

CHINA MATERIALIA FUND II L.P.

Q4 2018 REPORT

China Materialia LLC

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Dear Partners,

Happy New Year to all of you! Hope you all had a relaxing holiday break!

We started the new year closing new investment in Zenithnano, and follow-on investment in Crowntech and Skysys. We are looking forward to a productive 2019, hoping to make two to four new investments in the year, while putting more efforts into working with our existing portfolio companies in their strategic initiatives.

Below please find key highlights of the portfolio companies. In general, all portfolio companies are performing at or beating CM expectations.

Portfolio Companies:

Prismlab (3D printing equipment and material):

- ✓ Company is in the process of closing investments by BASF and SABIC. The investment by BASF and share-purchase by SABIC have been signed, and capital received in January 2019. BASF has started formal collaboration with Prismlab, in developing material for 3D-printing of shoes.
- ✓ Company has moved material production to Changzhou science park, and expecting full production in Feb 2019.
- ✓ There are 69 Prismlab machines at Angelalign at end of 2018, accounting for bulk of 2018 revenue, which was ~ 43 M RMB. There is also about 6 M RMB in government grant that has not been recognized as revenue yet on 2018 financial.
- ✓ Company also introduced a new machine for small-item printing for jewelry market.

Global Power Technologies (SiC power electronics):

- ✓ Company received 50 M of a new round of 80 M RMB at pre-money valuation of 450 M RMB. The fund raised in the current round will be used to leverage local government investment to build 6" fab line. The company is in discussion with a number of local governments. CM has introduced the company to Shanghai's semiconductor fund for the 6" line, and is working actively to help GPT to work with the Shanghai locality.
- ✓ Company booked 52.4 M RMB in product revenue for the year, and additional 10.6 M RMB in "other income" (government projects), of which diode is ~ 20 M RMB, ~ 20 M from systems, and ~ 12 M RMB from contract manufacturing services.
- ✓ Company is hoping to reach 80 M RMB in 2019 on the 4" line - ~ 30 M from IC discreets, ~ 30 M from modules and systems, and ~ 20 M from manufacturing services.
- ✓ The company is still testing its MOSFET product, sold 20,000 units of MOSFET in 2018.

Crowntech (Optical communication modules)

- ✓ Company closed the year with 51 M RMB in revenue in 2018, up 91% from 2017.
- ✓ Company won significant contract from Korean telecom, expecting to win 1/3 of Korean 5G market for the products. Currently company has more order than its production

capacity, and is looking to build new production facility in Changjiang Delta area.

- ✓ Company has signed investment agreements for the B round, raising 40 M RMB, at a pre-money valuation of 220 M RMB, up 46.7% from last round that CM lead. CM participates pro-rata in the new round, investing 4 M RMB. In addition, CM is purchasing 6 M RMB from an earlier investor at valuation of 176 M RMB (20% discount to current round valuation), bringing CM share in the company to ~ 12%. The transaction will close in Q1 2019.

Cambridge Touch Technologies (Ultra-touch sensor technology)

- ✓ CM identified and recommended a BD candidate to CTT who joined starting November. Company also hired a Taiwan-based person to work with touch module partner TPK. Both additions in Asia are important to help CTT to deepen Asia-based partnerships and customer relationships.
- ✓ The new China director has worked diligently to identify partners in the consumer electronics ecosystem, there is overwhelming interest from the largest display module makers and largest wearables. As a result, CTT is looking at opening at office inside CM office (incubator) and add engineering staff on the ground in China to develop Chinese partnerships.
- ✓ Thanks to intro by Li Li of BASF Venture, CM introduced CTT to BMW Garage in Shanghai, which showed strong interest. Will follow-up to discuss potential projects once the CTT shanghai office is established, which is required for the BMW project.
- ✓ Company is starting the fundraising for next round, planning to raise 6-8 million pounds. CTT is currently discussing with a China-based Puhua fund as potential lead.
- ✓ Budget remains on plan.

Skysys (Drone airport)

- ✓ Company has set up two office, one in Shanghai Lingang where company has its first commercial deployment of product and its main founding team, and one in Suzhou where company locates some commercial, and software development functions.
- ✓ Company has delivered four drone stations to Lingang, however has not booked full revenue yet in 2018. Company has ~ 1 M RMB in booked revenue and ~ 2.5 M RMB in delivered-but-unbooked revenue in 2018.
- ✓ Company has signed off on Pre-A round investment of 9 M RMB, at 91 M RMB pre-money valuation, 82% up-round from the angel round that CM leads. CM is investing 1 M RMB in the new round, and 0.9 M RMB in buying old shares.

In Q3 2018, CM extended term sheets to two companies:

SWHT – a Beijing based company with proprietary technology in irradiation cross-linking foaming of hard-to-foam materials, including PP and PLA. We decided to stop the transaction after being unable to be satisfied by the IP legal DD results.

Zennithnano – a Beijing based company with proprietary technology in nano-silver film that has the potential to replace ITO in flexible substrates. CM has closed this investment in January 2019, and will be reporting this portfolio company from the next Quarterly report.

