CHINA MERCHANTS CHINA DIRECT INVESTMENTS LIMITED

招商局中國基金有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 133)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Board of Directors (the "**Board**") of China Merchants China Direct Investments Limited (the "**Company**") announces that the consolidated results for the year ended 31 December 2016 of the Company and its subsidiaries (the "**Group**") together with the 2015 comparative figures, extracted from the audited consolidated financial statements, are as follows:-

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

	2016	2015
	US$	*US$*
Net (loss) gain on financial assets designated at fair value through profit or loss	**(35,548,107)**	31,492,599
Investment income *(Note 3)*	**25,999,558**	40,939,324
Other gains	**293,565**	296,373
Administrative expenses	**(12,484,394)**	(14,477,030)
(Loss) profit before taxation	**(21,739,378)**	58,251,266
Taxation *(Note 5)*	**6,141,714**	(12,012,654)
(Loss) profit for the year	**(15,597,664)**	46,238,612
Other comprehensive expense for the year, net of tax		
Item that will not be reclassified subsequently to profit or loss		
Exchange difference arising on translation	**(35,564,437)**	(37,329,326)
Total comprehensive (expense) income for the year	**(51,162,101)**	8,909,286
(Loss) profit for the year attributable to owners of the Company	**(15,597,664)**	46,238,612
Total comprehensive (expense) income for the year attributable to owners of the Company	**(51,162,101)**	8,909,286
Basic and diluted (loss) earnings per share *(Note 6)*	**(0.102)**	0.304

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2016

	2016	2015
	US$	*US$*
Non-current asset		
Financial assets designated at fair value through profit or loss	**346,707,928**	368,023,740
Current assets		
Financial assets designated at fair value through profit or loss	**295,938,706**	345,611,290
Other receivables	**7,683,014**	12,714,768
Bank balances and cash	**37,491,601**	53,916,743
	341,113,321	412,242,801
Current liabilities		
Other payables	**27,405,955**	29,601,603
Taxation payable	**15,921,476**	3,894,363
	43,327,431	33,495,966
Net current assets	**297,785,890**	378,746,835
Total assets less current liabilities	**644,493,818**	746,770,575
Non-current liabilities		
Financial liabilities designated at fair value through profit or loss	**1,221,641**	1,376,377
Deferred taxation	**81,956,732**	110,066,700
	83,178,373	111,443,077
Net assets	**561,315,445**	635,327,498
Capital and reserves		
Share capital	**139,348,785**	139,348,785
Reserves	**63,190,578**	97,622,992
Retained profits	**358,776,082**	398,355,721
Equity attributable to owners of the Company	**561,315,445**	635,327,498
Net asset value per share *(Note 7)*	**3.685**	4.171

Notes:

1. BASIS OF PRESENTATION

The consolidated financial information has been reviewed by the Company's Audit Committee.

The consolidated financial information has been prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). In addition, the consolidated financial information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial information has been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The financial information relating to the years ended 31 December 2016 and 2015 included in this preliminary announcement of annual results for 2016 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies of Hong Kong as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2016 in due course.

The Group's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year that are relevant to the business operation of the Group:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on disclosures set out in this consolidated financial information.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transaction[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2017.

The management anticipates that the application of these new and amendments to HKFRSs will have no material impact on amounts reported in the Group's consolidated financial information.

3. INVESTMENT INCOME

Investment income represents the income received and receivable on investments during the year as follows:

	2016	2015
	US$	*US$*
Interest income on bank deposits	**360,186**	2,151,955
Dividend income on financial assets designated at fair value through profit or loss ("**FVTPL**")		
Listed equity investments	**12,727,717**	11,956,398
Unlisted equity investments	**12,911,655**	26,830,971
	25,639,372	38,787,369
Total	**25,999,558**	40,939,324

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

	2016	2015
	US$	*US$*
Interest income for financial assets not designated at FVTPL	**360,186**	2,151,955
Investment income earned on financial assets designated at FVTPL	**25,639,372**	38,787,369
Total	**25,999,558**	40,939,324

4. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the executive management for the purposes of resources allocation and performance assessment (since the size of investments in agriculture and education activities is not significant, these investments are aggregated and reported as "Others"), are as follows:

(a) Financial services: investees engaged in financial services activities.
(b) Culture, media and consumption: investees engaged in culture, media and consumption activities.
(c) Manufacturing: investees engaged in manufacturing of products activities.
(d) Energy and resources: investees engaged in energy and resources activities.
(e) Information technology: investees engaged in information technology activities.
(f) Medical and pharmaceutical: investees engaged in medical and pharmaceutical activities.
(g) Others: investees engaged in agriculture and education activities.

