continuous improvement and providing education opportunity is one of the most essential parts to the Company's 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.

Percentage of employees trained:

Percentage of employees trained in CMCIM (Note 3)		2022	2021
Total	All employees	38.89%	61.11%
Gender	Male	42.86%	36.36%
	Female	57.14%	63.64%
Employee category	Investment staff	42.86%	54.55%
	Back office staff	57.14%	45.45%

Average training hours completed per employee:

Average training hours completed per employee in CMCIM (Note 3)		2022 Hours	2021 Hours
Total	All employees	12.39	9.69
Gender	Male	11.67	9.57
	Female	12.93	9.77
Employee category	Investment staff	17.33	13.19
	Back office staff	8.68	6.90

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.

SOCIAL RESPONSIBILITY (CONTINUED)

Prevention of Child and Forced Labour

The Investment Manager prohibits the employment of any child or forced labour in the operations and services. To ensure compliance with the labour laws and regulations, the Investment Manager has sound and effective human resource procedures in place to conduct prudent due diligence on employees' backgrounds. And the human resource procedures are regularly reviewed in response to the change in regulatory requirements and market trends.

There is no tolerance to the employment of child and forced labour, and should such violation be 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 clear 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 2022	Number of active suppliers in 2021
Hong Kong	**10**	10
Mainland China	**4**	4

We have requested 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 reduce 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, as it is believed that responsible investment practice is the key to deliver long-term sustainable value to our investors and shareholders.

As the topic of sustainability is gradually becoming increasingly considered by investors during their process of making strategic investment decisions, it is with a clear sign that responsible investment will be widely recognised. Hence, 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 the targets 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)

Although we have minimal control over the business and operation decisions of the investee companies, we still pay close observation to their ability to fulfil ESG responsibility. Whenever appropriate, 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. Apart from the above mentioned, 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 have incorporated 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. Thus, it is believed that the investment quality will be guaranteed, 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

The Company and the Investment Manager have made our commitment 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.

The table below shows the total 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	2022	2021
Brought against the Company and CMCIM	0	0
Brought against CMCIM's employees	0	0

SOCIAL RESPONSIBILITY (CONTINUED)

Anti-corruption (continued)

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

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

Throughout the duration of the 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 acknowledge the influence we may have in the society, thus 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 97 to 143, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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$361.0 million and US$0.8 million respectively as at 31 December 2022 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 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 US$	2021 US$
Net (loss) gain on financial assets at fair value through profit or loss	6	(199,780,049)	48,648,395
Investment income	7	14,847,528	14,144,426
Other gains		118,879	202,682
Administrative expenses		(11,573,620)	(19,974,735)
(Loss) profit before taxation	9	(196,387,262)	43,020,768
Taxation	12	43,216,843	(18,815,401)
(Loss) profit for the year		(153,170,419)	24,205,367
Other comprehensive (expense) income for the year			
Item that will not be reclassified subsequently to profit or loss			
Exchange difference arising on translation to presentation currency		(59,629,969)	18,247,958
Total comprehensive (expense) income for the year		(212,800,388)	42,453,325
(Loss) profit for the year attributable to owners of the Company		(153,170,419)	24,205,367
Total comprehensive (expense) income for the year attributable to owners of the Company		(212,800,388)	42,453,325
Basic (loss) earnings per share	14	(1.005)	0.159

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 US$	2021 US$
Non-current asset			
Financial assets at fair value through profit or loss	15	**656,253,381**	903,328,647
Current assets			
Financial assets at fair value through profit or loss	15	**33,817,225**	64,044,731
Other receivables and prepayments	16	**59,450**	13,740,736
Cash and cash equivalents	17	**25,489,216**	36,641,135
		59,365,891	114,426,602
Current liabilities			
Other payables	18	**24,695,000**	33,372,541
Taxation payable	19	**1,725,491**	2,338,940
		26,420,491	35,711,481
Net current assets		**32,945,400**	78,715,121
Total assets less current liabilities		**689,198,781**	982,043,768
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss	20	**872,416**	1,318,564
Deferred taxation	21	**116,755,912**	175,027,741
		117,628,328	176,346,305
Net assets		**571,570,453**	805,697,463
Capital and reserves			
Share capital	23	**139,348,785**	139,348,785
Reserves		**68,837,982**	128,034,239
Retained profits		**363,383,686**	538,314,439
Equity attributable to owners of the Company		**571,570,453**	805,697,463
Net asset value per share	25	**3.752**	5.289

