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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 2020

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 2020 of the Company and its subsidiaries (the “**Group**”) together with the 2019 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 2020

	2020	2019
	<u>US\$</u>	<u>US\$</u>
Net gain on financial assets at fair value through profit or loss (Note 3)	126,204,803	131,848,627
Investment income (Note 4)	16,106,800	15,528,387
Other gains	1,267,514	911,774
Administrative expenses	<u>(22,024,400)</u>	<u>(11,933,451)</u>
Profit before taxation	121,554,717	136,355,337
Taxation (Note 6)	<u>(31,766,962)</u>	<u>(34,546,363)</u>
Profit for the year	89,787,755	101,808,974
Other comprehensive income (expense) for the year		
Item that will not be reclassified subsequently to profit or loss		
Exchange difference arising on translation to presentation currency	<u>47,256,093</u>	<u>(9,533,938)</u>
Total comprehensive income for the year	<u>137,043,848</u>	<u>92,275,036</u>
Profit for the year attributable to owners of the Company	<u>89,787,755</u>	<u>101,808,974</u>
Total comprehensive income for the year attributable to owners of the Company	<u>137,043,848</u>	<u>92,275,036</u>
Basic earnings per share (Note 7)	<u>0.589</u>	<u>0.668</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	2020 <u>US\$</u>	2019 <u>US\$</u>
Non-current assets		
Financial assets at fair value through profit or loss	835,620,757	663,028,975
Investment deposits	-	14,907,829
	<u>835,620,757</u>	<u>677,936,804</u>
Current assets		
Financial assets at fair value through profit or loss	73,652,221	50,944,637
Other receivables and prepayments	2,002,300	1,008,385
Cash and cash equivalents	60,363,011	64,143,034
	<u>136,017,532</u>	<u>116,096,056</u>
Current liabilities		
Other payables	37,760,154	27,538,766
Taxation payable	2,665,577	994,825
	<u>40,425,731</u>	<u>28,533,591</u>
Net current assets	<u>95,591,801</u>	<u>87,562,465</u>
Total assets less current liabilities	<u>931,212,558</u>	<u>765,499,269</u>
Non-current liabilities		
Financial liabilities designated at fair value through profit or loss	1,461,857	1,190,048
Deferred taxation	154,319,922	115,258,979
	<u>155,781,779</u>	<u>116,449,027</u>
Net assets	<u>775,430,779</u>	<u>649,050,242</u>
Capital and reserves		
Share capital	139,348,785	139,348,785
Reserves	109,346,497	62,080,654
Retained profits	526,735,497	447,620,803
Equity attributable to owners of the Company	<u>775,430,779</u>	<u>649,050,242</u>
Net asset value per share (Note 8)	<u>5.090</u>	<u>4.261</u>

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**”). For the purpose of preparation of the consolidated financial information, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 2020 and 2019 included in this preliminary announcement of annual results for 2020 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 consolidated financial statements for the year ended 31 December 2019 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 consolidated financial statements for the year ended 31 December 2020 in due course.

The Group's auditor has reported on the consolidated 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 AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied *the Amendments to references to the conceptual framework in HKFRS standards* and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial information, that are relevant to the business operation of the Group:

Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 3	Definition of a business

Except as described below, the application of *the Amendments to references to the conceptual framework in HKFRS standards* and other amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in this consolidated financial information.

Impacts on application of Amendments to HKFRS 3 *Definition of a Business*

The Group has applied the Amendments to HKFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial information but may impact future periods should the Group make any acquisition.

2. APPLICATION OF AMENDMENTS TO HKFRSs - CONTINUED

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective that are relevant to the business operation of the Group:

Amendments to HKFRS 3	Reference to the conceptual framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ²
Amendments to HKAS 1	Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKFRSs	Annual improvements to HKFRSs 2018 - 2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2023.

The management anticipates that the application of all amendments to HKFRSs will have no material impact on the consolidated financial information in the foreseeable future.