Information regarding the above segments is reported below and comparative figures have been restated to conform to the current year's presentation:

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

For the year ended 31 December 2016

	Financial services *US$*	Culture, media and consumption *US$*	Manufacturing *US$*	Energy and resources *US$*	Information technology *US$*	Medical and pharmaceutical *US$*	Others *US$*	Total *US$*
Net (loss) gain on financial assets designated at FVTPL	**(10,232,995)**	**(10,029,567)**	**4,889,561**	**(2,886,394)**	**(1,505,102)**	**(15,785,115)**	**1,505**	**(35,548,107)**
Dividend income on financial assets designated at FVTPL	**12,515,296**	**12,348,672**	**-**	**248,430**	**-**	**526,974**	**-**	**25,639,372**
Other gains	**-**	**293,565**	**-**	**-**	**-**	**-**	**-**	**293,565**
Segment profit (loss)	**2,282,301**	**2,612,670**	**4,889,561**	**(2,637,964)**	**(1,505,102)**	**(15,258,141)**	**1,505**	**(9,615,170)**
Unallocated:								
- Administrative expenses								**(12,484,394)**
- Interest income on bank deposits								**360,186**
Loss before taxation								**(21,739,378)**

4. SEGMENTAL INFORMATION - continued

For the year ended 31 December 2015 (restated)

	Financial services *US$*	Culture, media and consumption *US$*	Manufacturing *US$*	Energy and resources *US$*	Information technology *US$*	Medical and pharmaceutical *US$*	Others *US$*	Total *US$*
Net gain (loss) on financial assets designated at FVTPL	12,996,768	(2,061,014)	(6,013,590)	2,345,692	794,179	20,154,040	3,276,524	31,492,599
Dividend income on financial assets designated at FVTPL	16,311,931	22,118,983	-	-	-	356,455	-	38,787,369
Other gains	-	296,373	-	-	-	-	-	296,373
Segment profit (loss)	29,308,699	20,354,342	(6,013,590)	2,345,692	794,179	20,510,495	3,276,524	70,576,341
Unallocated:								
- Administrative expenses								(14,477,030)
- Interest income on bank deposits								2,151,955
Profit before taxation								58,251,266

Segment profit (loss) represents the net (loss) gain on financial assets designated at FVTPL including realised and unrealised (loss) gain on investments, the corresponding dividend income and other gains earned by each segment without allocation of central administrative expenses, fees to the Investment Manager and interest income on bank deposits. This is the measure reported to the executive management for the purposes of resources allocation and performance assessment. No separate segment revenue (i.e. investment income) is disclosed as it had been presented in the computation of segment profit (loss).

4. SEGMENTAL INFORMATION - continued

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

	2016	2015
	US$	*US$*
		(restated)
Segment assets		
Financial services	**464,359,280**	555,644,315
Culture, media and consumption	**114,649,740**	103,966,125
Manufacturing	**10,028,110**	5,711,778
Energy and resources	**4,399,596**	7,652,236
Information technology	**24,950,579**	2,644,250
Medical and pharmaceutical	**20,983,134**	38,561,045
Others	**10,942,222**	11,687,847
Total segment assets	**650,312,661**	725,867,596
Unallocated	**37,508,588**	54,398,945
Consolidated assets	**687,821,249**	780,266,541
Segment liabilities		
Financial services	**101,787**	111,083
Culture, media and consumption	**579,758**	657,979
Manufacturing	**131,321**	72,874
Energy and resources	**92,419**	152,904
Information technology	**557,388**	546,002
Medical and pharmaceutical	**115,048**	211,425
Others	**3,776,568**	4,003,330
Total segment liabilities	**5,354,289**	5,755,597
Unallocated	**121,151,515**	139,183,446
Consolidated liabilities	**126,505,804**	144,939,043

For the purposes of monitoring segment performance and allocating resources between segments:

All assets are allocated to reportable segments other than certain other receivables, bank balances and cash, and all liabilities are allocated to reportable segments other than certain other payables, current and deferred tax liabilities.