The consolidated financial statements on pages 97 to 143 were approved and authorised for issue by the Board of Directors on 28 March 2023 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 2022

	Share capital US$	Translation reserve US$	General reserve US$	Retained profits US$	Equity attributable to owners of the Company US$
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
Balance at 1 January 2022	**139,348,785**	**114,832,447**	**13,201,792**	**538,314,439**	**805,697,463**
Loss for the year	**—**	**—**	**—**	**(153,170,419)**	**(153,170,419)**
Exchange difference arising on translation to presentation currency	**—**	**(59,629,969)**	**—**	**—**	**(59,629,969)**
Total comprehensive expense for the year	**—**	**(59,629,969)**	**—**	**(153,170,419)**	**(212,800,388)**
2021 final and special dividends paid (note 13)	**—**	**—**	**—**	**(21,326,622)**	**(21,326,622)**
Transfer to general reserve	**—**	**—**	**433,712**	**(433,712)**	**—**
Balance at 31 December 2022	**139,348,785**	**55,202,478**	**13,635,504**	**363,383,686**	**571,570,453**

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 2022

	Note	2022 US$	2021 US$
OPERATING ACTIVITIES			
(Loss) profit before taxation		(196,387,262)	43,020,768
Adjustments for:			
Interest income		(216,625)	(297,161)
Dividend income from equity investments		(14,630,903)	(13,847,265)
Net loss (gain) on financial assets at fair value through profit or loss		199,780,049	(48,648,395)
Operating cash flows before movements in working capital		(11,454,741)	(19,772,053)
Proceeds from disposal of financial assets at fair value through profit or loss		16,397,635	798,344
Return of capital from financial assets at fair value through profit or loss		756,302	24,041,305
Purchases of financial assets at fair value through profit or loss		(10,728,082)	(25,943,085)
Decrease in other receivables and prepayments		12,656,878	199,329
Decrease in other payables		(8,779,969)	(4,387,613)
Decrease in financial liabilities designated at fair value through profit or loss		(113,973)	(217,573)
Cash used in operations		(1,265,950)	(25,281,346)
Interest received		223,447	291,737
Dividends received		15,555,865	14,558,328
Income taxes paid		(1,824,504)	(2,294,421)
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES		12,688,858	(12,725,702)
CASH USED IN FINANCING ACTIVITIES			
Dividends paid	26	(21,326,622)	(12,186,641)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(8,637,764)	(24,912,343)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY		36,641,135	60,363,011
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(2,514,155)	1,190,467
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER		25,489,216	36,641,135

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 28. 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 (loss) gain on financial assets at fair value through profit or loss ("**FVTPL**") and investment income.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 and relevant for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the conceptual framework
Amendments to HKFRSs	Annual improvements to HKFRSs 2018 - 2020

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.

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

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 HKAS 1	Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020) [1]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies [1]
Amendments to HKAS 8	Definition of accounting estimates [1]

[1] 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*.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Basis of consolidation

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates and joint ventures

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

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

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

Financial instruments

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

A financial asset is held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and interest income

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

Financial assets at FVTPL

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

Significant increase in credit risk (continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significanqtly 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities (continued)

Financial liabilities designated at FVTPL (continued)

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.

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 and are not reclassified to profit or loss subsequently.

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 (loss) 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. 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

	2022 ***US$***	2021 *US$*
Financial assets		
At FVTPL	**690,070,606**	967,373,378
Amortised cost	**25,527,733**	50,362,496
Financial liabilities		
Amortised cost	**5,061,703**	13,184,182
Designated at FVTPL	**872,416**	1,318,564

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:

	2022	2021
	US$	*US$*
Monetary assets		
USD	**570,336**	2,338,895
Hong Kong Dollar	**10,131,654**	7,738,688
Monetary liabilities		
USD	**5,900,327**	9,740,066
Hong Kong Dollar	**22,891**	36,716

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 decrease/increase by US$223,000 (2021: increase/decrease by US$309,000). If the exchange rate of RMB against Hong Kong Dollar had increased/decreased by 5%, the Group's after taxation result for the year would increase/decrease by US$422,000 (2021: decrease/increase by US$322,000).

