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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 2021

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 2021 of the Company and its subsidiaries (the “**Group**”) together with the 2020 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 2021

	2021	2020
	<u>US\$</u>	<u>US\$</u>
Net gain on financial assets at fair value through profit or loss (Note 3)	48,648,395	126,204,803
Investment income (Note 4)	14,144,426	16,106,800
Other gains	202,682	1,267,514
Administrative expenses	<u>(19,974,735)</u>	<u>(22,024,400)</u>
Profit before taxation	43,020,768	121,554,717
Taxation (Note 6)	<u>(18,815,401)</u>	<u>(31,766,962)</u>
Profit for the year	24,205,367	89,787,755
Other comprehensive income for the year		
Item that will not be reclassified subsequently to profit or loss		
Exchange difference arising on translation to presentation currency	<u>18,247,958</u>	<u>47,256,093</u>
Total comprehensive income for the year	<u>42,453,325</u>	<u>137,043,848</u>
Profit for the year attributable to owners of the Company	<u>24,205,367</u>	<u>89,787,755</u>
Total comprehensive income for the year attributable to owners of the Company	<u>42,453,325</u>	<u>137,043,848</u>
Basic earnings per share (Note 7)	<u>0.159</u>	<u>0.589</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	2021 <u>US\$</u>	2020 <u>US\$</u>
Non-current asset		
Financial assets at fair value through profit or loss	<u>903,328,647</u>	<u>835,620,757</u>
Current assets		
Financial assets at fair value through profit or loss	64,044,731	73,652,221
Other receivables and prepayments	13,740,736	2,002,300
Cash and cash equivalents	<u>36,641,135</u>	<u>60,363,011</u>
	<u>114,426,602</u>	<u>136,017,532</u>
Current liabilities		
Other payables	33,372,541	37,760,154
Taxation payable	<u>2,338,940</u>	<u>2,665,577</u>
	<u>35,711,481</u>	<u>40,425,731</u>
Net current assets	<u>78,715,121</u>	<u>95,591,801</u>
Total assets less current liabilities	<u>982,043,768</u>	<u>931,212,558</u>
Non-current liabilities		
Financial liabilities designated at fair value through profit or loss	1,318,564	1,461,857
Deferred taxation	<u>175,027,741</u>	<u>154,319,922</u>
	<u>176,346,305</u>	<u>155,781,779</u>
<b>Net assets</b>	<u><b>805,697,463</b></u>	<u><b>775,430,779</b></u>
<b>Capital and reserves</b>		
Share capital	139,348,785	139,348,785
Reserves	128,034,239	109,346,497
Retained profits	<u>538,314,439</u>	<u>526,735,497</u>
<b>Equity attributable to owners of the Company</b>	<u><b>805,697,463</b></u>	<u><b>775,430,779</b></u>
<b>Net asset value per share (Note 8)</b>	<u><b>5.289</b></u>	<u><b>5.090</b></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 2021 and 2020 included in this preliminary announcement of annual results for 2021 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 2020 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 2021 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**

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

### **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 <sup>1</sup>
Amendments to HKAS 1	Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of accounting estimates <sup>2</sup>
Amendments to HKFRSs	Annual improvements to HKFRSs 2018 - 2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> 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 2021. 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:

	<b>2021</b> <i>US\$</i>	2020 <i>US\$</i>
	<u>                    </u>	<u>                    </u>
Net gain (loss) on financial assets at FVTPL		
Listed investments		
Realised	<b>(4,232,791)</b>	199,954
Unrealised	<b>54,297,642</b>	61,615,073
Unlisted investments		
Realised	<b>141,076</b>	(1,684,580)
Unrealised	<b>(1,557,532)</b>	66,074,356
Total	<b><u>48,648,395</u></b>	<b><u>126,204,803</u></b>

### 4. INVESTMENT INCOME

	<b>2021</b> <i>US\$</i>	2020 <i>US\$</i>
	<u>                    </u>	<u>                    </u>
Interest income on bank deposits	<b><u>297,161</u></b>	<u>393,668</u>
Dividend income on financial assets at FVTPL		
Listed equity investments	<b>11,393,412</b>	10,184,168
Unlisted equity investments	<b>2,453,853</b>	5,528,964
	<b><u>13,847,265</u></b>	<u>15,713,132</u>
Total	<b><u>14,144,426</u></b>	<b><u>16,106,800</u></b>

