

**BOHAI HARVEST RST (SHANGHAI) EQUITY INVESTMENT
FUND MANAGEMENT CO., LTD. (the “COMPANY”)
THIRTEENTH BOARD MEETING**

Date: March 11, 2019 (Monday) 1:30PM - 3:00PM

Location: Teleconference

Board Attendees: All Board Members

Other Attendees: Supervisor and Management Team Representatives

AGENDA

- A. Follow-up Issues from Previous Board Meeting
- B. Review of 2018 Operations
- C. Review of 2019 Business Plan
- D. Review of 2018 Financial Reports and 2019 Annual Budget

Follow-up Issues from Previous Board Meeting

A. Compensation Committee Members and Supervisor

Mr. James Bulger has been nominated and appointed as a member of the Company's compensation committee to replace Devon Archer. Current committee members consist of James Bulger, Andy Lu and Wang Jun.

Mr. Eric Schwerin tendered his resignation as the Company's Supervisor on September 24, 2018 and according to the Company's constitutional documents, Ample Harvest, Thornton, Skaneateles and Ulysses shall together nominate a replacement supervisor. The resignation of Eric Schwerin and the appointment of a replacement Supervisor will take effect upon the completion of filings and registrations with the relevant counterpart of the State Administration of Industry and Commerce ("SAIC"). The Company will process the necessary SAIC registration and filing amendments immediately upon the appointment of a new Supervisor.

B. Staff Changes

Mr. Xia Yu and Mr. Liu Zhe have left the Company for personal reasons. Their departure will not affect ongoing projects or management of portfolio companies.

C. BHR Subsidiaries and SPV Registration

Since the previous Board Meeting held on February 1, 2018, the Company has not registered any non-PRC entities. The new PRC entities registered are as follows:

PRC entities: 4 deal funds in Ningbo, Zhejiang Province, 2 indirect subsidiaries in Shanghai.

The full list of BHR's registered entities (including subsidiaries and affiliated funds) as of the date hereof are summarized below:

Summary of BHR Subsidiaries and Managed Funds

	Category	Naming Rule	Shareholder / General Partner	Place of Registration/ Incorporation	Total	Comment
Onshore	Direct and Indirect Subsidiaries	Bohai Huamei Rui X (Shanghai) Investment Management Co., Ltd., Bohai Huamei Chengdu Equity Investment Fund Management Co., Ltd., Beijing Bohai Huamei Rui X Equity Investment Fund Management Co., Ltd., Bofeng (Shanghai) Industrial Development Co., Ltd., Huayu (Shanghai) Information Technology Co., Ltd.	Shareholder: BHR or its Shenzhen subsidiary	Shanghai Free Trade Zone, Shenzhen Qianhai, Chengdu Tianfu New District, Beijing	7	
	Deal Funds	(i) Bohai Huamei##Phase (Shanghai) Equity Investment Fund Partnership (Limited Partnership) (ii) Bo X (Shanghai) Investment Center (Limited Partnership) (iii) X Yuan (Shanghai) Investment Management Center (Limited Partnership) (iv) Chengdu Bohai Huamei X Phase Equity Investment Fund Partnership (Limited Partnership) (v) Wenzhou Run X Equity Investment Fund Partnership (Limited Partnership) (vi) Bohai Huamei (Shenzhen) Investment Consulting Partnership (Limited Partnership) (vii) Ningbo Meishan Bonded Port Area Bohai Huamei Qing X Equity Investment Fund Partnership (Limited Partnership)	GP: BHR, BHR Ruiyun, BHR Ruila, BHR Chengdu LP: Angju	Shanghai Free Trade Zone, Chengdu Tianfu New District, Zhejiang Wenzhou, Ningbo Meishan Bonded Port Area	22	
	Carried Interest Entities	Gongqingcheng Huamei Xieli Investment Management Partnership (Limited Partnership) Gongqingcheng Bohai Huamei X Phase Investment Center (Limited Partnership)	GP: Angju, BHR Ruiyun, BHR Ruila LP: BHR employees	Gongqingcheng, Jiangxi	6	

	Employee Co-investment Entity	Gongqingcheng Huamei Qixin Investment Management L.P.	GP: Angju LP: BHR employees	Gongqingcheng, Jiangxi	1	Will serve as LP and co-invest in deal funds with other investors.
Offshore	Direct Subsidiaries	BHR Investment Management Limited BHR Investment Consulting Limited	Shareholder: BHR	Hong Kong	2	
	Indirect subsidiaries	BHR (Cayman) Management Limited BHR (Cayman) GP I, L.P. BHR (Cayman) GP II, L.P. BHR (Cayman) GP III, L.P.	Shareholder: BHR Investment Management Limited	Cayman	4	Will serve as Manager/GP of shell funds in Cayman Islands.
	SPV	BHR Win XXX Investment Management Limited	Shareholder: BHR Investment Management Limited	Hong Kong	4	Will serve as SPVs in overseas M&A projects where Jonathan Li serves as the sole initial shareholder and upon registration transfers all his shares to the deal fund as necessary.
		BHR New XXX Investment Management Limited	Shareholder: Jonathan Li / Onshore Deal Fund	Hong Kong	6	
		United NSW Energy Limited	Shareholder: BHR (Cayman) Management Limited	BVI	1	
	Shell Funds	BHR Investment Fund ##, L.P.	GP: BHR (Cayman) GP I, Limited BHR (Cayman) GP II, Limited BHR (Cayman) GP III, Limited LP: BHR New Energy Limited	Cayman Islands	10	
	Carried Interest Entities	BHR New XXX Investment Management Limited	Shareholder: employees	BVI	2	In overseas projects with carried interest distribution, the sole shareholder of the deal funds in Cayman Islands (a.k.a. BHR Investment Management Limited) will transfer 30% of its shares of GP I/GP II/GP III to the carried interest distribution entity.
Employee Co-investment Entity	BHR New XXX Investment Management Limited	Shareholder: employees	BVI	1	Will serve as LP and co-invest in deal funds with other investors.	