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 2022, bank balances of US$11,738,362 (2021: US$14,746,993) 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% (2021: 20%) higher/lower, the Group's after taxation result for the year would decrease/increase by US$50,032,000 (2021: increase/decrease by US$74,179,000). 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% (2021: 20%) higher/lower, the Group's after taxation result for the year would decrease/increase by US$57,103,000 (2021: increase/decrease by US$75,857,000). 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 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$38,517 (2021: US$13,721,361). 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	2022 Gross carrying amount US$	2021 Gross carrying amount US$
Cash and cash equivalents	17	A	12m ECL	25,489,216	36,641,135
Other receivables	16	N/A	12m ECL	38,517	13,721,361

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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 2022 US$	31 December 2021 US$	Fair value hierarchy	Valuation techniques	Significant unobservable input(s)	31 December 2022 Range	31 December 2021 Range	Relationship of unobservable inputs to fair value	31 December 2022 Increase(+)/ decrease(-) in fair value of assets if 10% increase/ decrease of the unobservable inputs (Note 2) US$	31 December 2021 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)	329,113,881	486,206,288	Level 1	Quoted bid prices in active market	N/A	N/A	N/A	N/A	N/A	N/A
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)	276,439,769	357,474,540	Level 3	Market comparable companies	- Earnings multiples - Revenue multiples - Book value multiples	19.1x - 24.7x 1.6x - 10.0x 0.7x - 6.8x	19.1x - 23.1x 1.8x - 273.6x 0.8x - 6.7x	The higher the multiples, the higher the fair value	+31,075,000/ -31,075,000	+36,565,000/ -36,565,000
					- Discount rate for lack of marketability and specific risk	43.2% - 54.5%	42.8% - 54.2%	The higher the discount rate, the lower the fair value	-26,955,000/ +26,955,000	-43,351,000/ +43,351,000
Unlisted debt investment (Notes 1 and 4)	5,285,300	5,980,463	Level 3	Discounted cash flow	- Discount rate	2%	0%	The higher the discount rate, the lower the fair value	-18,000/ +18,000	—
Unlisted equity (Note 1)	71,231,656	57,915,319	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)	8,000,000	59,796,768	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	+800,000/ -800,000	+5,979,677/ -5,979,677
Closing balance	690,070,606	967,373,378								

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)

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 2022.

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$*	2022 Total *US$*
Financial assets at FVTPL	**329,113,881**	**—**	**360,956,725**	**690,070,606**
Financial liabilities designated at FVTPL	**71,176**	**—**	**801,240**	**872,416**

	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

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 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
Balance at 1 January 2022	**481,167,090**
Losses recognised in profit or loss	**(83,669,078)**
Exchange difference arising on translation to presentation currency	**(33,732,206)**
Purchases	**10,728,082**
Disposals	**(12,780,861)**
Return of capital	**(756,302)**
Balance at 31 December 2022	**360,956,725**

Of the total losses for the year included in profit or loss, loss of US$91,290,196 (2021: US$1,998,519) 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 (loss) 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 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.

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 2021	1,343,845
Issuances	90,298
Redemptions	(320,962)
Change in fair value	72,429
Balance at 31 December 2021	1,185,610
Balance at 1 January 2022	**1,185,610**
Issuances	**33,152**
Redemptions	**(82,615)**
Change in fair value	**(334,907)**
Balance at 31 December 2022	**801,240**

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

The following is an analysis of net (loss) gain on investments of the Group for the year ended 31 December 2022. The amounts of realised (loss) gain 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 (loss) gain represent the change of fair value during the year of financial instruments held by the Group as at the year end:

	2022 US$	2021 US$
Net (loss) gain on financial assets at FVTPL		
Listed investments		
Realised	**(1,638,161)**	(4,232,791)
Unrealised	**(115,237,342)**	54,297,642
Unlisted investments		
Realised	**7,758,242**	141,076
Unrealised	**(90,662,788)**	(1,557,532)
Total	**(199,780,049)**	48,648,395