During the year, the Group was principally involved in investing in companies with significant business involvement in the People's Republic of China (**"PRC"**), and hence no geographical information in relation to the investing activities is presented.

5. TAXATION

The tax credit (charge) for the year comprises:

	2016	2015
	US$	*US$*
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	**(16,141,128)**	(4,074,378)
Underprovision in prior year	**(387)**	(33,217)
Deferred taxation		
Current year	**22,283,229**	(7,905,059)
Total	**6,141,714**	(12,012,654)

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) on the estimated assessable profits for the years. PRC Enterprise Income Tax in the PRC is calculated at the rates prevailing in the relevant regions.

No provision for taxation in Hong Kong has been made for the years as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the PRC on Enterprise Income Tax, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has been provided for in the consolidated financial information in respect of temporary differences attributable to retained profits of the PRC subsidiaries.

6. BASIC AND DILUTED (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share is based on the loss for the year of US$15,597,664 (2015: earnings of US$46,238,612) and the number of 152,333,013 ordinary shares (2015: 152,333,013 ordinary shares) with no par value in issue during the year.

7. NET ASSET VALUE PER SHARE

The calculation of the net asset value per share at the end of the reporting period is based on the net assets of US$561,315,445 (2015: US$635,327,498) and 152,333,013 ordinary shares (2015: 152,333,013 ordinary shares) with no par value in issue at 31 December 2016.

DIVIDEND

No interim dividend was declared during the year.

The Board has resolved to recommend at the forthcoming annual general meeting ("**AGM**") to be held on 26 May 2017 the payment of a final dividend of US$0.06 (or HK$0.468) per share (2015: final dividend of US$0.06 and special dividend of US$0.09 per share), for the year ended 31 December 2016 to shareholders whose names appear on the register of members on 2 June 2017. The final dividend, if approved, is to be payable in cash on 27 July 2017. Total dividend for the year is US$0.06 (or HK$0.468) per share (2015: US$0.15), amounting to US$9,139,981 (2015: US$22,849,952).

Shareholders who wish to receive the dividend in Hong Kong Dollars have to complete a Hong Kong Dollar dividend election form and return the same to the Company's Share Registrar on or before 14 July 2017. Shareholders who have submitted the dividend election form previously do not need to re-submit this form.

BOOK CLOSURE

The register of members of the Company will be closed from 23 May 2017 to 26 May 2017, both days inclusive, during which period no transfer of shares will be effected. In order to determine the identity of members who are entitled to attend, speak and vote at the forthcoming AGM, shareholders must ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 22 May 2017. Subject to the approval by shareholders at the forthcoming AGM, the final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on 2 June 2017. In order to qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at the above address not later than 4:30 p.m. on 2 June 2017.

REVIEW AND OUTLOOK

Overall Performance

The Group recorded a loss attributable to equity shareholders of US$15.60 million for the year ended 31 December 2016, compared to a profit attributable to equity shareholders of US$46.24 million for the same period last year. The reversal was mainly attributable to a decline in overall fair value of the financial assets designated at fair value through profit or loss (the "**Financial Assets**"). As of 31 December 2016, the net assets of the Group were US$561.32 million (31 December 2015: US$635.33 million), with a net asset value per share of US$3.685 (31 December 2015: US$4.171).

The net loss on the Financial Assets for the year was US$35.55 million, compared to a net gain of US$31.49 million for last year. The listed and unlisted investments recorded net losses of US$23.27 million and US$12.28 million, respectively.

Total investment income for the year decreased by 36.49% compared to the same period last year, to US$26.00 million (2015: US$40.94 million), due primarily to a decrease in dividend/distribution income from investments, and to a decrease in interest income.

Material Acquisitions and Disposals of Investments

In 2016, the Group continued to seek out and rigorously evaluate investment opportunities. The Group made capital injections into business in the financial services industry; culture, media and consumption industry; and information technology industry during the year.

During the period of February to April 2016, the Group further acquired 24.86 million H shares of China Reinsurance (Group) Corporation at an average price of HK$2.01 per share on the Hong Kong secondary stock market, for an aggregate invested amount of HK$49.90 million (equivalent to US$6.44 million).