Work Report for 2018

Generally speaking, 2018 was an extremely difficult year. On the fundraising front, the Government issued a host of “de-leveraging” directives aimed at reducing corporate borrowings, non-performing loans and shadow banking over the past few years and in response to such directives, the much awaited new “financial institutions asset management” regulations were finally promulgated by China’s Banking Regulatory Commission (“**2018 Asset Management Regulations**”) this April. The 2018 Asset Management Regulations essentially prohibit banks and their asset management affiliates (previously private equity funds’ largest LP base) from subscribing in private equity funds. Zero2IPO, China’s leading ranking entity of private equity and venture capital firms, stated in its 2018 industry report that in the first three quarters of 2018, 1,650 new equity-investment funds were formed including funds investing in non-public entities as well as funds investing in public market equities, down 17% from 1,974 in the first three quarters of 2017, and raised funds of RMB 463.9 billion, compared with RMB 10,891 billion in the same period of 2017, resulting in a drop in total amount raised of 57.4%.

For a variety of reasons including the aforementioned 2018 Asset Management Regulations as well as the continued difficulty of obtaining domestic and foreign regulatory approvals, we are seeing a significant decline of overseas investments by PRC companies, in both number of

transactions and amount invested. In the case of state-owned enterprises, leaders in the state-owned enterprises are reluctant to engage in overseas investments as they would be held personally accountable for their decisions due to the government's "lifetime accountability" rule; in the case of private enterprises, the central government is more cautious in preventing excessive foreign exchange outflows, especially from private enterprises. The China-US trade conflict has caused the United States and European countries to strictly restrict China from investing and making mergers and acquisitions of high-tech and advanced manufacturing companies. Macro uncertainties, regulatory uncertainties, compounded with the decline in domestic stock markets and general lack of funding, the opportunity of valuation arbitraging has narrowed or disappeared. Zero2IPO's Private Equity Research shows that, in 2017, there were 205 cross-border M&A transactions by Chinese companies, with a total transaction amount of RMB 642.3 billion, of which RMB577 billion was achieved in the first three quarters, compare this numbers to RMB 177.4 billion in China's overseas M&A investments for the first three quarters of 2018, a sharp drop of 69.3% for the same period year on year.

In the domestic investment market, the real economy is experiencing continued decline. In addition to the impact of de-leveraging initiatives, the performance of public companies including some so-called industry unicorns has been so unpromising such that many VC and pre-IPO investor

are seeing significant losses on their primary market investments even as their portfolio companies become listed. Domestic investments are mainly concentrated in industry leaders, as the valuations of those companies continue to rise, the risks associated with investing in these industry leaders also continue to rise.

As the team strives to expand the Company's business in both overseas mergers and acquisitions and domestic investments, we believe the difficulties and challenging market conditions we are seeing this year will continue into the next year. Despite the team's efforts on all fronts, the Company only completed one channel investment in 2018 of an acquisition of an Australian dairy business – Western Dairy (Brownes), generating additional management fees of RMB4,000,000.

I. Cross-Border Investments

PROJECT PHARAOH

The target company is a business unit of Philips and is one of the world's leading companies in the field of VCSEL optical chips and components. Its products are used in data communication, consumer electronics, autonomous driving and other fields, and it is also one of the suppliers of Apple's iPhone. The overall transaction consideration was approximately EUR 200 million. The Company planned to co-invest with a Chinese listed company in the optical module field, with the Company subscribing to

purchase 40-45% of the target company. Unfortunately, although we successfully completed the fundraising of EUR 100 million from CNIC and our strategic co-investor had every intention of engaging in long-term acquisition cooperation with the Company, the strategic co-investor was concerned that a state-affiliated fund would not pass the approval of the German regulatory authorities. In the end, the strategic co-investor chose a 100% privately-held fund to cooperate with it in this acquisition instead of BHR.

PROJECT H. C. STARCK

The project was intended as a joint investment by the Company and a listed subsidiary of Minmetals Corporation - China Tungsten Hightech Materials Limited, to acquire the tungsten powder business of H.C. Starck Group. The target (enterprise valuation of EUR223 million) is the world's leading producer of high-tech metal powders and finished products with its proprietary technology and process and our strategic co-investor is also a manufacturer of tungsten powder products. The BHR-Minmetals consortium was engaged in final and exclusive discussions with the sellers but after many months of discussions, Minmetals Group decided not to proceed with the acquisition, reasons include German and CFIUS foreign investment approval uncertainties as well as the last-minute appointment of a new investment committee chairman at Minmetals Group.

PROJECT EAGLE

The target company for this project, Invista, holds the LYCRA brand and technology, and is the world's leading spandex fiber maker. The acquisition was initiated by Shandong Ruyi Group (“**Ruyi**”), a leading player in China's textile and apparel industry with a strong track record of overseas M&A. BHR sought to form a deal fund with CNIC to co-invest alongside Ruyi, although CNIC had direct contact with Ruyi, it was willing to participate in the project through BHR’s deal fund. Subsequently, BHR and CNIC decided not to co-invest with Ruyi as the parties were not able to come to an agreement on buyback and buyback security arrangements if the proposed IPO failed to occur within the stipulated timeline. We understand the investment has received CFIUS approval but closing remains pending.

Other cross-border projects that were actively pursued included:

Project Rhino: a proposed joint investment between the Company and a Chinese listed company to acquire a world-class large-scale gold mine in Southeast Asia with a total transaction consideration of USD 960 million. Our investment committee expressed concerns about our co-investor’s fundraising ability and high leverage ratio. The target was eventually acquired by another bidder as the listed company failed to secure its own financing in time.