7. INVESTMENT INCOME

	2022 US$	2021 US$
Interest income on bank deposits	**216,625**	297,161
Dividend income on financial assets at FVTPL		
Listed equity investments	**13,205,386**	11,393,412
Unlisted equity investments	**1,425,517**	2,453,853
	14,630,903	13,847,265
Total	**14,847,528**	14,144,426

7. INVESTMENT INCOME (CONTINUED)

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

	2022 ***US$***	2021 *US$*
Interest income for financial assets at amortised cost	**216,625**	297,161
Dividend income on financial assets at FVTPL	**14,630,903**	13,847,265
Total	**14,847,528**	14,144,426

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 and medical activities (2021: manufacturing, energy and resources, medical and agriculture activities), and none of these segments met the quantitative thresholds for the reportable segments in both current and prior years. Accordingly, these were grouped in "Others" during the current year.

Information regarding the above segments is reported below.

8. SEGMENTAL INFORMATION (CONTINUED)

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

For the year ended 31 December 2022

	Reportable segments					
	Financial services *US$*	Culture, media and consumption *US$*	Information technology *US$*	Total reportable segments *US$*	Others *US$*	Total *US$*
Net (loss) gain on financial assets at FVTPL	(160,535,201)	8,791,597	(56,426,286)	(208,169,890)	8,389,841	(199,780,049)
Dividend income on financial assets at FVTPL	12,944,090	870,792	698,271	14,513,153	117,750	14,630,903
Other gains	—	559,632	—	559,632	—	559,632
Segment (loss) profit	(147,591,111)	10,222,021	(55,728,015)	(193,097,105)	8,507,591	(184,589,514)
Unallocated:						
– Administrative expenses						(11,573,620)
– Interest income on bank deposits						216,625
– Other losses						(440,753)
Loss before taxation						(196,387,262)

8. SEGMENTAL INFORMATION (CONTINUED)

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

Segment (loss) profit represents the net (loss) gain 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 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 (loss) profit.

8. SEGMENTAL INFORMATION (CONTINUED)

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

	2022 US$	2021 US$
Segment assets		
Financial services	454,236,174	670,770,763
Culture, media and consumption	53,659,356	48,047,832
Information technology	162,887,995	232,867,920
Total assets for reportable segments	670,783,525	951,686,515
Others	19,287,081	16,611,825
Unallocated	25,548,666	49,456,909
Consolidated assets	715,619,272	1,017,755,249
Segment liabilities		
Financial services	38,955	61,734
Culture, media and consumption	175,413	209,039
Information technology	512,963	830,862
Total liabilities for reportable segments	727,331	1,101,635
Others	145,085	4,930,651
Unallocated	143,176,403	206,025,500
Consolidated liabilities	144,048,819	212,057,786

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. (LOSS) PROFIT BEFORE TAXATION

	2022 US$	2021 US$
(Loss) profit before taxation has been arrived at after charging:		
Auditor's remuneration	244,303	229,226
Net foreign exchange loss	440,753	77,438
Investment Manager's management fee (note 27 (a))	11,154,282	13,971,923
Investment Manager's performance fee	—	4,906,543
Directors' fees	209,473	166,318

10. DIRECTORS' EMOLUMENTS

The Group has no chief executives and the Directors' fees paid or payable to each of the 12 (2021: 13) Directors were as follows:

	2022 US$	2021 US$
Executive Directors:		
Mr. WANG Xiaoding	—	—
Ms. KAN Ka Yee, Elizabeth (Note a)	—	—
Mr. CHU Lap Lik, Victor## (Alternate Director)	N/A	—
	—	—

10. DIRECTORS' EMOLUMENTS (CONTINUED)

	2022 *US$*	2021 *US$*
Non-executive Directors:		
Mr. ZHOU Xing	—	—
Mr. ZHANG Rizhong	—	—
Mr. KE Shifeng	30,573	30,959
Mr. TSE Yue Kit*	20,940	N/A
Mr. ZHANG Jian###	N/A	—
	51,513	30,959
Independent Non-executive Director and Chairman of the Audit Committee:		
Mr. TSANG Wah Kwong	35,668	36,120
Independent Non-executive Directors:		
Dr. LI Fang	30,573	30,959
Dr. GONG Shaolin	30,573	30,959
Mr. Michael Charles VITERI	30,573	6,362
Mr. ZHU Qi**	2,513	N/A
Mr. LIU Baojie#	28,060	30,959
	122,292	99,239
Total	209,473	166,318

* The Director was re-designated from Executive Director to Non-executive Director during the year 2022.