Financial update:

CM Fund II has a write-up of GPT position as GPT raised additional financing at higher valuation. Fund's key financial matrix as of Dec 31 2018 is summarized below:

Portfolios	Date of Initial Investment	% ownership	Cost of Investment (RMB)	Realized Value (RMB)	Fair Value of Unrealized (RMB)	Multiple	Valuation Method
Prismlab	22-05-2017	6.00%	8,340,000	-	8,340,000 ¹	1 ¹	Cost
Global Power Technologies	27-12-2017		33,154,500	-	53,926,000	1.63	Recent Transaction
Cambridge Touch Technologies	24-05-2018	7.27%	7,876,776	-	7,876,776	1	Cost
Crowntech	04-06-2018	9.20%	13,800,000	-	13,800,000	1	Cost
Skysys	04-07-2018	20.00%	10,000,000	-	10,000,000	1	Cost
Total			73,171,276	-	93,942,776	1.28	

1: Note: CM doesn't write-up portfolio company valuation until the company executes financing documents and receives subsequent financing. Prismlab received signed investment agreements from BASF and SABIC venture capital. However, funding was not received until January 2019, Therefore, CM Fund II's share of Prismlab is kept at the investment cost as of Dec 31 2018, its current value is 22,088,992.

RMB Fund 2018-12-31:

Total commitment (RMB)	408,670,000
Capital called (RMB)	204,335,000
Capital received (RMB)	204,335,000
Distributed (RMB)	4,277,459
NAV (RMB)	200,913,432
DPI	0.02
TVPI	1.0042

Dollar Fund 2018-12-31:

Total commitment (Dollar)	5,050,000
Capital called (RMB)	1,515,000
Capital received (RMB)	1,515,000
Distributed (RMB)	0
NAV (RMB)	1,223,898
DPI	0
TVPI	0.8079

Q1 2019 Plan:

We are making investment into Zenithnano, which is closed as of January 31 2019. We do not have any other planned investment in Q1 2019.

We have engaged KPMG to conduct auditing of the fund, including portfolio valuation report, we expect to have the audited report to you by end of March 2019.

Please let us know if you have any question about the investment pipeline or Fund II operation. We thank you for your support.

China Materialia Partners

Portfolio Company: Prislalab

Company	Stage	Sector	Investment Date	Invested (RMB)	Realized Value (RMB)	Unrealized Value (RMB)	Fair Value (RMB)	Multiple	Gross IRR
Prislalab	Early stage	Advanced manufacturing	May 2017	8.34 M	0	8.34 M	8.34 M	1.0	-

Business description

- The company manufactures and sells photosensitive resin 3D printers and resin based on proprietary matrix scanning exposure technology.
- With its patent-protected matrix scanning exposure technology, Prislalab's production speed is 3-10 times that of traditional laser technology.

Investment Rational

- The 3D photosensitive resin printing market (machine and material) is up to 800 million RMB. Addressable market in the invisible dental brace mold is 30 million RMB with annual growth rate of up to 60%.
- Prislalab has a multi-year contract with Angelalign, which is China's largest manufacturer of invisible braces with 60% market share.

	RMB	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Financial Summary					
Revenue		14,108,929	12,132,420	11,397,779	6,242,888
Gross Profit		9,602,498	9,264,279	8,855,022	3,790,759
Operating Income		4,356,254	4,796,300	5,434,148	517,863
Gross Profit Margin		68.1%	76.4%	77.7%	60.7%
Operating Income Margin		30.9%	39.5%	47.7%	8.3%
Total Asset Value		84,046,347	60,793,673	62,896,235	53,934,259
Net Asset Value		61,154,747	57,309,045	58,788,089	50,979,879

Note: Total revenue for 2018 is RMB43.8 million. Compared with last year RMB25.5million, the revenue is higher 72.3%.

Quarterly Highlights

- In 2018, the Angelalign project has 69 3D Printers and prints 6 million dental models throughout the year.
- Prislalab's B-round of financing was closed and the investment funds 30 million RMB have been received.
- The company started the 3D printing sports shoes project and cooperated with BASF to develop materials.

CM's Value-add

- CM helps the company to establish a material production plant in Changzhou, and the Changzhou plant will begin production in February 2019.

Portfolio Company: Global Power Technology

Company	Type	Sector	Investment Date	Invested (RMB)	Realized Value (RMB)	Unrealized Value (RMB)	Fair Value (RMB)	Multiple	Gross IRR (%)
Global Power	Early stage	Semiconductor	Dec 2017&Jan& Oct 2018	33.15M	0	53.92 M	53.92 M	1.82	~ 138

Business description

- The company manufactures and sells SiC IC chip, modules and systems. Global Power is China's only SiC IC IDM company that has been shipping commercial products since 2015.

Investment Rational

- SiC power electronics industry will grow > 30%+ CAGR, and may reach inflection point in the next two-to-three-years
- China is one of the most important markets for SiC's end applications, such as EV and solar inverter. Customers have been increasing orders by ~ 30% a year for most customers. Positive customer reference
- Global Power products offer significant price-performance ratio compared to foreign branded products (e.g. Infineon)
- Strong government support for the sector and for Global Power Technologies

Financial Summary

RMB	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Revenue	26,818,176	12,071,585	8,472,782	5,060,328
Gross Profit	9,217,719	3,138,343	493,373	171,888
Net Income	1,822,781	628,135	-1,488,539	-2,627,691
Gross Profit Margin	34.4%	26%	5.8%	3.4%
Net Income Margin	6.8%	5.2%	-17.6%	-51.9%
Total Asset Value	218,972,352	199,264,700	160,078,282	161,368,958
Net Asset Value	185,458,247	136,556,359	135,928,225	127,416,764

Note: Total revenue for 2018 is RMB52.4 million. Compared with last year RMB33.5million, the revenue is higher 56.3%. In addition, the company recognized government subsidy as "other income" with RMB10.6 million in Q4 2018.

Quarterly Highlights

- New customer win: SiC module has been qualified by Nanrui Shipping.10M-15M contracted expected for 2019.
- 63M revenue achieved in whole year 2018 (excluding value-added-tax, including government subsidy, unaudited), in line with CM's forecast.
- 75-90M revenue targeted for 2019: 10-15M for shipping module, 15-20M for EV charging station, 15-20M for technical services, 35M for chip products.
- 20M additional financing was signed with Tuojin capital, a fund associated with China's largest air-conditioner maker Gree. Sample products have been sent to Gree for testing and qualification.