Project Platinum: the target company is a world's leading vacuum automation company headquartered in Sweden. The Company and a Chinese listed company in the intelligent manufacturing field jointly participated in the bidding process. However, due to high quality and competitiveness of the target company's underlying asset, our consortium lost out to competing bids, which was significantly above fair market price.

Project BPA: the target company is Europe's leading packaging machinery manufacturer headquartered in Italy. BHR and a leading Chinese intelligent manufacturing company jointly initiated the purchase with secured funding but the acquisition failed to close given the seller's high valuation expectations and RMB depreciation which made the valuation even more expensive.

II. Domestic Investments

In terms of domestic investments, i.e., investment opportunities within China, the Company is mainly focused on investment opportunities in new and emerging technology. In this respect, the Company systematically researched the fields of AI vision, AI voicing, AI chips, memory chips, AI medical, AI education, cognitive AI, autonomous driving, industrial vision, service robots, industrial robots, and emerging technologies in the electronics industry. The Company visited nearly 100 target companies in

this field and has gained a deeper understanding of the relevant sub-sectors through direct interactions with experts and industry leaders.

XAIRCRAFT

Xaircraft is China's leading agricultural UAV maker. BHR completed the necessary due diligence and entered into relevant investment framework agreement for participating in the Series C financing of RMB 200 million. In April 2018, Minsheng Trust, our prospective LP for this project, passed its internal approval and agreed to to invest in BHR's deal fund and to participate in the project. However, after the introduction of the 2018 Asset Management Regulations, Minsheng Trust could not provide funding certainty as it would have had to issue a trust product and raise money for subscription into the BHR deal fund, such uncertainties ultimately delayed the Company's entering into of final investment agreements with the target company. Faced with the restrictions of the 2018 Asset Management Regulations, the Company was unsuccessful in its attempt to find replacement LPs.

Chang Yuan Lithium

Chang Yuan Lithium is a subsidiary of Minmetals Group and is the second largest market player in China of ternary material precursors. Its customers include CATL, BYD and Lishen. This project had a pre-investment valuation of RMB 2.5 billion, corresponding to a 2017 P/E of 21.7x. In

response to SOE investment bidding process and criteria, Chang Yuan Lithium required investors to pay 30% of their proposed investment amount in advance, a requirement which our LPs could not fulfill. In addition, the target company could not provide an exit / IPO timeframe and strategy which was acceptable to our potential LPs. As a result of the expensive valuation, upfront funding requirement and lack of visibility on exit, the Company decided to forego this investment.

ROADSTARAI

The target company specializes in the development of complete auto-driving technologies and solutions for the L4 class, which has launched a road test in California and Shenzhen. In the first quarter of 2018, the target's Series A financing had a proposed financing amount of USD 60 million at a pre-money valuation of USD 300 million. Due to the high valuation of the Series A round, no investment was made.

DEEPHI TECH

The target company is a leading AI chip company in China and is committed to becoming an international advanced deep learning acceleration solution provider. It has applied to areas such as security and data centers for deep learning of images and voice processing. The Company intended to participate in the Series C round but before we were

able to make the investment, the target company was fully acquired by Xilinx in July 2018.

INFERVISION

The target company is one of the fastest growing AI medical companies in China. It is committed to applying deep learning technology to provide fast and accurate solutions for medical image assisted screening. Most recent Series C round had a pre-money valuation of RMB 2.1 billion. Due to high valuation, no investment was made.

III. Projects Under Review

ALEPH ELECTRONICS

The target company is the world's third largest manufacturer of reed sensors and light-controlled sensors. Based in Japan, its products are used in a wide range of end markets including automotive electronics, office supplies, white goods, industrial automation and robotics and medical products. In 2017, the target achieved revenue of RMB 700 million and net profit of RMB 100 million. The target company was acquired by a Chinese entity, Yinyi Group, in 2016, with a combination of equity and a large portion of debt. Yinyi Group, currently facing liquidity issues and maturing bank liabilities, has offered to sell the target company at a discount. The Company's assessment is that the target company has

valuable technology with diverse applications and has teamed up with CRRC Times Electric Limited to participate in the bid process. We are however concerned about the lengthy decision-making process within CRRC.

CZB

The target company is China's largest online commercial vehicle energy platform that provides commercial vehicle owners with LBS oil stations' price comparison and route planning, preferential fueling prices, and SaaS management system for petrol stations/charging piles. At present, there are more than 4,000 contracted gas stations, with nearly 1,000 gas stations active online, 50,000 online charging piles in 69 cities, and nearly 600,000 monthly active drivers. The monthly trading volume of the platform is nearly RMB 300 million with over 1.2 million orders. Indicators show that the target company is currently the leading player in the industry and well positioned for further growth. The target has already carried out two rounds of financing in 2017 and 2018, with the current Series C round planning to raise RMB 150 million, mainly for market expansion and product development purposes.

MECH MIND

The target company is the leading 2B robot AI software company in China, using cutting-edge technologies such as deep learning and 3D vision to

provide a full-stack, cost-effective hybrid sorting, unwinding and loading and unloading solution for many industrial fields including 3C manufacturing, industrial logistics, express delivery, automotive, and new energy vehicles. The target company is seeking Series A funding.

IV. Completed Transactions

YANCOAL AUSTRALIA BOND EXTENSION

At the beginning of 2016, the Company, together with Industrial Bank and BOC International, subscribed to the USD 775 million asset-backed bond issuance by Watagan Mining (a wholly-owned subsidiary of Yancoal Australia). The Company subscribed, through its deal fund consisting of two limited partners, an aggregate amount of USD 25 million and serves as the instructing bondholder for the other bondholders. The bonds have a maturity of nine years but with certain exercise windows during which the bondholders may put their bonds back to the issuer. The first put option window is from January 1, 2019 to January 7, 2019. Due to the 2018 Asset Management Regulations, one of the Company's LPs in this transaction is required to withdraw its money and exit from the deal fund. The Company has secured replacement funds for the exiting LP, however, we are still waiting for Industrial Bank's decision on whether it will exercise the put option (under the relevant transaction documents, if Industrial Bank, being the single largest bondholder, exercises the put

option, the other bondholders will be deemed to have exercised their put option as well). In the event the put option is not exercised and BHR is successful in negotiating the same security package for its investors, the Company will continue to hold the US\$25 million of bonds and will continue to receive an annual fee of USD 2.4 million (out of the total US\$3.6 million instructing bondholder fee, US\$1.2 million of which is payable to BOC International).