** The Director was appointed as Independent Non-executive Director during the year 2022.

The Director resigned as Independent Non-executive Director during the year 2022.

The Director resigned as Alternative Director during the year 2021.

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

10. DIRECTORS' EMOLUMENTS (CONTINUED)

Notes:

(a) Ms. KAN Ka Yee, Elizabeth has indirect beneficial interests in the Investment Manager which entered into an Investment Management Agreement with the Company on 18 October 2021 and became effective on 1 January 2022 and is for a fixed term of three years. The details of the existing investment management agreement can be referred to the circular dated 8 November 2021. The amount of management fee paid or accrued to the Investment Manager is disclosed in note 27 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 (2021: 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 credit (charge) for the year comprises:

	2022 ***US$***	2021 *US$*
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	**(870)**	(163,943)
Withholding tax for distributed earnings	**(1,322,341)**	(1,908,006)
Deferred taxation (note 21)		
Current year	**44,540,054**	(16,743,452)
Total	**43,216,843**	(18,815,401)

No provision for taxation in Hong Kong has been made as the Company and its subsidiaries did 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 credit (charge) for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 US$	2021 US$
(Loss) profit before taxation	**(196,387,262)**	43,020,768
Tax at the domestic income tax rate of 25% (2021: 25%) (Note)	**49,096,816**	(10,755,192)
Tax effect of expenses not deductible for tax purpose	**(4,562,342)**	(4,505,864)
Tax effect of income not taxable for tax purpose	**5,524,990**	3,031,736
Tax effect of tax losses not recognised	**(2,698,341)**	(365)
Utilisation of tax losses not recognised	**583,143**	2,243,008
Utilisation of deductible temporary difference previously not recognised	**2,471,715**	—
Withholding tax for undistributed earnings of PRC subsidiaries	**5,684,635**	(2,769,098)
Withholding tax for distributed earnings	**(1,322,341)**	(1,908,006)
Effect of different tax rates of the Company and its subsidiaries operating in other regions in the PRC	**(11,561,432)**	(4,151,620)
Taxation	**43,216,843**	(18,815,401)

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 (2021: a final dividend of US$0.07 per share and a special dividend of US$0.07 per share, totaling US$0.14 per share), in an aggregate amount of US$10,663,311 (2021: US$21,326,622), in respect of the year ended 31 December 2022 (2021: year ended 31 December 2021), has been proposed by the Directors and is subject to approval by the shareholders at the forthcoming annual general meeting.

Final and special dividends of US$21,326,622 (2021: final and special dividends of US$12,186,641) for the year ended 31 December 2021 (2021: year ended 31 December 2020) were paid in cash on 27 July 2022 (2021: 27 July 2021).

14. BASIC (LOSS) EARNINGS PER SHARE

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

	2022	2021
(Loss) profit for the purpose of basic (loss) earnings per share (US$)	**(153,170,419)**	24,205,367
Number of ordinary shares for the purpose of basic (loss) earnings per share	**152,333,013**	152,333,013
Basic (loss) earnings per share (US$)	**(1.005)**	0.159

No diluted (loss) 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

	2022 ***US$***	2021 *US$*
Equity and debt securities at FVTPL:		
– listed equities in PRC (Note a)	**328,314,097**	479,739,809
– listed equity in HK (Note a)	**799,784**	6,466,479
– listed equities on New Third Board (Note a)	**3,934,181**	4,965,920
– unlisted equities (Notes b and c)	**328,117,244**	457,810,707
– unlisted participating preferred unit (Note b)	**23,620,000**	12,410,000
– unlisted debt investment (Note b)	**5,285,300**	5,980,463
Total	**690,070,606**	967,373,378
Analysed to reporting purposes as		
Current assets	**33,817,225**	64,044,731
Non-current assets	**656,253,381**	903,328,647
Total	**690,070,606**	967,373,378

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

Notes:

(a) The listed equity securities represent the Group's interest held in China Merchants Bank Co., Ltd., China Reinsurance (Group) Corporation, Iflytek Co., Ltd., and Oriental Pearl Media Co., Ltd. whose fair values are determined based on the quoted market bid prices available on the relevant stock exchanges. 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 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 2022, fair values of unlisted equities and debt investment amounting to US$13,285,300 (2021: US$65,777,231) 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 2022, included in unlisted equities investments amounting to US$633,202 (2021: US$573,232) was investment in an associate. The management elected not to apply the equity method and instead the investment 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 2022 and 31 December 2021 and also details of ten largest investments of the Group.

For the year ended 31 December 2022

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	295	12.49	51.66%
China Credit Trust Co., Ltd.	Trust management	6.94%	50.49	141	Nil	24.57%
China UnionPay Co., Ltd.	Financial payment	0.17%	31.12	54	0.59	9.37%
Iflytek Co., Ltd.	Intelligent speech technology	0.29%	18.83	32	0.10	5.61%
Anhui Iflytek Venture Capital LLP	Information technology investment	14.95%	6.18	25	0.24	4.36%
NBA China, L.P.	Sports marketing	1% participating preferred unit	0.00	24	1.39	4.13%
China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership)	Media investment	10.00%	0.00	23	Nil	4.05%
JIC Leasing Co., Ltd.	Finance leasing	4.98%	38.78	16	Nil	2.84%
CASREV FUND III-RMB L.P.	Technology & medical investment	1.11%	7.20	9	0.30	1.55%
Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP	Information technology investment	11.45%	3.45	8	0.17	1.45%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 2022

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

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%

16. OTHER RECEIVABLES AND PREPAYMENTS

	2022 US$	2021 US$
Consideration receivable on disposal of investment	—	12,658,436
Dividend receivable	—	924,962
Interest receivable	38,517	45,339
Other receivables and prepayments	20,933	111,999
Total	59,450	13,740,736

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 2022 was approximately of US$11.20 million (2021: US$15.61 million).

18. OTHER PAYABLES

	2022 US$	2021 US$
Partial consideration received on disposal of investment	—	4,713,722
Management fee payable	4,925,719	3,514,957
Performance fee payable	—	4,906,543
Other tax payable	18,960,388	19,607,487
Other payables	808,893	629,832
Total	24,695,000	33,372,541

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 a PRC subsidiary.

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

The financial liabilities designated at FVTPL as at 31 December 2022 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 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.), 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.), 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.), 寧波梅山保稅港區將門創業投資中心 (有限合夥) (Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP), 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.), 日照市艾鋭光電科技有限公司 (Rizhao Azuri Technologies Co., Ltd.) and Immvira Bioscience Inc. (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 to the consolidated financial statements. 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 2022 and 2021, 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 2021	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
Credited to profit or loss for the year	(38,855,419)	(5,684,635)	(44,540,054)
Exchange differences	(11,359,942)	(2,371,833)	(13,731,775)
Balance at 31 December 2022	97,151,853	19,604,059	116,755,912

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$16.93 million (2021: US$6.18 million) available for offsetting against future profits. Included in unrecognised tax losses are losses of US$10.42 million (2021: Nil) that will expire in 2027. Other losses may be carried forward indefinitely.

No deferred tax asset has been recognised in relation to tax losses due to the unpredictability of future relevant taxable profit against which the tax losses can be utilised and deductible temporary difference is nil (2021: Nil).

22. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	**2022 US$**	2021 US$
Non-current assets			
Investments in subsidiaries		**44,840,372**	44,840,372
Financial assets at fair value through profit or loss		**67,397,359**	104,680,435
Amounts due from subsidiaries		**58,101,455**	59,949,876
		170,339,186	209,470,683
Current assets			
Amounts due from subsidiaries		**69,153,556**	82,239,460
Other receivables and prepayments		**42,730**	1,036,961
Cash and cash equivalents		**10,609,252**	8,972,304
		79,805,538	92,248,725
Current liabilities			
Amounts due to subsidiaries		**16,083,149**	14,695,406
Other payables		**5,637,749**	8,952,886
Taxation payable		**1,690,669**	2,180,559
		23,411,567	25,828,851
Net current assets		**56,393,971**	66,419,874
Total assets less current liabilities		**226,733,157**	275,890,557
Non-current liabilities			
Financial liabilities designated at fair value through profit or loss		**872,416**	1,318,564
Deferred taxation		**5,209,863**	8,938,170
		6,082,279	10,256,734
Net assets		**220,650,878**	265,633,823
Capital and reserves			
Share capital	23	**139,348,785**	139,348,785
Reserves	24	**81,302,093**	126,285,038
Equity attributable to owners of the Company		**220,650,878**	265,633,823

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 2021,		
1 January and 31 December 2022		
– 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 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 1 January 2022	**6,829,964**	**119,455,074**	**126,285,038**
Loss for the year	**—**	**(16,345,330)**	**(16,345,330)**
Exchange difference	**(7,310,993)**	**—**	**(7,310,993)**
Total comprehensive expense for the year	**(7,310,993)**	**(16,345,330)**	**(23,656,323)**
2021 final and special dividends paid	**—**	**(21,326,622)**	**(21,326,622)**
Balance at 31 December 2022	**(481,029)**	**81,783,122**	**81,302,093**

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$571,570,453 (2021: US$805,697,463) and 152,333,013 ordinary shares (2021: 152,333,013 ordinary shares) with no par value in issue at 31 December 2022.

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 2021	—
Dividend declared	12,186,641
Financing cash flow	(12,186,641)
At 31 December 2021	—
At 1 January 2022	**—**
Dividend declared	**21,326,622**
Financing cash flow	**(21,326,622)**
At 31 December 2022	**—**

27. RELATED PARTY TRANSACTIONS

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

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

(a) The Company paid or accrued to the Investment Manager management fees totaling US$11,154,282 (2021: US$13,971,923). 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) The amount due to the Investment Manager included in other payables in the consolidated statement of financial position as at 31 December 2022 was US$4,959,510 (2021: US$8,470,460). Amount due to the Investment Manager is unsecured, interest free and is repayable on demand.

(c) Securities brokerage commission fee totaling US$3,619 (2021: US$329) was paid to a subsidiary of a substantial shareholder of the Company who has significant influence over the Company.

(d) 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 2022, were US$29,890, US$177,646 and US$24,986, respectively (31 December 2021: US$49,930, US$275,032 and US$38,887, respectively). The financial liability of the Group with Mr. ZHOU Xing, a Director of the Company, was US$28,455 (31 December 2021: US$38,571). Moreover, the financial liability of the Group with Mr. KANG Dong, a Director of the Investment Manager, was US$2,842 (31 December 2021: US$4,474).

(e) Key management compensation and services are disclosed in notes 10 and 27(a) 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.

28. PARTICULARS OF SUBSIDIARIES

Particulars of all subsidiaries at 31 December 2022 and 2021, 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 2022 and 2021 or at any time during the year.

* The Director was appointed during the year 2021.

\# The Director resigned during the year 2021.

29. 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				
	2018	2019	2020	2021	**2022**
	US$	*US$*	*US$*	*US$*	***US$***
Net (loss) gain on financial assets at fair value through profit or loss	(111,123,083)	131,848,627	126,204,803	48,648,395	**(199,780,049)**
Investment income	18,884,552	15,528,387	16,106,800	14,144,426	**14,847,528**
(Loss) profit from operations	(105,266,617)	136,355,337	121,554,717	43,020,768	**(196,387,262)**
Taxation	18,245,492	(34,546,363)	(31,766,962)	(18,815,401)	**43,216,843**
(Loss) profit attributable to owners of the Company	(87,021,125)	101,808,974	89,787,755	24,205,367	**(153,170,419)**
Basic (loss) earnings per share	(0.571)	0.668	0.589	0.159	**(1.005)**
Dividend per share					
– Final	0.07	0.07	0.07	0.07	**0.07**
– Special	0.10	—	0.01	0.07	**—**
– Total	0.17	0.07	0.08	0.14	**0.07**

CONSOLIDATED ASSETS AND LIABILITIES

	As at 31 December				
	2018	2019	2020	2021	**2022**
	US$	*US$*	*US$*	*US$*	***US$***
Total assets	687,899,613	794,032,860	971,638,289	1,017,755,249	**715,619,272**
Total liabilities	(112,844,445)	(144,982,618)	(196,207,510)	(212,057,786)	**(144,048,819)**
Net assets	575,055,168	649,050,242	775,430,779	805,697,463	**571,570,453**
Net asset value per share	3.775	4.261	5.090	5.289	**3.752**