On 25 April 2016, the Group entered into a joint venture agreement with major joint venture partners, including Shanghai-listed Yunnan Metropolitan Real Estate Development Co., Ltd. and Yunnan Port and Channel Investment Construction Co., Ltd., for the establishment of Yunnan Jinlanmei International Travel Investment Development Co., Ltd. ("**Jinlanmei Travel**"). The Group agreed to contribute a total of RMB20 million in cash for a 20% stake in the venture. On 14 October 2016, the Group made the first installment of RMB10 million (equivalent to US$1.49 million). Jinlanmei Travel is engaged broadly in the operation of tourism and shipping within the territorial waters of the Lancang/Mekong River.

On 7 December 2016, the Group entered into an agreement for a loan convertible into an equity interest with Rong Bao Zhai and Rong Bao Zhai Culture Co., Ltd., ("**Rong Bao Zhai Culture**"), pursuant to which the Group agreed to advance cash of RMB300 million in total to Rong Bao Zhai Culture for a period of 5 years, with the right to convert the loan into an equity interest in Rong Bao Zhai Culture during the term of the loan, subject to the fulfillment of certain precedent conditions. On 19 December 2016, the Group disbursed RMB200 million (equivalent to US$28.86 million), and expects to disburse the remaining balance during the first half of 2017. Rong Bao Zhai Culture's main businesses include the sale of art supplies, handicrafts, calligraphy artwork, framed calligraphy artwork, and carving artwork, as well as the sponsorship of art exhibits and cultural/artistic exchange activities.

On 19 December 2016, the first installment for its subscription of RMB36 million (equivalent to US$5.19 million) was made by the Group in cash to Anhui Iflytek Venture Capital LLP ("**Iflytek Venture Capital**"). The Group has committed to subscribe to an aggregate of RMB90 million by installment, for a 14.95% interest in Iflytek Venture Capital. The major investment targets of Iflytek Venture Capital are industries related to the Internet and applications of artificial intelligence (AI) in China, to areas including education, healthcare, tourism, motor vehicles, Internet of Things (IoT), smart hardware, information security, e-commerce, interactive entertainment, smart toys, robotics and Internet advertising.

During the period of November to December 2016, the Group acquired 4.54 million A shares of Iflytek Co., Ltd. ("**Iflytek**") at an average price of RMB28.64 per share on the secondary stock market of Mainland China, for an aggregate invested amount of RMB130 million (equivalent to US$18.83 million). Iflytek is a national key software enterprise dedicated to the research of intelligent speech and language technologies and AI technologies, the development of software and chip products, the provision of speech information services, and the integration of e-government systems.

Lastly, the Group did not completely dispose of any of its interests in unlisted investment projects in 2016. However, it did dispose of 23 million A shares of Industrial Bank Co., Ltd. for net proceeds of US$55.26 million.

Liquidity, Financial Resources, Gearing and Capital Commitments

The Group's cash on hand decreased by 30.47%, from US$53.92 million at the end of last year to US$37.49 million (representing 5.45% of the Group's total assets) as of 31 December 2016, due primarily to the capital injections made to projects and the payment of a special dividend for 2015 during the year.

As of 31 December 2016, the Group had no outstanding bank loans (31 December 2015: Nil).

As of 31 December 2016, the Group had capital commitments of US$38.25 million (31 December 2015: US$15.61 million) for investments that were approved but not yet provided for in the financial statements – specifically, for future payments related to investments in China Media Creative Industry Private Equity (Shanghai) Centre (Limited Partnership), Guangxi Xinhua Preschool Education Investment Corporation Limited, Jinlanmei Travel, Rong Bao Zhai Culture and Iflytek Venture Capital.

Exposure to Fluctuations in Exchange Rates and Related Hedges

Most of the Group's investments are located in China where the official currency is the Renminbi ("**RMB**"). The conversion rate of RMB against the US dollar recorded a decrease of 6.83% in 2016, which had an unfavourable impact on the Group since it holds a considerable amount of assets denominated in RMB. The Group currently does not have any foreign currency hedging policy. However, the Group continues to monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Employees

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

The Portfolio

As of 31 December 2016, the Group's total investments amounted to US$642.65million. The sector distribution of investments was US$464.22 million in financial services (representing 67.50% of the Group's total assets), US$107.12 million in culture, media and consumption (15.57%), US$10.03 million in manufacturing (1.46%), and US$61.28 million in other ventures (including energy and resources, information technology, medical and pharmaceutical and education, etc.) (8.90%). In addition, cash on hand was US$37.49 million, representing 5.45% of the Group's total assets as of 31 December 2016.