WEST DAIRY

A Chinese entity completed the acquisition of 100% of an Australian dairy entity, Western Dairy (Brownes) at the end of 2017 through an offshore vehicle with offshore funding. Following the closing of the acquisition, the offshore vehicle transferred its equity in the target company to an onshore fund. BHR introduced China Aviation Trust as a preferred investor to the onshore fund, in return for which, BHR will receive an annual fee of RMB 4.05 million. The onshore structure has closed and BHR has received its first annual fee.

V. Blind Pool

The Company continues with its efforts to raise discretionary capital in 2018. We are reaching out to a wider range of potential investors including fund of funds and government guidance funds. Among several funds being raised by the Company, funding from government-funded or

cornerstone investors has been conditionally committed. However, raising funds from private capital remains challenging.

INTELLIGENT TRANSPORTATION FUND

Due to the challenges of overseas mergers and acquisitions, the Intelligent Transportation Fund has brought in the Guangdong provincial government platform company - Guangdong Hengjian Group, as a partner. The original partner Shenzhen Qianhai Financial will continue to act as the Fund's co-sponsor. The Fund will rely on the national-level promotion of “The Great Bay Area of Guangdong, Hong Kong, Macao” to develop investment opportunities and to carry out domestic and overseas mergers and acquisitions based on the needs of listed companies in Guangdong Province. The Shenzhen Municipal Government Guidance Fund has completed its due diligence of the Company and is considering providing RMB 500 million to the fund. The Company has also signed a strategic cooperation agreement with Guangdong Hengjian Group and specific funding matters are being negotiated.

ARM SEMICONDUCTOR INVESTMENT FUND

In order to seize the opportunity of semiconductor development, the Company and ARM China intend to set up an RMB 5 billion semiconductor investment fund in Shenzhen with an initial close of RMB 2 billion. Given the areas around chip manufacturing and sealing test in the

semiconductor industry (i) are relatively mature, (ii) have large investment scale, and (iii) have long period of investment returns, this semiconductor investment fund will mainly focus on domestic chip replacement, chip design and end user applications that can quickly achieve product launch and high valuation growth. The Company is currently discussing with ARM China to determine the final investment logic.

It is proposed that the shareholding of the management vehicle of the semiconductor fund will be allocated between the Company and ARM China (or its subsidiaries) 35.7%: 34.3%, with the remaining 30% reserved for the management team. At present, the Company has initially communicated with institutional investors such as CNIC, Guangdong Hengjian, and Bank of China, all of whom have expressed high interest.

PET FUND

BHR is launching a pet products and services fund together with China's largest listed designer and manufacturer of chew toys and pet food. The fund will mainly focus on M&A opportunities of high-quality enterprises in pet medical and pet food production and sales with the view of leveraging our co-sponsor's existing resources to scale its operations and to expand its portfolio of offerings through M&A activities. Our co-sponsor recently issued a public announcement regarding the launch of the Pet Fund, terms of the Fund include (i) seeking to raise RMB1 billion

targeting an initial close at RMB300 million, (ii) our co-sponsor, the listed company, will serve as the anchor LP and has committed to subscribe to no less than 30% of the total committed capital. The Company is focusing on preparing fundraising documents and seeks to achieve initial close by Q1 2019.

BIG DATA FUND

The Company plans to cooperate with the Shenzhen government's Innovation Branch and Longgang Financial Holding to establish an RMB 3 billion Big Data Industry Fund. Longgang Financial Holding and the Innovation Branch will contribute 20% and 10%, respectively, to the fund as cornerstone investors. The Company will need to raise the remaining 70%.

VI. Post-Investment Matters

SINOPEC MARKETING COMPANY (SMC)

For the year 2018, SMC maintained steady operations and achieved stable performance. Accumulated operating income for the first three quarters was RMB 1.0551 trillion, up 16.1% YOY; accumulated net profit was RMB 19.1 billion, up 0.47% YOY. After encountering certain obstacles in its share restructuring plan and listing application last year, SMC underwent a new asset valuation and reinitiated the share restructuring

work necessary to enable it to list its shares. Given the foregoing, it is expected that the listing will be delayed by at least one year compared with the previously expected timeline. The SMC Deal Fund has a term of 5 years, which means that after taking into account BHR's 6-month lock-up period, we will have 6 months to exit from this investment and liquidate our holdings. Although special approval has been obtained to allow for full transferability of all shares, the Company will nevertheless face the pressure of exiting in full and recouping LP's investment before the Fund's term reaches maturity.

Project Hanson - Henniges

For the first three quarters of 2018, Henniges achieved sales of USD 758 million, up 11.4% compared with USD 681 million in the same period last year. The North American market benefited from the increase in sales of medium and large passenger vehicles, and sales revenue grew rapidly, registering an increase of 13.7% YOY in the first three quarters; the Asian market benefited from the continuous improvement of operations in China, and sales revenue increased by 7.7% compared with same period last year; the European region also achieved a 7.4% YOY revenue growth. In terms of profitability, Henniges achieved EBITDA of USD 87.85 million in the first three quarters, a slight decrease of 1.21% from USD 89.93 million in the same period last year. EBITDA margin decreased by 1.6% to 11.6%

compared with 13.2% in the same period of last year. Net profit for the first three quarters is USD 17.71 million. The reasons for the decline in profit include rising raw material costs, European restructuring costs due to optimization of global factory layout, and other labor-related costs.