#### 4. INVESTMENT INCOME - CONTINUED

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

	<b>2021</b> <i>US\$</i>	2020 <i>US\$</i>
	<u>                    </u>	<u>                    </u>
Interest income for financial assets at amortised cost	<b>297,161</b>	393,668
Dividend income on financial assets at FVTPL	<b><u>13,847,265</u></b>	<u>15,713,132</u>
Total	<b><u>14,144,426</u></b>	<u>16,106,800</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 and agriculture activities (2020: manufacturing, energy and resources, pharmaceutical, 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 2021

	Reportable segments			Total reportable segments	Others	Total
	Financial services	Culture, media and consumption	Information technology			
	US\$	US\$	US\$	US\$	US\$	US\$
Net gain (loss) on financial assets at FVTPL	8,506,147	9,065,243	32,262,722	49,834,112	(1,185,717)	48,648,395
Dividend income on financial assets at FVTPL	13,193,759	246,672	406,834	13,847,265	-	13,847,265
Other gains	-	280,120	-	280,120	-	280,120
Segment profit (loss)	<b>21,699,906</b>	<b>9,592,035</b>	<b>32,669,556</b>	<b>63,961,497</b>	<b>(1,185,717)</b>	<b>62,775,780</b>
Unallocated:						
- Administrative expenses						(19,974,735)
- Interest income on bank deposits						297,161
- Other losses						(77,438)
Profit before taxation						<b>43,020,768</b>

### For the year ended 31 December 2020

	Reportable segments			Total reportable segments	Others	Total
	Financial services	Culture, media and consumption	Information technology			
	US\$	US\$	US\$	US\$	US\$	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)	<b>115,413,320</b>	<b>(12,385,230)</b>	<b>47,975,198</b>	<b>151,003,288</b>	<b>(8,000,677)</b>	<b>143,002,611</b>
Unallocated:						
- Administrative expenses						(22,024,400)
- Interest income on bank deposits						393,668
- Other gains						182,838
Profit before taxation						<b>121,554,717</b>

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

## 5. SEGMENTAL INFORMATION - CONTINUED

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

	2021 <i>US\$</i>	2020 <i>US\$</i>
<b>Segment assets</b>		
Financial services	<b>670,770,763</b>	694,286,699
Culture, media and consumption	<b>48,047,832</b>	61,334,033
Information technology	<b>232,867,920</b>	139,283,555
Total assets for reportable segments	<b>951,686,515</b>	894,904,287
Others	<b>16,611,825</b>	16,204,715
Unallocated	<b>49,456,909</b>	60,529,287
Consolidated assets	<b>1,017,755,249</b>	971,638,289
<b>Segment liabilities</b>		
Financial services	<b>61,734</b>	186,213
Culture, media and consumption	<b>209,039</b>	285,098
Information technology	<b>830,862</b>	787,728
Total liabilities for reportable segments	<b>1,101,635</b>	1,259,039
Others	<b>4,930,651</b>	4,802,758
Unallocated	<b>206,025,500</b>	190,145,713
Consolidated liabilities	<b>212,057,786</b>	196,207,510

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:

	<b>2021</b>	2020
	<i>US\$</i>	<i>US\$</i>
	<u>                    </u>	<u>                    </u>
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	(163,943)	(302,205)
Withholding tax for distributed earnings	(1,908,006)	(2,032,086)
Deferred taxation		
Current year	<u>(16,743,452)</u>	<u>(29,432,671)</u>
Total	<u><u>(18,815,401)</u></u>	<u><u>(31,766,962)</u></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\$24,205,367 (2020: US\$89,787,755) and the number of 152,333,013 ordinary shares (2020: 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\$805,697,463 (2020: US\$775,430,779) and 152,333,013 ordinary shares (2020: 152,333,013 ordinary shares) with no par value in issue at 31 December 2021.

## DIVIDEND

No interim dividend was declared during the year.

The Board has resolved to recommend at the forthcoming annual general meeting the payment of a final dividend of US\$0.07 (or HK\$0.546) per share (2020: US\$0.07 per share) and a special dividend of US\$0.07 (or HK\$0.546) per share (2020: US\$0.01 per share), totaling US\$0.14 (or HK\$1.092) per share (2020: US\$0.08) in respect of the year ended 31 December 2021. The final and special dividends, if approved, are to be payable in cash on 27 July 2022. Total dividends for the year are US\$0.14 (or HK\$1.092) per share (2020: US\$0.08), amounting to US\$21,326,622 (2020: US\$12,186,641).

## REVIEW AND OUTLOOK

### Overall Performance

The Group recorded a profit attributable to equity shareholders of US\$24.21 million for the year ended 31 December 2021, compared to a profit attributable to equity shareholders of US\$89.79 million for last year, representing a decrease of US\$65.58 million or 73.04%—with the profit decrease largely attributable to a much smaller gain in the overall value of the financial assets at fair value through profit or loss (the “**Financial Assets**”). As of 31 December 2021, the net assets of the Group were US\$805.70 million (31 December 2020: US\$775.43 million), with a net asset value per share of US\$5.289 (31 December 2020: US\$5.090).

The net gain on the Financial Assets for the year was US\$48.65 million, compared to a net gain of US\$126.20 million for last year, representing a decrease of 61.45%. The Group’s listed and unlisted investments recorded net gains of US\$50.06 million and net losses of US\$1.41 million, respectively.

Total investment income for the year decreased by 12.23% to US\$14.14 million (2020: US\$16.11 million) as compared to last year, due mainly to a decrease in dividend income from investments.

### Acquisitions and Disposals of Investments

In 2021, the Group continued to seek out and rigorously evaluate investment opportunities. During the year, the Group made new investments in the information technology industry. The direct investments completed include the following:

On 24 March 2021, the Group entered into an investment agreement and other relevant agreements in relation to Beijing Huashun Xin’an Technology Co., Ltd. (“**Huashun Xin’an**”), pursuant to which the Group agreed to contribute capital to Huashun Xin’an in order to participate in its new round of financing and to obtain an equity interest, as well as to purchase a portion of the equity interest from the founding shareholders of Huashun Xin’an at a discounted price. The total investment made by the Group in Huashun Xin’an is RMB30 million, representing a 4.29% equity interest. The Group completed capital contributions of RMB24 million (equivalent to US\$3.67 million) and RMB6 million (equivalent to US\$0.93 million) to the Huashun Xin’an project on 9 April and 2 July 2021, respectively, making an aggregate of RMB30 million (equivalent to US\$4.60 million) for this investment. Huashun Xin’an is a cyber security company with a search engine for cyberspace resources. It focuses on the fields of big data security and cyberspace resources for surveying and mapping. It is primarily engaged in the research and development of technologies and products in the field of cyber information security.

## Acquisitions and Disposals of Investments - continued

On 25 August 2021, the Group entered into an investment agreement and other relevant agreements in relation to Xinyi Information Technology Ltd. (“**Xinyi**”), pursuant to which the Group agreed to contribute capital of RMB35 million to Xinyi in order to participate in its new round of financing and to obtain a 1.44% equity interest. The Group completed a capital contribution of RMB35 million (equivalent to US\$5.42 million) to the Xinyi project on 9 September 2021. Xinyi is a company that focuses on the research and development of SoC (system on a chip) for Internet of Things (IoT) for low-power wide-area network (LPWAN), and is committed to becoming a world-class manufacturer of Internet of Things intelligent terminal SoCs for the 5th generation mobile communications (5G), with applications mainly covering smart meters, smart security, smart transportation, smart cities, the sharing economy and other scenarios.

On 3 November 2021, 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 0.714% equity interest in iFlytek Healthcare from an existing shareholder, Anhui iflytek Venture Capital LLP, at a price of RMB50 million. The Group paid the consideration of RMB50 million (equivalent to US\$7.80 million) for the transfer on 12 November 2021. After completion of the transfer, the Group’s stake in iFlytek Healthcare increased from 3% to 3.714%.

On 10 November 2021, the Group entered into an investment agreement and other relevant agreements in relation to Rizhao Azuri Technologies Co., Ltd. (“**Azuri**”), pursuant to which the Group agreed to contribute capital of RMB30 million to Azuri in order to participate in its new round of financing and to obtain a 2.50% equity interest. The Group paid and completed a capital contribution of RMB30 million (equivalent to US\$4.72 million) to Azuri on 9 December 2021. Azuri is a company that develops and manufactures laser diode chips, optical devices and optical module products for high-speed optical communications, mainly targeting fiber to the home (FTTH), 5th generation mobile communications (5G), enterprise networking and data centre markets.

In addition, the Group exited from a convertible debt project and an equity investment project during the year.

The Group reached a decision to recall the loan to Rong Bao Zhai Culture Co., Ltd. (“**Rong Bao Zhai Culture**”) in the fourth quarter of 2020. As of 28 June 2021, the Group received the full amount of the loan principal of RMB300 million plus accrued interest of RMB26.49 million (equivalent to US\$50.09 million) from Rong Bao Zhai Culture, and officially exited from the investment. The pre-tax internal rate of return to the Group from Rong Bao Zhai Culture was 3.57%.

During the period of July to December 2021, the Group sold its entire holding of 0.823 million shares of Cambricon Technologies Corporation Limited (“**Cambricon**”) on the secondary market through a partnership entity, for net proceeds of RMB80.60 million (equivalent to US\$12.66 million), and has fully exited from the project. The pre-tax internal rate of return to the Group from Cambricon was 20.83%.

## **Liquidity, Financial Resources, Gearing and Commitments**

The Group's cash and cash equivalents decreased by 39.30%, from US\$60.36 million at the end of last year to US\$36.64 million (representing 3.60% of the Group's total assets) as of 31 December 2021, due mainly to payments made by the Group for the Investment Manager's performance fee and the special dividend for 2020.

As of 31 December 2021, the Group had no outstanding bank loans (31 December 2020: Nil).

As of 31 December 2021, the Group had commitment of US\$1.96 million (31 December 2020: US\$5.01 million) for an investment that was approved but not yet provided for in the financial statements—specifically, for future payments related to investment in CASREV FUND III-RMB L.P.

## **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 2.41% in 2021, 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 2021, the Group's total investments amounted to US\$967.37 million. The sector distribution of investments was US\$669.85 million in financial services (representing 65.82% of the Group's total assets), US\$48.05 million in culture, media and consumption (4.73%), US\$232.87 million in information technology (22.87%), and US\$16.60 million in other ventures (including manufacturing, energy and resources, and pharmaceutical, etc.) (1.63%). In addition, cash and cash equivalents were US\$36.64 million, representing 3.60% of the Group's total assets as of 31 December 2021.

## **Prospects**

The pace of the global recovery is expected to slow due to the persistent coronavirus disease pandemic, while many countries begin to withdraw policy support and economic stimulus, and while severe supply chain bottlenecks remain. The prospects for global economic growth face a number of downside risks, including the potential emergence of new virus variants, rising inflationary expectations and increasing volatility in capital (such as equities, bonds) markets. It is expected that the development of China's economy will assign greater importance to the promotion of industry transformation and upgrade and to people-oriented urbanisation, in order to hedge against these downward pressures on economic growth. Given that China's overall economic growth environment is expected to stabilise in 2022 and that China's economic restructuring is at a new starting point in the “14th Five-Year” plan, it is expected that the operating results of the investment projects (mainly operating in China) held by the Group may improve to a certain extent.

## **Prospects - continued**

According to the principles of the Central Economic Working Conference held in December 2021, China's economic growth should give priority to stability, while also striving for progress in 2022, with all government units across China carrying a shared burden to stabilise the national economy and to adopt policies beneficial to economic stability. For policies adopted, they should be implemented well in time. The seven policy deployments are: (1) to ensure that macro policies are solid and effective, (2) to use micro policies to stimulate the vitality of main market players, (3) to adopt structural policies to help national economic circulation flow freely, (4) to develop technology policies that are sound and implementable, (5) to encourage policies of reform and openness in order to activate growth potential, (6) to seek regional policies that strengthen the balance and coordination of development and (7) to support social policies that bring greater security to people's livelihood. 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 artificial intelligence (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 that were in force as 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 2021 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  
**ZHOU Xing**  
*Chairman*

Hong Kong, 28 March 2022

*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. ZHOU Xing, Mr. ZHANG Rizhong and Mr. KE Shifeng; and the Independent Non-executive Directors are Mr. LIU Baojie, Mr. TSANG Wah Kwong, Dr. LI Fang, Dr. GONG Shaolin and Mr. Michael Charles VITERI.*