3. NET GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”)

The following is an analysis of net gain (loss) on investments of the Group for the year ended 31 December 2020. The amounts of realised gain (loss) represent the difference between the fair value at the beginning of the year or purchase date in the year and the disposal date of financial instruments while the amounts of unrealised gain (loss) represent the change of fair value during the year of financial instruments held by the Group as at the year end:

	2020 <i>US\$</i>	2019 <i>US\$</i>
	<u> </u>	<u> </u>
Net gain (loss) on financial assets at FVTPL		
Listed investments		
Realised	199,954	8,215,192
Unrealised	61,615,073	106,134,385
Unlisted investments		
Realised	(1,684,580)	-
Unrealised	66,074,356	17,499,050
Total	126,204,803	131,848,627
	<u> </u>	<u> </u>

4. INVESTMENT INCOME

	2020 <i>US\$</i>	2019 <i>US\$</i>
	<u> </u>	<u> </u>
Interest income on bank deposits	393,668	905,655
Dividend income on financial assets at FVTPL		
Listed equity investments	10,184,168	8,099,357
Unlisted equity investments	5,528,964	6,523,375
	15,713,132	14,622,732
Total	16,106,800	15,528,387
	<u> </u>	<u> </u>

4. INVESTMENT INCOME - CONTINUED

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

	2020 <i>US\$</i>	2019 <i>US\$</i>
	<u> </u>	<u> </u>
Interest income for financial assets at amortised cost	393,668	905,655
Dividend income on financial assets at FVTPL	<u>15,713,132</u>	<u>14,622,732</u>
Total	<u>16,106,800</u>	<u>15,528,387</u>

5. SEGMENTAL INFORMATION

The Group's reportable segments, based on information reported to the chief operating decision maker for the purposes of resources allocation and performance assessment, are as follows:

- (a) Financial services: investees engaged in financial services activities.
- (b) Culture, media and consumption: investees engaged in culture, media and consumption activities.
- (c) Information technology: investees engaged in information technology activities.

The Group also invested in manufacturing, energy and resources, pharmaceutical, agriculture and education activities (2019: manufacturing, energy and resources, agriculture and education activities), and none of these segments met the quantitative thresholds for the reportable segments in both current and prior years. Accordingly, these were grouped in "Others" during the current year. Investment in education segment was fully disposed of during 2020.

Information regarding the above segments is reported below.

5. SEGMENTAL INFORMATION - CONTINUED

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

For the year ended 31 December 2020

	Reportable segments			Total reportable segments US\$	Others US\$	Total US\$
	Financial services US\$	Culture, media and consumption US\$	Information technology US\$			
Net gain (loss) on financial assets at FVTPL	102,272,449	(15,871,863)	47,804,894	134,205,480	(8,000,677)	126,204,803
Dividend income on financial assets at FVTPL	13,140,871	2,401,957	170,304	15,713,132	-	15,713,132
Other gains	-	1,084,676	-	1,084,676	-	1,084,676
Segment profit (loss)	115,413,320	(12,385,230)	47,975,198	151,003,288	(8,000,677)	143,002,611
Unallocated:						
- Administrative expenses						(22,024,400)
- Interest income on bank deposits						393,668
- Other gains						182,838
Profit before taxation						121,554,717

For the year ended 31 December 2019

	Reportable segments			Total reportable segments US\$	Others US\$	Total US\$
	Financial services US\$	Culture, media and consumption US\$	Information technology US\$			
Net gain (loss) on financial assets at FVTPL	121,951,428	258,921	12,025,260	134,235,609	(2,386,982)	131,848,627
Dividend income on financial assets at FVTPL	9,933,301	4,590,671	98,760	14,622,732	-	14,622,732
Other gains	-	761,612	-	761,612	-	761,612
Segment profit (loss)	131,884,729	5,611,204	12,124,020	149,619,953	(2,386,982)	147,232,971
Unallocated:						
- Administrative expenses						(11,933,451)
- Interest income on bank deposits						905,655
- Other gains						150,162
Profit before taxation						136,355,337

Segment profit (loss) represents the net gain (loss) on financial assets at FVTPL including net gain (loss) on investments, the corresponding dividend income and other gains earned by each segment without allocation of central administrative expenses (including fees to China Merchants China Investment Management Limited (the “**Investment Manager**”)), interest income on bank deposits and certain other gains. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment. No separate segment revenue (i.e. investment income) is disclosed as it had been presented in the computation of segment profit (loss).

5. SEGMENTAL INFORMATION - CONTINUED

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

	2020 <i>US\$</i>	2019 <i>US\$</i>
Segment assets		
Financial services	694,286,699	522,812,932
Culture, media and consumption	61,334,033	104,105,646
Information technology	139,283,555	76,518,883
Total assets for reportable segments	894,904,287	703,437,461
Others	16,204,715	26,340,987
Unallocated	60,529,287	64,254,412
Consolidated assets	971,638,289	794,032,860
Segment liabilities		
Financial services	186,213	87,975
Culture, media and consumption	285,098	437,920
Information technology	787,728	299,916
Total liabilities for reportable segments	1,259,039	825,811
Others	4,802,758	4,664,572
Unallocated	190,145,713	139,492,235
Consolidated liabilities	196,207,510	144,982,618

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

All assets are allocated to reportable segments other than assets of non-reportable segments, certain other receivables and prepayments, cash and cash equivalents, and all liabilities are allocated to reportable segments other than liabilities of non-reportable segments, certain other payables, current and deferred tax liabilities.

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

6. TAXATION

The tax charge for the year comprises:

	2020	2019
	<i>US\$</i>	<i>US\$</i>
	<u> </u>	<u> </u>
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	(302,205)	(173,958)
Withholding tax for distributed earnings	(2,032,086)	(985,578)
Deferred taxation		
Current year	(29,432,671)	(33,386,827)
Total	<u>(31,766,962)</u>	<u>(34,546,363)</u>

No provision for taxation in Hong Kong has been made as the Company and its subsidiaries do not have assessable profits for both years. PRC Enterprise Income Tax in the PRC is calculated at the rates prevailing in the relevant regions.

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

7. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of US\$89,787,755 (2019: US\$101,808,974) and the number of 152,333,013 ordinary shares (2019: 152,333,013 ordinary shares) with no par value in issue during the year.

No diluted earnings per share for the both years were presented as there were no potential ordinary shares outstanding at the both year ends.

8. 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\$775,430,779 (2019: US\$649,050,242) and 152,333,013 ordinary shares (2019: 152,333,013 ordinary shares) with no par value in issue at 31 December 2020.

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 28 May 2021 the payment of a final dividend of US\$0.07 (or HK\$0.546) per share (2019: US\$0.07 per share) and a special dividend of US\$0.01 (or HK\$0.078) per share (2019: Nil), totaling US\$0.08 (or HK\$0.624) per share (2019: US\$0.07), in respect of the year ended 31 December 2020 to shareholders whose names appear on the register of members on 3 June 2021. The final and special dividends, if approved, are to be payable in cash on 27 July 2021. Total dividends for the year are US\$0.08 (or HK\$0.624) per share (2019: US\$0.07), amounting to US\$12,186,641 (2019: US\$10,663,311).

Shareholders who wish to receive the dividends 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 13 July 2021. 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 25 May 2021 to 28 May 2021, 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 24 May 2021. Subject to the approval by shareholders at the forthcoming AGM, the final and special dividends 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 3 June 2021. In order to qualify for the final and special dividends, 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 3 June 2021.

REVIEW AND OUTLOOK

Overall Performance

The Group recorded a profit attributable to equity shareholders of US\$89.79 million for the year ended 31 December 2020, compared to a profit attributable to equity shareholders of US\$101.81 million for last year, representing a decrease of US\$12.02 million or 11.81%—with the profit decrease largely attributable to a smaller gain in the overall value of the financial assets at fair value through profit or loss (the “**Financial Assets**”) and to an increase in administrative expenses. As of 31 December 2020, the net assets of the Group were US\$775.43 million (31 December 2019: US\$649.05 million), with a net asset value per share of US\$5.090 (31 December 2019: US\$4.261).

The net gain on the Financial Assets for the year was US\$126.20 million, compared to a net gain of US\$131.85 million for last year, representing a decrease of 4.29%. The listed and unlisted investments recorded net gains of US\$61.82 million and US\$64.38 million, respectively.

Overall Performance - continued

Total investment income for the year increased by 3.73% to US\$16.11 million (2019: US\$15.53 million) as compared to last year, due mainly to an increase in dividend income from investments.

Acquisitions and Disposals of Investments

In 2020, the Group continued to seek out and rigorously evaluate investment opportunities. During the year, the Group made new investments in the financial payment, information technology and pharmaceutical industries. The new direct investments completed include the following:

On 4 December 2019, the Group entered into a share transfer agreement and other relevant agreements in relation to China UnionPay Co., Ltd. (“**China UnionPay**”), pursuant to which the Group agreed to acquire a 0.17% equity interest in China UnionPay from an existing shareholder at a price of RMB220 million. The Group remitted the consideration of RMB220 million (equivalent to US\$31.12 million) on 27 April 2020 and the equity transfer was duly completed on 1 June 2020. China UnionPay is a leading enterprise in the financial payment industry.

On 27 December 2019, the Group entered into an equity transfer agreement in relation to Anhui iFlytek Healthcare Information Technology Co., Ltd. (“**iFlytek Healthcare**”), pursuant to which the Group agreed to acquire a 3% equity interest in iFlytek Healthcare from an existing shareholder, Anhui Iflytek Venture Capital LLP, at a price of RMB60 million. The Group remitted the consideration of RMB60 million (equivalent to US\$8.60 million) on 31 December 2019 and the equity transfer was duly completed on 27 February 2020. iFlytek Healthcare is an artificial intelligence (AI) medical enterprise.

On 4 September 2020, the Group entered into a partnership agreement and other relevant agreements in relation to CASRF Fund L.P. (“**CASRF Fund**”), pursuant to which the Group agreed to contribute capital of RMB50 million in total by installment to CASRF Fund, to be used for an investment in CASREV FUND III-RMB L.P. (“**CASREV Fund III**”), indirectly representing 1.11% of the current paid-in capital of RMB4,500 million of CASREV Fund III. As of 31 December 2020, the Group had completed its capital contribution of RMB25 million (equivalent to US\$3.75 million) in aggregate. The major investment targets of CASREV Fund III include enterprises related to smart manufacturing, smart products and services, big data and cloud computing, AI, Internet of Things (IoT), blockchain, biological engineering, chips and sensors, operating system, kernel modules, communication networks, materials, and other emerging technologies.

On 24 September 2020, the Group entered into a partnership agreement in relation to Nanning Huiyou Xingyao Equity Investment Fund L.P. (“**Huiyou Xingyao Fund**”), pursuant to which the Group agreed to contribute capital of RMB24 million in total by installment to Huiyou Xingyao Fund, representing 21.24% of the paid-in capital of RMB113 million of Huiyou Xingyao Fund. The Group completed the first capital contribution of RMB16.31 million (equivalent to US\$2.47 million) on 16 November 2020. Huiyou Xingyao Fund is a single-project equity investment fund, making equity investments solely in Wuhan YZY Biopharma Co., Ltd. (“**YZY Biopharma**”). YZY Biopharma is a pharmaceutical company with a bispecific antibody platform and related biopharmaceutical research and development capabilities.

Acquisitions and Disposals of Investments - continued

On 14 December 2020, the Group entered into a preferred share purchase agreement and other relevant agreements in relation to Flexiv Ltd. (“**Flexiv**”), pursuant to which the Group agreed to contribute capital of US\$5 million to Flexiv to acquire a 1.67% equity interest in Flexiv upon completion of capital increase. The Group completed its capital contribution of US\$5 million on 24 December 2020. Flexiv is a technology company that focuses on the development and application of adaptive robots.

In addition, the Group exited from two direct investment projects and traded a stock on the secondary market during the year.

On 26 May 2020, the Group entered into an equity transfer agreement in relation to Jiangsu Huaer Quartz Materials Co., Ltd. (“**Jiangsu Huaer**”), pursuant to which the Group agreed to transfer its entire 7.50% equity interest in Jiangsu Huaer to an assignee designated by the de facto controlling shareholder of Jiangsu Huaer at a price of RMB1.96 million. The Group received the full transfer price of RMB1.96 million (equivalent to US\$0.27 million) on 28 May 2020. The pre-tax internal rate of return to the Group from Jiangsu Huaer was negative 18.91%.

The Group, upon negotiation, invoked a repurchase provision and entered into an equity repurchase agreement in relation to Guangxi Xinhua Preschool Education Investment Corporation Limited (“**Xinhua Preschool Education**”) on 18 December 2020, whereby the Group agreed to transfer its entire 30% equity interest in Xinhua Preschool Education to the major shareholder of Xinhua Preschool Education at a price of RMB36 million. The Group received the full repurchase price of RMB36 million (equivalent to US\$5.51million) on 18 December 2020. The pre-tax internal rate of return to the Group from Xinhua Preschool Education was 1.99%.

During the month of January 2020, the Group acquired 14.46 million shares of Beijing Energy International Holding Co., Ltd. (“**Beijing Energy International**,” formerly Panda Green Energy Group Limited) at an average price of HK\$0.241 per share on the Hong Kong secondary stock market, for an aggregate invested amount of HK\$3.49 million (equivalent to US\$0.45 million). During the period of November to December 2020, the Group disposed of its entire holding of 14.46 million shares of Beijing Energy International for net proceeds of HK\$4.00 million (equivalent to US\$0.52 million). The pre-tax internal rate of return to the Group from Beijing Energy International was 16.90%.

Liquidity, Financial Resources, Gearing and Commitments

The Group's cash and cash equivalents decreased by 5.89%, from US\$64.14 million at the end of last year to US\$60.36 million (representing 6.21% of the Group's total assets) as of 31 December 2020, due mainly to the investment payments made to the projects greater than the funds received from the projects.

As of 31 December 2020, the Group had no outstanding bank loans (31 December 2019: Nil).

As of 31 December 2020, the Group had commitments of US\$5.01 million (31 December 2019: US\$44.56 million) for investments that were approved but not yet provided for in the financial statements—specifically, for future payments related to investments in CASREV Fund III and Huiyou Xingyao Fund.

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 an increase of 6.47% in 2020, which had a favourable 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 2020, the Group's total investments amounted to US\$909.27 million. The sector distribution of investments was US\$692.65 million in financial services (representing 71.30% of the Group's total assets), US\$61.13 million in culture, media and consumption (6.30%), US\$139.29 million in information technology (14.33%), and US\$16.20 million in other ventures (including manufacturing, energy and resources, and pharmaceutical, etc.) (1.65%). In addition, cash and cash equivalents were US\$60.36 million, representing 6.21% of the Group's total assets as of 31 December 2020.

Prospects

The low-base effect is expected to drive China's economy to grow significantly in the first quarter of 2021, compared to the corresponding period of 2020, unless the novel coronavirus pandemic regains strength in 2021 and spreads extensively, as it did in early 2020. It is expected that pent-up demand from the 2020 Spring Festival may lead to a surge in activity during the 2021 Spring Festival, which is likely to further boost domestic consumption in the first quarter of 2021. As the low-base effect gradually fades, overall economic growth may normalise, and may be supported by a global economic recovery. Given that there are some uncertainties around economic growth in China for 2021, due to the pandemic, and China's economic restructuring is still in a critical period as well, 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.

Prospects - continued

The Central Economic Working Conference convened in December 2020 and has concluded that macro policies in 2021 shall strive to foster continuity, stability and sustainability, while proactive fiscal policies and steady monetary policies shall be implemented to sustain necessary support for economic recovery. The policies will be implemented in a precise and effective manner without any radical change, and the timing, extent and effectiveness of policies shall be monitored and adjusted as needed. According to the Conference, there are eight key tasks for 2021, as listed below. The first is to strengthen the nation's strategic science and technology capabilities. The second is to enhance independence and control in industry chains and supply chains. The third is to continue to expand domestic demand as a strategic basis for economic growth. The fourth is to advance certain reforms and to encourage openness in a well-rounded way. The fifth is to responsibly manage seed banks and farmland issues. The sixth is to enhance anti-trust regulation and to prevent capital expansion disorderly. The seventh is to mitigate the pronounced housing problems in big cities. And the eighth is to work well to peak carbon dioxide emissions ahead of the schedule and to achieve carbon neutrality. In addition, it was also emphasised at the Conference that efforts shall be made to guide China's economy toward operating within a proper range, to continue to work well with the "six stabilities" and "six guarantees," to properly manage the pace and intensity of macroeconomic controls, and to implement economic policies in a precise and effective manner. Meanwhile, policy actions will continue to invigorate market entities, to optimise policies on taxes and fees reduction, to enhance inclusive financial services, and to vigorously push forward reforms and innovations in order to add vitality to market entities, especially to middle, small and micro businesses, and to self-employed traders. Given that China's economy shows both resilience and great potential, its long-term economic outlook for prosperity has not changed and the potential for investment demand remains strong. As an example, the AI industry and new-type infrastructure construction will continue to receive greater support from government policies, as well as more attention from capital markets. With the advent of the big data era, along with improvements in algorithms and enhancements in the accuracy of unsupervised learning, AI enters a period of rapid growth in which "big data + AI" will profoundly change the structure of traditional industries. It is here that the Group will continue to seek out the best opportunities for investment.

In this 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 an emphasis on the insurance sector, on emerging technology industries featuring AI, on great cultural industry with an emphasis on culture and tourism, and on great healthcare industry with an emphasis on medicine and healthcare, as we seek to optimise our 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, the US Foreign Account Tax Compliance Act and the Common Reporting Standard. 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:

CORPORATE GOVERNANCE - CONTINUED

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

Besides, owing to a business trip, the Chairman, Mr. ZHANG Jian, has given an apology for not being able to attend and chair the annual general meeting of the Company which was held on 28 May 2020.

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 2020 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
WANG Xiaoding
Director

Hong Kong, 29 March 2021

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