BHR Management and the project team have had repeated in-depth communications with AVIC Automotive and AVIC Group, emphasizing that some LPs, such as the Bank of China, are requesting an actionable exit plan for the deal fund, particularly in light of the 2018 Asset Management Regulations which impact all financial institution limited partners. Other investors such as CNIC are also facing tremendous exit pressure and demanding an exit plan. We will continue our communication with AVIC through various channels to achieve timely exit of the fund.

CATL

CATL listed on China's Growth Enterprise Board on June 11, 2018. As of December 18, 2018, its market capitalization is over RMB170 billion and share performance remains steady. In the first three quarters of 2018, CATL recorded total revenue of RMB 19.14 billion, an increase of 59.9% YOY, net profit of RMB 1.99 billion, an increase of 88.7% YOY. The Company's CATL Fund remains subject to the one-year lock-up period which will expire in June 2019.

Face ++

In September 2017, the Company invested US\$30,000,000 during series C2 of Face++'s fundraising at a post-money valuation of USD 1.42 billion. After Face++'s recent series D fundraising, the Company's shareholding has been diluted to 1.88%. We understand that Face++ is currently valued at USD 4 billion.

Tuniu

Tuniu's tourism performance continued to achieve rapid growth. For the first three quarters of 2018, Tuniu recorded revenue of RMB 1.77 billion and net accumulated loss of RMB 120 million. However, Tuniu was able to achieve a positive net profit for the third quarter of RMB 83 million, which is the second single-quarter profit since Q32017.

Watagan (subsidiary of Yancoal Australia)

From January to September 2018, Watagan's coal sales revenue was AUD 207 million (revenue was negatively affected by the temporary production suspension at the Astar mining area due to an explosion, but production has since resumed), EBITDA was negative AUD 38 million and loss before tax was AUD 204 million (including exchange losses of AUD72 million). It is projected that Watagan will record a net loss of AUD263 million for the full year. Watagan's shareholder, Yancoal Australia, already listed on the ASX, became a dual-listed company with its IPO on the Hong Kong Stock Exchange in December 2018.

WANDA

Wanda Commercial Real Estate failed to achieve listing on any of China's stock exchanges, in response, Wanda Group fulfilled its commitment to repurchase its shares from investors. The Company's two deal funds investing in the Wanda transaction have received our original investment plus repurchase interest in full and we are presently in the process of liquidating the two funds.

In 2018, the Chinese private equity industry has faced and will continue to face unprecedented challenges. The industry is being reshuffled and many will not survive the coming year. The Management of the Company is proposing to adjust our cross-border-centric strategy in light of market and other circumstances to (i) focus on earlier stage (growth stage) investment opportunities, in new and emerging technologies forming part of the New Economy, (ii) explore investment/acquisition opportunities of Chinese companies with growth potential but which are currently undervalued or suffering cashflow liquidity.

Business Plan for 2019

In response to the comments and suggestions put forward by the board of directors on the Company's Business Plan for 2019 that was initially circulated in the board meeting, the Management held a subsequent business seminar to conduct an in-depth analysis of the macroeconomic policy trends and the Company's business orientation and focus in 2019. The Management has reached a consensus on two specific work priorities: First, in 2019, the central bank and the China Banking Regulatory Commission will stimulate the growth of private enterprises (non-state-owned enterprises) and the real economy by injecting liquidity into market and increasing financing to private enterprises. The Company will take this favorable opportunity of liquidity injection to complete the fundraising of a Blind Pool fund. Second, the launch of the Sci-tech Innovation Board on the Shanghai Stock Exchange is a rare opportunity in the capital market. The Company will leverage its past experience in the new economy-related investments to pursue new opportunities in the investment targets that will be either listed or qualified to be listed on the Sci-tech Innovation Board.

I. A Focus on the Collaboration with COFCO Capital on the Buyout Fund Raising

The Management has assessed the success probabilities of the funds currently being raised and concluded that the buyout fund collaborated with COFCO Capital has the highest chance of success. First, investors

would generally favor investment managers with such state-owned background as COFCO Capital. Second, the market would highly recognize buyout deals backed by COFCO's strong industrial capacities along its industry value-chain. Third, the large proportion of COFCO Capital's capital contribution in the proposed fund enhances the confidence of other fund investors and thereby reduces the difficulty of fundraising. Therefore, the Company will focus on this fund in 2019 in pursuit of a successful fundraising.

As the world's leading food processing and manufacturing company with a fully-integrated value chain, COFCO has tremendous brand value and capacity for industry integration and synergy creation. COFCO Capital is a primary subsidiary of the COFCO Group and a specialized platform in managing and operating comprehensive and professional financial businesses.

The Company intends to cooperate with COFCO Capital to take advantage of the decline in market valuation and jointly raise an industrial buyout fund for investments within COFCO's business scope. The fund will follow the principle of independent decision-making and market-oriented operation, conduct buyout deals in the food industry, leverage COFCO's deep industrial background to carry out horizontal and vertical industrial integrations of the acquired companies to enhance corporate values, and ultimately achieve maximum investment returns for fund investors by

merging the acquired companies into the listed companies within the COFCO Group or initiating separate IPOs.

At present, the Company and COFCO Capital (the “Two Parties”) have reached an agreement on the cooperation framework of the fund, and COFCO Capital is currently submitting the Memorandum of Understanding to the COFCO Group for approval. According to the terms of the Memorandum of Understanding, the size of the fund is targeted at 10 billion RMB, with the first phase of fundraising at 3 billion RMB. As the cornerstone investor, COFCO Capital will commit to subscribe to no more than 50% of the total committed capital. The remaining funds will be raised from the market. At the same time, COFCO Capital expressed the expectation that the Bank of China, BHR’s shareholder, would subscribe for a portion of the fund to enhance the confidence of the market. The fund has a duration of 5 years, of which the investment period is 3 years and the exit period is 2 years. When the duration expires, the fund can be extended twice with a 1-year extension each time.

Given that COFCO Capital is a state-owned holding company and cannot directly act as the general partner of the fund, COFCO Capital requires the Two Parties to establish a joint venture company (the “Management Company”) to serve as the general partner and manager of the fund. Within the Management Company, COFCO Capital will hold 60% of the shares and BHR will hold 40% of the shares. If other investors in the market

intend to join the Management Company, the Two Parties will jointly agree on the shareholding ratio of each party in the Management Company, with the condition that COFCO Capital remains the single largest shareholder of the Management Company. The Management Company's board of directors is composed of members nominated by the shareholders. The management and operation team are formed by COFCO Capital and BHR. COFCO Capital requires the Management Company to set up compensation and incentive mechanisms in strict accordance with market-oriented principles, including compensation, welfare, bonus, employee co-investment mechanism and carried interest distribution to employees. COFCO Capital is also seeking managerial ownership in the Management Company, which is subject to approval from the COFCO Group.

The Two Parties have formed a working group, which has started the preparatory work of fundraising document preparation, potential investor contact, industry research, and deal screening while awaiting the approval from the COFCO Group. According to the tentative timetable, the working group strives to complete the fundraising and establishment work by the end of September.

II. Fundraising and Investment Regarding the Sci-tech Innovation Board

To seize the market opportunity arising from the launch of the Sci-tech Innovation Board and invest in the potential listed companies, the

Company plans to make investments by ways of deal fund and Blind Pool fund.

On the one hand, in accordance with the requirements of the board of directors, the Company will conduct in-depth study of the specific rules and policies of the Sci-tech Innovation Board listing, secure targets that may be among the first batch of companies to be listed on the board, and seek investment opportunities through various means such as establishing funds with securities companies. In the selection of investment targets, based on the understanding of the five major industries favored by the Sci-tech Innovation board and the previous industry research and the new economy-related deals, the Company has identified the key areas of investments, namely artificial intelligence, cloud computing, big data, the Internet of Things, robotics, new energy and new energy vehicle, precision medicine and genetic screening. At present, the Company has divided the work regarding deal sourcing in the above-mentioned key areas and started to explore cooperation with securities companies through various channels. On the other hand, in term of fundraising, the Company strives to raise a Blind Pool fund for investments in the companies that will be listed on the Sci-tech Innovation Board. At the same time, in order to seize early opportunities, the Company will make investments in the form of deal fund before the Blind Pool fundraising is completed.

In 2019, the Company will work closely around the aforementioned two priorities. In cross-border M&A and channel projects, considering the favorable condition of having CNIC as a ready-made investor of cross-border projects, the Company will adopt an opportunistic approach by seizing specific deal opportunities for cross-border investments in non-sensitive industries. Project feasibility should be assessed on a timely manner. If both the target and the acquirer are of high quality, the Company will then put resources into deal execution on the premise that regulatory approval would not be an issue. On the post-investment management front, the Company will, first, make a good preparation for the fund exit of the CATL project and secure desirable investment returns for the investors and the shareholders. Second, the Company will actively coordinate with AVIC to formulate an action plan on Henniges exit options.

During the business seminar, the Management formed the consensus on the updated business plan for 2019, and recognized the difficulties and challenging market conditions ahead. Under the guidance of the board of directors, the Management will focus on the aforementioned work priorities, make full use of the shareholders' resources, and ultimately take a concrete step forward in the Company's business transformation.

2018 Financial Reports and 2019 Annual Budget

Including the closing of West Dairy acquisition in 2018, the Company has delivered a total of 12 deal closings. The Company has accumulated assets under management of RMB 16.4 billion. Current assets under management account RMB 14.2 billion, of which RMB 6.7 billion are currently actively managed by BHR entities (others are channel businesses).

In 2018, the Company's collected management fees of RMB 68.01 million; incurred operating cost of RMB 65.62 million, including payroll expenses of RMB 28.91 million (fixed salary plus employee benefits, excluding bonuses), interest payment to Bank of China under Project Hanson of RMB19.80 million, and other operating cost of RMB 16.91 million. The Company can realize a net operating profit of RMB 2.36 million for 2018. For 2019, the total amount of management fee income on existing projects and CATL carry (with certain exit pricing and timing assumptions) is expected to total RMB 87.94 million, of which, (i) management fee income will be RMB 40.79 million (which does not take into account the instructing bondholder fee of US\$2.4 million which we have received from Project Yancoal for the past three years as we await confirmation on whether the bonds will be put back to the issuer, if the put option is not exercised, we will continue to collect the annual bondholder fee of US\$2.4 million); and (ii) CATL carried interest will be RMB 47.15 million

assuming shares will be sold at RMB 70/share and we are able to fully exit by the end of 2019.

The Company's 2019 operating cost is estimated to be RMB 62 million, reflecting a reduction of RMB 3.62 million from 2018, mainly consisting of (i) interest expenses of RMB 15 million payable to the Bank of China under Project Hanson (considering anticipated dividends, the estimated interest expense is slightly reduced compared with RMB 19.8 million of the previous year), (ii) payroll expenses RMB 27.37 (excluding bonuses), a decrease of RMB 1.54 million over the previous year, (iii) fundraising fees of RMB 5.31 million, and (iv) other operating costs of RMB 12.32 million. The Company is expected to achieve an operating profit of RMB 25.91 million for the year 2019.

PART I: 2018 Financial Reports

The Company's revenue and expense in 2018, as compared with the budget, breakdown is as follows:

2018 annual comparison of actual revenue and budget

	Unit: CNY '000			
	2018	2018		
	Actual	budget	difference	Note
Sinopec	2,407	2,400	7	
Hanson	28,100	29,120	- 1,020	Adjusted due to income recognition period
Tuniu	5,981	6,790	809	Reduction of management fee calculation base
CATL	1,717	1,720	3	
Wanda	2,154	2,310	-156	

Wenzhou Jidian	425	420	5	
Yancoal	16,728	16,140	588	Exchange rate fluctuation
Budapest Water	0	1,190	-1,190	Project suspended
China Reinsurance	0	230	-230	Waiver of management fees due to poor stock performance
Face++	748	2,050	-1,302	Adjusted due to income recognition period
Sinopec dividend	430	80	350	
West Dairy	2,229	0	2,229	new project
CMOC	6,289	9,430	-3,141	Adjusted due to income recognition period
Financial subsidy	800	0	800	
Income from new projects	0	30,000	-30,000	Income from new projects less than budgeted
Subtotal	68,008	101,880	-33,872	

2018 operating cost totals RMB 65.62 million, which is a decrease of RMB 19.02 million over the budgeted amount of RMB 84.64 million. The decrease is mainly due to (i) two employee departures resulting in a salary expense reduction of RMB 1.47 million; (ii) decrease in project development expenses of RMB 2.34 million; (iii) decrease in fundraising fees of RMB 5.57 million (expected to be paid in 2019).

The total operating cost of RMB 65.62 million consists of the following:

- (i) RMB 28.91 million of payroll expenses (including RMB 27.55 million in basic salary and RMB 1.36 million in employee benefits),
- (ii) RMB 19.80 million of interest expense to the Bank of China under Project Hanson,
- (iii) RMB 4.97 million of project development fees,
- (iv) RMB 4.18 million of administrative expenses,
- (v) RMB 2.36 million of legal and advisor fees,

- (vi) RMB 2 million of Co-GP management fee paid to CATL under Project Sinopec,
- (vii) RMB 990,000 of BOC Standby Letter fee for Project Yancoal,
- (viii) RMB 390,000 of interest expenses payable under the China Merchants Bank Facility and the loan made Xin Wang,
- (ix) RMB 360,000 of board expenses,
- (x) RMB 360,000 of venture partner expenses, and
- (xi) RMB1.30 million of asset amortization and other fees.

2018 annual comparison of actual expenditure and budget

	Unit: CNY '000			
	2018 Actual	2018 budget	difference	Note
1. Office & Admin Expense	4,180	5,400	-1,220	
2. Payroll Cost				
Basic Payroll and Staff Insurance	27,548	29,300	-1,752	5 resignations and 2 new hires
Staff welfare	1,360	1,080	280	
2018 Bonus	0	7,000	-7,000	
Total Payroll Cost	28,908	37,380	-8,472	
3. Depreciation and amortization	100	100		
4. Board & Committee Expenses	360	800	-440	
5. Software Expenses	1,200	1,200		
6. Project Development Expenses	4,970	8,000	-3,030	reduced business development costs due to less market activities and less cross-border project sourcing and execution expenses
7. Venture Partner Expense	360	1,200	-840	
8. Project Hanson Interest Expenses & Fundraising and Placement Expenses	22,790	28,360	-5,570	Mainly includes: (i) RMB 19.80 million of interest expense payable to Bank of

				China under Project Hanson, (ii) RMB 990,000 of BOC Standby Letter fee for Project Yancoal, (iii) RMB 2 million of Co-GP management fees payable to CATL under Project Sinopec (the remaining expected to be paid in 2019)
9. Other Expenses	2,750	2,200	550	
Audit Fees	400	400		
Income Expenses	390		390	New loans of RMB 8.95 million
Other Consulting Fees	1,960	1,800	160	DD Cost of RMB 450,000 for Xaircraft
Subtotal	65,618	84,640	-19,022	

In 2018, the Company achieved total revenue of RMB 68.01 million, incurred operating expenses of RMB 65.62 million. The Company should realize an operating profit of RMB 2.36 million. In order to solve the cash flow problem of interest payment under Project Hanson, the Company borrowed (i) RMB 4.95 million from China Merchants Bank with an annualized interest of 9% and (ii) RMB 4 million from Xin Wang, with an annualized interest of 8%. The cash balance at the end of 2018 is RMB 26.01 million.

PART II: 2019 Annual Budget

A. Notes to Expense Budget

Office and Administrative Expenses: According to the 2019 budget, the Company will maintain the existing office lease, total office and administrative expenses is slightly increased to RMB 4.56 million.

Payroll Expenses: According to the 2019 personnel planning, in view of the departure of two Managing Directors, the Company plans to hire 2 junior investment associates (Vice President level or below). The payroll expense will include fixed payroll expenses of RMB 26.15 million and employee benefits of RMB 1.22 million. The total payroll expenses will be RMB 27.37 million.

Project Development Expenses: project-related deal sourcing, due diligence, business development expenses for 2019 is budgeted at RMB 4.8 million, which is in line with the 2018 actual expenses.

Project Hanson Interest Expense: the Company expects to pay an interest of RMB 15 million in 2019 (estimated interest expense is lower compared with the previous year taking into account expected dividend payments which would offset the interest expense payable to the Bank of China).

Deal-Related Fundraising Agency/Referral Fees and other Prepayments: RMB 5.31 million prepayment to CATL, our Co-GP in Project Sinopec.

Expenses and fees for lawyers, auditors, consultants and SPV establishment and maintenance is RMB 1.6 million. The software fee is RMB 1.2 million. It is estimated that all loans will be returned in the middle of 2019, and the loan interest expenses will be RMB 540,000. The board of directors and committee costs is RMB 300,000.

2019 annual budget expenditure

Unit: CNY '000

1. Office & Admin Expense	
Office rental	3,600
Admin expense	960
Subtotal Office & Admin Expense	4,560
2. Payroll Cost	
Basic Payroll and Staff Insurance	26,150
Staff welfare	1,220
Subtotal Payroll Cost	27,370
3. Depreciation and amortization	100
4. Board & Committee Expense	300
5. Software Expense	1,200
6. Project Development Expense	4,800
7. Raising & Preparatory Expense	20,310
8. Other Expense	
Audit Fees	400
Other Consulting Fees	1,200
Interest Expenses	540
Other	1,220
Subtotal other Expense	3,360
Total Operating Expense	62,000

B. Notes to 2019 Income Budget

The total amount of management fee income for existing projects in 2019 is RMB 40.79 million, carry interest from CATL is estimated to be RMB 47.15 million (assuming full exit by end of 2019 at an average per share price of RMB 70), it is expected that total income for 2019 will amount to RMB 87.94 million. This does not include the instructing bondholder fee of US\$2.4 million otherwise collectible under Project Yancoal if the put option is not exercised thereunder.

2019 Annual Revenue Budget

Unit: CNY '000

Hanson	28,100
Tuniu	5,981
CATL	802
CATL Carry	47,147
Wenzhou Jidian	425
CMOC	3,145
Face++	748
West Dairy	1,592
Total	87,940

C. Forecast on 2019 Income Statement

The estimated total income for 2019 is RMB 87.94 million and the estimated operating expense is RMB 62 million, translating into an estimated net operating gain of RMB 25.91 million. It is projected that the Company will achieve a cumulative net distributable profit of RMB 25.95 million (after taxes and deduction for statutory reserves) in 2019.

D. Cash Flow Forecast

From the cash flow perspective, the 2019 beginning cash balance is RMB 26.01 million. The Company expects a total cash inflow of RMB 86.6 million consisting of (i) management fees of RMB 39.45 million, (ii) carry interest of RMB 47.15 million; and a total cash outflow of RMB 74.87 million. It is estimated that the Company's net cash inflow will be RMB 11.73 million as of the end of 2019 with an estimated ending cash balance of RMB 37.74 million.

2019 Annual Cash Flow Budget

Unit: CNY '000

Cash at the beginning of the period	26,013
Cash Income	
Management Fees	39,450
CATL Carry	47,150
Total Cash Income	86,600
Cash Out	
Sinopec Co-GP consultant fee & Fund Amortization	7,310
Interest under Project Hanson	15,000
Wanda Fund Fundraising / Placement Fees	206
Interest Expenses	540
VAT Tax	1,800
Payroll Cost	26,150
Staff benefits	1,220
Legal fees	600
Project Development Expenses	4,800
Office Rental & Property	3,600
Office & Admin Expenses	960
Audit Fees	400
Other Consulting Fees	600
Board & Committee Expenses	300
Software Expenses	1,200
Loans	8,950
Other Expenses	1,230
Total Cash Out	74,866
Net Cash Flow	11,734
Cash Balance	37,746

2019 Annual Cash Flow Budget

RMB' 000	Jan/19	Feb/19	Mar/19	Apr/19	May/19	Jun/19	Jul/19	Aug/19	Sep/19	Oct/19	Nov/19	Dec/19	Total 2019
Opening Balance	26,013	30,533	28,203	24,753	31,383	27,363	14,703	11,273	7,843	8,193	52,663	46,393	26,013
Cash Inflow													
Management Fee	8,270	900	-	10,000	-	450	-	-	19,080	47,900	-	-	86,600
-Sinopec	-	-	-	-	-	-	-	-	-	-	-	-	-
-Hanson	-	-	-	-	-	-	-	-	19,080	-	-	-	19,080
-Tuniu	-	-	-	-	-	-	-	-	-	-	-	-	-
-CATL	-	900	-	-	-	-	-	-	-	47,150	-	-	48,050
-Face++	-	-	-	-	-	-	-	-	-	750	-	-	750
-Wenzhou BOC	-	-	-	-	-	450	-	-	-	-	-	-	450
-Yan-coal	8,270	-	-	-	-	-	-	-	-	-	-	-	8,270
-China Moly TFM	-	-	-	10,000	-	-	-	-	-	-	-	-	10,000
-West Dairy	-	-	-	-	-	-	-	-	-	-	-	-	-
USD Remaining Registered Ca	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Cash Inflow	8,270	900	-	10,000	-	450	-	-	19,080	47,900	-	-	86,600
Cash Outflow													
Sinopec Fundraising Fee	-	-	-	-	-	-	-	-	-	-	2,840	4,470	7,310
Hanson Fundraising Fee	-	-	-	-	-	-	-	-	15,000	-	-	-	15,000
Wanda Fundraising Fee	-	-	-	-	-	-	-	-	-	-	-	206	206
Interest Expenses	-	-	110	-	-	430	-	-	-	-	-	-	540
VAT	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Staff Salary	2,100	2,100	2,150	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	2,200	26,150
Staff Benefits	-	-	60	-	660	-	-	-	-	-	-	500	1,220
Legal Fees	50	50	50	50	50	50	50	50	50	50	50	50	600
Project Sourcing Fees	400	400	400	400	400	400	400	400	400	400	400	400	4,800
Office Expenses	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Administrative Expenses	80	80	80	80	80	80	80	80	80	80	80	80	960
Audit Fee	-	-	-	-	-	400	-	-	-	-	-	-	400
Other Consulting Fees	50	50	50	50	50	50	50	50	50	50	50	50	600
BOD Related Expenses	-	-	-	-	-	-	-	-	300	-	-	-	300
Software Expenses	520	-	-	40	-	-	100	100	100	100	100	140	1,200
Other Expenses	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Loans	-	-	-	-	-	8,950	-	-	-	-	-	-	8,950
Income Tax	-	-	-	-	30	-	-	-	-	-	-	-	30
Total Cash Outflow	3,750	3,230	3,450	3,370	4,020	13,110	3,430	3,430	18,730	3,430	6,270	8,646	74,866
Net Cash Position	30,533	28,203	24,753	31,383	27,363	14,703	11,273	7,843	8,193	52,663	46,393	37,746	37,746