CM's Value-add

- CM helped the company to finalize employee stock incentive plan.

Portfolio Company: Cambridge Touch Technologies

Company	Type	Sector	Investment Date	Invested (RMB)	Realized Value (RMB)	Unrealized Value (RMB)	Fair Value (RMB)	Multiple	Gross IRR (%)
CTT	Early stage	3D Touch materials	May 2018	7.88 M	0	7.88 M	7.88M	1.0	-

- Business description**
- CTT uses a combination of proprietary DSP (digital signal processing) software, and a specialized Piezoelectric Force polymer Film, to combine touch and force in one sheet, thus greatly simplify the mobile display stack, eliminates additional force-processing IC chip, and thus deliver force touch functionality at much lower cost than current solution.
 - The solution works well for flexible OLED display which mostly is out-cell display structure.
- Investment Rational**
- 3D Touch (force touch) is a key feature in current and future mobile devices, including consumer, automotive and industrial touch screens.
 - JDA and NRE with customers and partners - working with top OLED display maker for demo at CES show in 2019 and commercialization in 2019. Other partners include top players in the value chain.
 - 6 granted patents and 40+ filed. IP protects the architecture of combing touch and force signals in one piezoelectric film.

Financial Summary	RMB	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Revenue		165,290	64,672	0	245,354
Gross Profit		-920,206	-588,099	-334,459	-387,748
Net Income		-5,983,238	-5,363,080	-6,232,314	-3,617,741
Gross Profit Margin		/	/	/	/
Net Income Margin		/	/	/	/
Total Asset Value		23,492,252	26,268,999	32,319,771	24,288,366
Net Asset Value		21,766,833	25,651,389	30,147,860	23,326,845

Rate:8.6762(GBP:RMB)

- Quarterly Highlights**
- Company attended SID 2018 conference with channel partners, seeing strong interests by end customers
 - The automotive application is moving along well with the third phase of demo
 - Company completed proof-of-concept demonstration with BOE for mobile phone applications.
- CM's Value-add**
- CM introduced CTT to BMW Garage
 - CM is hosting CTT local china office, and has offered support to the China team

Portfolio Company: Crowntech Photonics

Company	Type	Sector	Investment Date	Invested (RMB)	Realized Value (RMB)	Unrealized Value (RMB)	Fair Value (RMB)	Multiple	Gross IRR (%)
Crowntech	Early stage	Photonics	Jun 2018	13.8 M	0	13.8 M	13.8M	1.0	-

Business description

- Founded in 2013, Crowntech is a designer and manufacturer of passive fiber-optics components and integrated modules.
- Company's current main product is film-based connectors, splitters, etc. The product relies on optical design of hundreds of layers of nano-coatings. The design is sent to US coating house who makes core component according to the design, it is then shipped to China where workers package them into housing and do Q&A before sending to module makers.

Investment Rational

- Passive optical component market was at \$7 B world-wide in 2016, and forecasted to grow to \$22 B by 2020, with CAGR of 22% driven by 5G penetration and explosion in data and data centers. China accounts for ~ 25% of global market.
- Main technical advantages of Crowntech product over competitions are 1) smaller form factor - the Crowntech products can be 2/3 smaller than competitor's, which is valued by the industry, 2) low insertion loss, 3) wider operating temperature (-40 – 85C). These product attributes all result from innovative optical design. The Crowntech products are at same or slightly higher price than competition.
- Crowntech has won customer orders from abroad and domestically. Company's customers include Jabil, Prolab, etc.

	RMB	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Financial Summary					
Revenue		21,037,920	16,120,811	8,604,656	5,354,667
Gross Profit		6,753,311	6,345,505	2,793,249	2,378,618
Net Income		1,454,257	2,199,286	278,713	128,461
Gross Profit Margin		32.1%	39.4%	32.5%	44.4%
Net Income Margin		6.9%	13.6%	3.2%	2.4%
Total Asset Value		69,200,895	59,470,430	50,778,899	40,320,067
Net Asset Value		28,787,678	27,424,985	20,550,235	6,470,939

Note: Total revenue for 2018 is RMB51.12 million. Compared with last year RMB26.78million, the revenue is higher 91 %.

Quarterly Highlights

- Successfully entered the supply chain of South Korea's 5G market through the three major system integrators and became a qualified supplier.
- B round of financing has been started during 4Q. The amount of B round financing is RMB40 million, with 30 million from Weisi capital, 4 million from CM and 6 million from Lida Capital.

CM's Value-add

- CM introduced a person to Crowntech to help with negotiation with local governments for policy supports for the new manufacturing site.

Portfolio Company: Skysys

Company	Type	Sector	Investment Date	Invested (RMB)	Realized Value (RMB)	Unrealized Value (RMB)	Fair Value (RMB)	Multiple	Gross IRR (%)
Skysys	Early stage	Drone	July 2018	10 M	0	10M	10M	1.0	-

- Business description**
- Founded in July 2017, Skysys specializes in automatic drone operation airport system, which provides a complete set of middle-level software and hardware for automatic take-off, landing, flight, dispatch, charging and data acquisition for drones.
 - Shanghai company is product development center. Suzhou company is assembly base. Spare parts are outsourced. Skysys apply light asset operations.

- Investment Rational**
- We expect industrial use of drones to increase in the next five years, as applications in city management, field inspection and industrial inspection take off. As drones' use grow, drone charging stations will become a necessary part of infrastructure to allow automatic operation. It is the essential middle layer connection drones and applications.
 - Skysys uses contact charging mode for the automatic charging station. Compared to battery swapping or wireless charging, contact charging combines the benefits of faster charging (compared to wireless charging), versatility (compared to battery swapping) and lower cost (compared to battery swapping).

Financial Summary

RMB	2018 Q4	2018 Q3	2018 Q2	2018 Q1
Revenue	69,815	496,181	195,583	195,582
Gross Profit	69,815	496,181	195,583	195,582
Net Income	-2,635,806	-703,347	-549,343	-126,461
Gross Profit Margin	100%	100%	100%	100%
Net Income Margin	/	/	/	/
Total Asset Value	7,986,820	9,428,452	585,765	1,121,073
Net Asset Value	7,406,273	10,042,079	635,428	1,064,227

- Quarterly Highlights**
- Skysys is closing the new round investment by Light House capital, who is the first institutional investor of DJI. Post money valuation is 100 million, plan to raise 9 million.
 - Company has totally signed 9.5 million new contract in 2018.
 - Company is building production line in Nantong with 50 units capacity in Q1 2019 and 200 units in Q2 2019.

- CM's Value-add**
- CM helps company to build collaboration with British American Tobacco and follow up the Pre-A round investment led by Yuanzhan.

China Materialia Fund II. L.P. Q4 2018 report

Dec 31, 2018

BALANCE SHEET

China Materialia Fund II, L.P.(RMB Fund)

Statement of Assets, Liabilities, and Partners' Capital

Dec 31, 2018

[Expressed in RMB]

	As at 12/31/2018	As at 9/30/2018	As at 6/30/2018	As at 3/31/2018
	Unaudited	Unaudited	Unaudited	Unaudited
ASSETS				
Investment at Cost	73,171,276	63,903,676	53,903,676	32,226,900
Unrealized Gain/loss on Investment	20,771,500 ¹	19,613,100	5,113,200	5,113,200 ³
Investment at Fair Value	93,942,776	83,516,776	59,016,876	37,340,100
Other Financial Assets	107,031,823 ²	36,995,588	51,317,892	65,668,504
Total Assets	200,974,599	120,512,364	110,334,768	103,008,604
LIABILITIES and PARTNERS' CAPITAL				
Liabilities				
Accounts Payable	61,166	22,500	194,154	7,500
Notes Payable				
Total Liabilities	61,166	22,500	194,154	7,500
Partners' Capital				
General Partner	2,787,500	1,671,678	1,548,167	1,584,826
Limited Partners	198,125,932	118,818,186	108,592,447	101,416,278
Total Partners' Capital	200,913,432	120,489,864	110,140,614	103,001,104
Total Liabilities and Partners' Capital	200,974,599	120,512,364	110,334,768	103,008,604

Note 1: Global Power Technology has had a follow-up financing.

Note 2: Other financial assets include bank deposits and account receivable of RMB10,000,000 (20% capital installment of STVC which reached CM' s bank account on 3th Jan 2019)

Statement of Operations

China Materialia Fund II, L.P.(RMB Fund)

[Expressed in RMB]

	Period End, Unaudited 12/31/2018	Period End, Unaudited 9/30/2018	Period End, Unaudited 6/30/2018	Period End, Unaudited 3/31/2018
Income				
Portfolio Interest Income				
Portfolio Dividend Income				
Temporary Investment				
Proceeds	128,773	140,028	306,910	237,551
Other Interest Earned	24,847	22,582	1,854,596	459,123
Total Income	153,570	162,610	2,161,506	696,674
Expense				
Organizational Cost				
Management Fees, Net	2,622,402	2,554,188	3,904,188	6,600,125
Portfolio Investment Fees	10,000		50,000	
Account Custody Fees	7,500	7,500	7,500	7,500
Audit Expenses			4,000	
Meeting Expense	50,241			
Other Expense	473	650	1,713	673
Total expenses	2,595,436	2,562,338	3,967,401	6,608,298
Net Operating Income/ (Deficit)	(2,468,832)	(2,399,728)	(1,805,894)	(5,911,623)
Net Realized Gain/ (Loss) on Investments				
Net Change in Unrealized Gain/ (Loss) on Investments	1,158,400 ¹	14,499,900		5,113,200
Net Income/ (Decrease) in Partners' Capital Resulting from Operations	(1,310,432)	12,100,172	(1,805,894)	(798,423)

Note 1: Global Power Technology has had a follow-up financing in 4Q.

Statement of Cash Flows

China Materialia Fund II, L.P.(RMB Fund) [Expressed in RMB]

	Current Period End 12/31/2018	Current Period End 9/30/2018	Current Period End 6/30/2018	Current Period End 3/31/2018
Cash flow from Operating Activities				
Net increase/ (decrease) in partners' capital resulting from operations	(1,310,432)	12,100,172	(1,805,894)	(798,423)
Net unrealized (gain)/ loss on investments	(1,158,400)	(14,499,900)		(5,113,200)
Changes in operating assets and liabilities:				
Increase/ (decrease) in accounts payable and accrued expenses	143,693	(276,681)	186,654	(1,157,979)
(Increase)/ decrease in due from third party			5,200,110	
(Increase)/ decrease in due from investment				
Purchase of investment	(9,267,600)	(10,000,000)	(21,676,776)	(17,656,900)
Proceeds from sale of investments				
Net cash provided by/ (used in) operating activities	(11,592,739)	(12,676,409)	(18,095,906)	(24,726,502)
Cash flow from Financing Activities				
Capital contributions	71,734,000		10,800,000	36,000,000
Distributions				
Increase/ (decrease) in due to limited partners		(1,750,921)	(1,854,596)	(671,942)
Increase/ (decrease) in due from limited partners				
Net cash used in financing activities	71,734,000	(1,750,921)	8,945,404	35,328,058
Net increase/ (decrease) in cash and cash equivalents	60,141,261	(14,427,330)	(9,150,502)	10,601,556
Cash and cash equivalents, beginning of period	36,890,562	51,317,892	60,468,395	49,866,840
Cash and cash equivalents, end of period	97,031,823	36,890,562	51,317,892	60,468,395

BALANCE SHEET

China Materialia Fund II, L.P.(Samsung USD Fund)
 Dec 31, 2018
 [Expressed in USD]

	As at 12/31/2018 Unaudited	As at 12/31/2017 Unaudited
ASSETS		
Investment at Cost	108,432.25 ²	
Unrealized Gain/loss on Investment		
Investment at Fair Value	108,432.25	
Other Financial Assets	1,208,509.99	1,441,121.73
Total Assets	1,316,942.24	1,441,121.73
LIABILITIES and PARTNERS' CAPITAL		
Liabilities		
Accounts Payable	93,044.52 ¹	93,044.52
Notes Payable		
Total Liabilities		
Partners' Capital		
General Partner	12,117.80	13,347.30
Limited Partners	1,211,779.92	1,334,729.91
Total Partners' Capital	1,223,897.72	1,348,077.21
Total Liabilities and Partners' Capital	1,316,942.24	1,441,121.73

Note1: Extra management fee is USD 94,044.52 that is from 2016/10/1 to 2017/6/26.

Note2: Cambridge Touch Technologies Ltd with original investment amount GBP 79,994.28.

Statement of Operations

China Materialia Fund II, L.P.(Samsung USD Fund)

[Expressed in USD]

	Period End, Unaudited 12/31/2018	Period End, Unaudited 9/30/2018	Period End, Unaudited 6/30/2018	Period End, Unaudited 3/31/2018
Income				
Portfolio Interest Income				
Portfolio Dividend Income				
Temporary Investment Proceeds	140.17	4,331.59	71.37	5,417.05
Other Interest Earned				
Total Income	140.17	4,331.59	71.37	5,417.05
Expense				
Organizational Cost				
Management Fees, Net	31,562.50	31,562.50	31,562.50	31,562.50
Portfolio Investment Fees				
Account Custody Fees				
Audit Expenses				
Meeting Expense				
Other Expense	5,855	1,895	139.67	0
Total expenses	37,417.50	33,457.50	31,702.17	31,562.50
Net Operating Income/ (Deficit)	(37,277.33)	(29,125.91)	(31,630.80)	(26,145.45)
Net Realized Gain/ (Loss) on Investments				
Net Change in Unrealized Gain/ (Loss) on Investments				
Net Income/ (Decrease) in Partners'				
Capital Resulting from Operations	(37,277.33)	(29,125.91)	(31,630.80)	(26,145.45)

Statement of Cash Flows

China Materialia Fund II, L.P.(Samsung USD Fund) [Expressed in USD]

	Current Period End 12/31/2018	Current Period End 9/30/2018	Prior Period End 6/30/2018	Prior Period End 3/31/2018
Cash flow from Operating Activities				
Net increase/ (decrease) in partners' capital resulting from operations	(37,277.33)	(29,125.91)	(31,630.80)	(26,145.45)
Net realized (gain)/ loss on investments				
Changes in operating assets and liabilities:				
Increase/ (decrease) in accounts payable and accrued expenses				
(Increase)/ decrease in due from third party				
(Increase)/ decrease in due from investment				
Purchase of investment			(108,432.25)	
Proceeds from sale of investments				
Net cash provided by/ (used in) operating activities	(37,277.33)	(29,125.91)	(140,063.05)	(26,145.45)
Cash flow from Financing Activities				
Capital contributions				
Distributions				
Increase/ (decrease) in due to limited partners				
Increase/ (decrease) in due from limited partners				
Net cash used in financing activities				
Net increase/ (decrease) in cash and cash equivalents	(37,277.33)	(29,125.91)	(140,063.05)	(26,145.45)
Cash and cash equivalents, beginning of period	1,245,787.32	1,274,913.23	1,414,976.28	1,441,121.73
Cash and cash equivalents, end of period	1,208,509.99	1,245,787.32	1,274,913.23	1,414,976.28

Statement of Partners' Equity

China Materialia Fund II, L.P. (RMB Fund)
[Expressed in RMB]

Partners' Equity Balance		Beginning NAV, Sep 30,2018 (unaudited) *	Net Operating Income of 4Q 2018	2 nd Capital Injection	Ending NAV, Sep 30,2018 (unaudited)
Limited Partners	GE Venture	15,036,532	-163,536	10,200,000	25,072,997
	STVC Group	14,741,693	-160,329	10,000,000 ¹	24,581,364
	Levson	8,845,040	-96,198	6,000,000	14,748,842
	SABIC Venture	8,845,040	-96,198	6,000,000	14,748,842
	上海宝山城投	5,896,653	-64,131	4,000,000	9,832,523
	上海宝山园区	5,896,653	-64,131	4,000,000	9,832,523
	天津润丰	2,948,387	-32,067	2,000,000	4,916,319
	BASF	10,614,072	-115,438	7,200,000	17,698,635
	BAT	20,638,348	-224,461	14,000,000	34,413,887
	临港	14,741,694	-160,329	10,000,000	24,581,365
	Henkel	10,614,072	-115,437	7,200,000	17,698,635
General Partner	China Materialia (遼问创投)	1,671,680	-18,178	1,134,000	2,787,500
China Materialia Fund II, L.P.		120,489,864	-1,310,431	81,734,000	200,913,432

Note1: The capital was actually received on 3 Jan 2019. Adjustment after the period was done to reflect the actual capital contribution.

China Materialia Fund II, L.P. (Samsung USD Fund)
[Expressed in USD]

Partners' Equity Balance		Beginning NAV, Sep 30,2018 (unaudited)	Net Operating Income	Ending NAV, Dec 31,2018 (unaudited)
Limited Partners	SVIC NO. New Technology Business Investment L.L.P.	1,248,688	-36,908	1,211,780
General Partner	CM Partners	12,487	-369	12,118
China Materialia Fund II, L.P.		1,290,301	-37,277	1,223,898

China Materialia Fund II, L.P.

NOTES TO FINANCIAL STATEMENTS

Dec 31, 2018

I. DESCRIPTION OF BUSINESS

China

a Materialia Venture Capital Fund II, L.P. [“China Materialia” or the “Fund”] is a limited partnership formed under the laws of the Partnership Law of the People’s Republic of China (which was amended and adopted at the 23rd session of the Standing Committee of the 10th National People’s Congress of the People’s Republic of China on August 27th, 2006 and came into force on June 1st, 2007) and any subsequent amendments thereto. The Fund focused primarily on advanced materials and advanced manufacturing investment opportunities.

China Materialia II LLC [the “General Partner”] act as general partner for the Fund and the manager [the “Manager”], which has registered as a private investment fund manager with the Asset Management Association of China (the “AMAC”) before conducting any fundraising activities. The registration number of the Manager is P1002269.

The Fund was established for an initial term of 8 years from Sep 30th, 2016 to Sep 29th, 2024, and can be extended for up to two additional one-year periods by special resolution of the Limited Partners.

II. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with accounting principles generally accepted in the **United States of America (“GAAP”)**. The significant accounting policies are summarized below:

a) Basis of financial statement presentation

The accompanying financial statements reflect only the financial information of the Fund. The financial statements do not include other assets, liabilities, revenues or expenses of the individual limited partners, nor any provision for income taxes payable on the operations of the Fund.

b) Functional currency

RMB Fund financial statements are presented in Chinese RMB yuan, Samsung USD Fund financial statements are presented in USD Yuan, which is the Fund’s functional currency.

c) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. The amounts reported for the carrying value of investments and any provisions for impairment of these investments are based on management's estimates of the value of the investments at the reporting date. China Materialia adopts the International Private Equity and Venture Capital Valuation Guidelines. Whenever in doubt, China Materialia will adopt a more conservative valuation method.

By their nature these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future years could be significant. Actual results could differ from those estimates.

d) Foreign currency translation

Monetary items are translated at the rates in effect at the balance sheet date and non-monetary items are translated at the rates prevailing at the respective transaction dates. Exchange gains and losses arising on foreign currency translation are included in the determination of net income (loss) for the year.

e) Investments

Investments are initially recorded at cost, and are valued at their estimated fair market value at each subsequent reporting period following International Private Equity and Venture Capital Valuation Guidelines (IPEV Edition December 2015). The valuation process is subjective and involves inherent uncertainties; therefore values subsequently realized may differ from carrying values.

Transaction costs related to the acquisition and disposition of investments are expensed in the period incurred.

III. MANAGEMENT FEES

Management fees are payable to the Manager quarterly on February 14th, May 14th, August 14th and November 14th of each year, at an aggregate amount equal to 2.5% per annum of the committed capital during the investment period then reduced by 0.25% each year thereafter (in no case shall the annual rate be less than 1.5%) until termination of the term of the Partnership.

IV. CAPITAL CONTRIBUTIONS

China Materialia Fund II L.P. has a target of 450 million RMB. As at Dec 31th, 2018, RMB Fund has total committed capital of 408.67 million RMB. Capital contributions as at Dec 31th, 2018 are as follows:

	Committed capital received (RMB)	Committed capital due, not yet received (RMB)	Committed capital not yet due (RMB)	Total committed capital(RMB)
Balance Sep 30, 2016	0		0	0
Capital commitment during the period of Sep 30,2016 – Dec 31, 2018	204,335,000		204,335,000	408,670,000
Balance Dec 31th, 2018	204,335,000		204,335,000	408,670,000

As at Dec 31th, 2018, Samsung USD Fund has total committed capital of USD 5,050,000. Capital contributions as at Dec 31th, 2018 are as follows:

	Committed capital received (USD)	Committed capital not yet due (USD)	Total committed capital (USD)
Balance Jun 30, 2017			
Capital commitment during the period of Jun 30,2017 – Sep 30, 2017		5,050,000	5,050,000
Paid-in Capital as at Dec 31 th , 2018	1,515,000	-1,515,000	
Balance Dec 31th, 2018	1,515,000	3,535,000	5,050,000

China Materialia Fund II. L.P. Partners' Capital Account Statement Q4 2018 report

Dec 31, 2018

<i>China Materialia Fund II, L.L.P.</i>	QTD (Oct.1- Dec-31)
A. Capital Account Statement for LPs	GE Venture
<i>A.1 NAV Reconciliation and Summary of Fees, Expenses & Incentive Allocation</i>	
Beginning NAV	15,036,532
Contributions - Cash & Non-Cash	10,200,000
Distributions - Cash & Non-Cash	
Total Cash / Non-Cash Flows	10,200,000
Operating Income (Expense):	
Investment Proceeds	144,563
Portfolio Dividend Income	
Temporary Investment Proceeds	16,064
Interest Income	3,101
Other Income	
(Management Fees)	(318,750)
(Organizational Cost)	
(Portfolio Investment Fees)	(1,248)
(Account Custody Fees)	(936)
(Audit Expense)	
(Meeting Expense)	(6,270)
(Other Expense)	(59)
Net Operating Income	(163,536)
Ending NAV	25,072,997
Accumulated Distributions	823,970

<i>A.2 Commitment Reconciliation:</i>	
Total Commitment	¥51,000,000
Beginning Unfunded Commitment	¥35,700,000
(Less Contributions)	(¥10,200,000)
Plus Recallable Distributions	
Ending Unfunded Commitment	¥25,500,000

<i>China Materialia Fund II, L.L.P.</i>	QTD (Oct.1- Dec-31)
A. Capital Account Statement for LPs	SABIC Venture
<i>A.1 NAV Reconciliation and Summary of Fees, Expenses & Incentive Allocation</i>	
Beginning NAV	8,845,040
Contributions - Cash & Non-Cash	6,000,000
Distributions - Cash & Non-Cash	
Total Cash / Non-Cash Flows	6,000,000
Operating Income (Expense):	
Investment Proceeds	85,037
Portfolio Dividend Income	
Temporary Investment Proceeds	9,449
Interest Income	1,824
Other Income	
(Management Fees)	(187,500)
(Organizational Cost)	
(Portfolio Investment Fees)	(734)
(Account Custody Fees)	(551)
(Audit Expense)	
(Meeting Expense)	(3,688)
(Other Expense)	(35)
Net Operating Income	(96,198)
Ending NAV	14,748,842
Accumulated Distributions	484,670

<i>A.2 Commitment Reconciliation:</i>	
Total Commitment	¥30,000,000
Beginning Unfunded Commitment	¥21,000,000
(Less Contributions)	(¥6,000,000)
Plus Recallable Distributions	
Ending Unfunded Commitment	¥15,000,000

<i>上海遯问乙期创业投资合伙企业(有限合伙)</i>	QTD (Oct.1- Dec-31)
A. 合伙人权益报表	上海创业投资有限公司
<i>A.1 净资产核对及各科目总结</i>	
期初净资产	14,741,693
缴纳 (含非现金)	10,000,000
分配 (含非现金)	
净资本流入	10,000,000
营业收入(费用):	
投资收入	141,728
股息收益	
临时投资收入	15,749
利息收入	3,040
其他收入	
(管理费)	(312,500)
(开办费)	
(投资项目费用)	(1,223)
(银行托管费)	(918)
(审计费用)	
(会议费用)	(6,147)
(其他支出)	(58)
净营业收入	(160,329)
期末净资产 (不含累积收益分配)	24,581,364
累计分配	635,146

<i>A.2 认缴核对</i>	
总承诺额	¥50,000,000
期初待认缴额	¥35,000,000
已认缴	¥10,000,000
召回额度	
期末待认缴额	¥25,000,000

上海遛问乙期创业投资合伙企业(有限合伙)	QTD (Oct.1- Dec-31)
A. 合伙人权益报表	利物盛企业集团
A.1 净资产核对及各科目总结	
期初净资产	8,845,040
缴纳 (含非现金)	6,000,000
分配 (含非现金)	
净资本流入	6,000,000
营业收入(费用):	
投资收入	85,037
股息收益	
临时投资收入	9,449
利息收入	1,824
其他收入	
(管理费)	(187,500)
(开办费)	
(投资项目费用)	(734)
(银行托管费)	(551)
(审计费用)	
(会议费用)	(3,688)
(其他支出)	(35)
净营业收入	(96,198)
期末净资产 (不含累积收益分配)	14,748,842
累计分配	484,670

A.2 认缴核对	
总承诺额	¥30,000,000
期初待认缴额	¥21,000,000
已认缴	(¥6,000,000)
召回额度	
期末待认缴额	¥15,000,000

	QTD (Oct.1- Dec-31)
上海遼问乙期创业投资合伙企业(有限合伙)	
A. 合伙人权益报表	上海宝山城投
A.1 净资产核对及各科目总结	
期初净资产	5,896,653
缴纳 (含非现金)	4,000,000
分配 (含非现金)	
净资本流入	4,000,000
营业收入(费用):	
投资收入	56,691
股息收益	
临时投资收入	6,300
利息收入	1,216
其他收入	
(管理费)	(124,999)
(开办费)	
(投资项目费用)	(489)
(银行托管费)	(367)
(审计费用)	
(会议费用)	(2,459)
(其他支出)	(23)
净营业收入	(64,131)
期末净资产 (不含累积收益分配)	9,832,523
累计分配	323,148

A.2 认缴核对	
总承诺额	¥20,000,000
期初待认缴额	¥14,000,000
已认缴	(¥4,000,000)
召回额度	
期末待认缴额	¥10,000,000

<i>上海遼问乙期创业投资合伙企业(有限合伙)</i>	QTD (Oct.1- Dec-31)
A. 合伙人权益报表	上海宝山园区开发
A.1 净资产核对及各科目总结	
期初净资产	5,896,653
缴纳 (含非现金)	4,000,000
分配 (含非现金)	
净资本流入	4,000,000
营业收入(费用):	
投资收入	56,691
股息收益	
临时投资收入	6,300
利息收入	1,216
其他收入	
(管理费)	(124,999)
(开办费)	
(投资项目费用)	(489)
(银行托管费)	(367)
(审计费用)	
(会议费用)	(2,459)
(其他支出)	(23)
净营业收入	(64,131)
期末净资产 (不含累积收益分配)	9,832,523
累计分配	323,148

A.2 认缴核对	
总承诺额	¥20,000,000
期初待认缴额	¥14,000,000
已认缴	(¥4,000,000)
召回额度	
期末待认缴额	¥10,000,000

<i>上海遼问乙期创业投资合伙企业(有限合伙)</i>	QTD (Oct.1- Dec-31)
A. 合伙人权益报表	天津润丰
<i>A.1 净资产核对及各科目总结</i>	
期初净资产	2,948,387
缴纳 (含非现金)	2,000,000
分配 (含非现金)	
净资本流入	2,000,000
营业收入(费用):	
投资收入	28,346
股息收益	
临时投资收入	3,150
利息收入	608
其他收入	
(管理费)	(62,501)
(开办费)	
(投资项目费用)	(245)
(银行托管费)	(184)
(审计费用)	
(会议费用)	(1,229)
(其他支出)	(12)
净营业收入	(32,067)
期末净资产 (不含累积收益分配)	4,916,319
累计分配	161,521

<i>A.2 认缴核对</i>	
总承诺额	¥10,000,000
期初待认缴额	¥7,000,000
已认缴	(¥2,000,000)
召回额度	
期末待认缴额	¥5,000,000

China Materialia Fund II, L.L.P.	QTD (Oct.1- Dec-31)
A. Capital Account Statement for LPs	BASF
<i>A.1 NAV Reconciliation and Summary of Fees, Expenses & Incentive Allocation</i>	
Beginning NAV	10,614,072
Contributions - Cash & Non-Cash	7,200,000
Distributions - Cash & Non-Cash	
Total Cash/Non-Cash Flows	7,200,000
Operating Income (Expense):	
Investment Proceeds	102,045
Portfolio Dividend Income	
Temporary Investment Proceeds	11,339
Interest Income	2,189
Other Income	
(Management Fees)	(225,001)
(Organizational Cost)	
(Portfolio Investment Fees)	(881)
(Account Custody Fees)	(661)
(Audit Expense)	
(Meeting Expense)	(4,426)
(Other Expense)	(42)
Net Operating Income	(115,438)
Ending NAV	17,698,635
Accumulated Distributions	243,994

<i>A.2 Commitment Reconciliation:</i>	
Total Commitment	¥36,000,000
Beginning Unfunded Commitment	¥25,200,000
(Less Contributions)	(7,200,000)
Plus Recallable Distributions	
Ending Unfunded Commitment	¥18,000,000

China Materialia Fund II, L.L.P.	QTD (Oct.1- Dec-31)
A. Capital Account Statement for LPs	BAT
<i>A.1 NAV Reconciliation and Summary of Fees, Expenses & Incentive Allocation</i>	
Beginning NAV	20,638,348
Contributions - Cash & Non-Cash	
Distributions - Cash & Non-Cash	14,000,000
Total Cash / Non-Cash Flows	14,000,000
Operating Income (Expense):	
Investment Proceeds	198,419
Portfolio Dividend Income	
Temporary Investment Proceeds	22,049
Interest Income	4,256
Other Income	
(Management Fees)	(437,499)
(Organizational Cost)	
(Portfolio Investment Fees)	(1,713)
(Account Custody Fees)	(1,285)
(Audit Expense)	
(Meeting Expense)	(8,606)
(Other Expense)	(81)
Net Operating Income	(224,461)
Ending NAV	34,413,887
Accumulated Distributions	414,520
<i>A.2 Commitment Reconciliation:</i>	
Total Commitment	¥70,000,000
Beginning Unfunded Commitment	¥49,000,000
(Less Contributions)	(14,000,000)
Plus Recallable Distributions	
Ending Unfunded Commitment	¥35,000,000

	QTD (Oct.1- Dec-31)
上海遯问乙期创业投资合伙企业(有限合伙)	
A. 合伙人权益报表	临港
A.1 净资产核对及各科目总结	
期初净资产	14,741,694
缴纳 (含非现金)	10,000,000
分配 (含非现金)	
净资本流入	10,000,000
营业收入(费用):	
投资收入	141,728
股息收益	
临时投资收入	15,749
利息收入	3,040
其他收入	
(管理费)	(312,500)
(开办费)	
(投资项目费用)	(1,223)
(银行托管费)	(918)
(审计费用)	
(会议费用)	(6,147)
(其他支出)	(58)
净营业收入	(160,329)
期末净资产 (不含累积收益分配)	24,581,365
累计分配	290,277

A.2 认缴核对	
总承诺额	¥50,000,000
期初待认缴额	¥35,000,000
已认缴	(10,000,000)
召回额度	
期末待认缴额	¥25,000,000

China Materialia Fund II, L.L.P.	QTD (Oct.1- Dec-31)
A. Capital Account Statement for LPs	Henkel
<i>A.1 NAV Reconciliation and Summary of Fees, Expenses & Incentive Allocation</i>	
Beginning NAV	10,614,072
Contributions - Cash & Non-Cash	7,200,000
Distributions - Cash & Non-Cash	
Total Cash / Non-Cash Flows	7,200,000
Operating Income (Expense):	
Investment Proceeds	102,045
Portfolio Dividend Income	
Temporary Investment Proceeds	11,339
Interest Income	2,189
Other Income	
(Management Fees)	(225,001)
(Organizational Cost)	
(Portfolio Investment Fees)	(881)
(Account Custody Fees)	(661)
(Audit Expense)	
(Meeting Expense)	(4,426)
(Other Expense)	(42)
Net Operating Income	(115,437)
Ending NAV	17,698,635
Accumulated Distributions	761

<i>A.2 Commitment Reconciliation:</i>	
Total Commitment	¥36,000,000
Beginning Unfunded Commitment	¥25,200,000
(Less Contributions)	(¥7,200,000)
Plus Recallable Distributions	
Ending Unfunded Commitment	¥18,000,000