Prospects

In 2017, the global economy is expected to face cloudy prospects for growth as it confronts a number of significant challenges, including a decrease in the potential rate of global growth, instability in the world economy resulting from possible implementation of protectionist trade policies by the US, and the increasingly apparent risk of setbacks in globalisation and international economic cooperation. While China is still in an important transformational period for structural adjustments and reforms, economic growth will continue to slow, and Chinese economic growth may be lower in 2017 than in 2016. With respect to the climate for investment, it is anticipated that investments in China will demonstrate steady growth in 2017. Among these, investments in infrastructure will maintain its robust growth, and the orderly promotion of new type of urbanisation will continue to support demand, while investment growth in the manufacturing industry will continue to recover. In terms of trade, exports are expected to become stable at a lower level in 2017, benefiting from the gradual effect of measures taken to stabilise exports, and given the relatively low base in the previous period. In 2017, consumption will continue to maintain its steady growth, which will provide stable support to overall economic growth. In addition, prices have evaded the risk of deflation and are instead entering into a period of mild inflation. Given that economic growth in China during 2017 may be relatively slow, it is expected that the operating results of the investment projects (mainly operating in China) held by the Group will be impacted to a certain degree.

The Central Economic Working Conference, which was convened in December 2016, has pledged stability and reform as the keynotes of 2017. The Central Government has thus given priority to economic stability in 2017, and stressed that fiscal policy should be proactive and effective, whereas monetary policy should be steady and moderate. Under these policies, the Central Government plans to hold the RMB exchange rate relatively stable, at a reasonable and balanced level, while improving the flexibility of the exchange rate. Moreover, the Central Government intends to give higher priority to the prevention and control of financial risks and is determined to eliminate a number of risk factors, in part by curbing the real estate bubble and establishing a long-term effective mechanism for the steady and healthy development of the real estate market. Furthermore, it intends to further promote “cutting overcapacity, destocking, deleveraging, reducing costs and improving weak links”, as well as supply-side agricultural reforms, and it expects to expend great effort to revitalise the real economy, further advance the reform of state-owned enterprises, and continue to implement the “One Belt and One Road” Initiatives. Given that the Central Government is stepping up its adjustments to economic structure, new industries, new business forms and models are likely to thrive and develop rapidly. New economic sectors such as high-tech and strategic emerging industries, especially in the areas of AI and culture and media, will receive greater support from government policies and more attention from capital markets. With the advent of the big data era, along with improvement in algorithms and enhancement in the accuracy of unsupervised learning, AI will face another period of rapid growth, in which “big data + AI” will profoundly change the structure of traditional industries. It is here that the Group will continue to seek out the best opportunities for investment.

In the environment where challenges and opportunities co-exist, the Group will continue to make every effort to identify new investment projects and our investment focus will be on the financial industry with a focus on the insurance sector, on emerging technology industries featuring AI, on great cultural industry with a focus on culture and tourism, and on great healthcare industry with a focus on medicine and healthcare, and to seek to optimise its mix of investments in order to create greater shareholder value.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance. The Board believes that good corporate governance practices are important to protect shareholders' interests and to promote investor confidence. The Company complies with the relevant requirements under the Hong Kong Companies Ordinance, the Hong Kong Securities and Futures Ordinance, the Listing Rules and the US Foreign Account Tax Compliance Act. Further, the Company has complied with all the code provisions set out in Appendix 14 to the Listing Rules (Corporate Governance Code) throughout the year under review, except for the deviations as stated below:

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

By Order of the Board
HONG Xiaoyuan
Chairman

Hong Kong, 30 March 2017

As at the date hereof, the Executive Directors of the Company are Mr. HONG Xiaoyuan, Mr. LI Yinquan, Mr. CHU Lap Lik, Victor, Mr. WANG Xiaoding and Mr. TSE Yue Kit; the Non-executive Director is Mr. KE Shifeng; and the Independent Non-executive Directors are Mr. LIU Baojie, Mr. ZHU Li, Mr. TSANG Wah Kwong and Dr. LI Fang. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor.