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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 2019

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 2019 of the Company and its subsidiaries (the “**Group**”) together with the 2018 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 2019

	2019	2018
	<u>US\$</u>	<u>US\$</u>
Net gain (loss) on financial assets at fair value through profit or loss (Note 3)	131,848,627	(111,123,083)
Investment income (Note 4)	15,528,387	18,884,552
Other gains	911,774	656,419
Administrative expenses	<u>(11,933,451)</u>	<u>(13,684,505)</u>
Profit (loss) before taxation	136,355,337	(105,266,617)
Taxation (Note 6)	<u>(34,546,363)</u>	<u>18,245,492</u>
Profit (loss) for the year	101,808,974	(87,021,125)
Other comprehensive expense for the year		
Item that will not be reclassified subsequently to profit or loss		
Exchange difference arising on translation to presentation currency	<u>(9,533,938)</u>	<u>(26,793,189)</u>
Total comprehensive income (expense) for the year	<u>92,275,036</u>	<u>(113,814,314)</u>
Profit (loss) for the year attributable to owners of the Company	<u>101,808,974</u>	<u>(87,021,125)</u>
Total comprehensive income (expense) for the year attributable to owners of the Company	<u>92,275,036</u>	<u>(113,814,314)</u>
Basic earnings (loss) per share (Note 7)	<u>0.668</u>	<u>(0.571)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	2019	2018
	US\$	US\$
Non-current asset		
Financial assets at fair value through profit or loss	663,028,975	579,151,538
Investment deposits	14,907,829	-
	677,936,804	579,151,538
Current assets		
Financial assets at fair value through profit or loss	50,944,637	55,058,638
Other receivables and prepayments	1,008,385	5,239,397
Cash and cash equivalents	64,143,034	48,450,040
	116,096,056	108,748,075
Current liabilities		
Other payables	27,538,766	27,620,833
Taxation payable	994,825	396,223
	28,533,591	28,017,056
Net current assets	87,562,465	80,731,019
Total assets less current liabilities	765,499,269	659,882,557
Non-current liabilities		
Financial liabilities designated at fair value through profit or loss	1,190,048	1,306,574
Deferred taxation	115,258,979	83,520,815
	116,449,027	84,827,389
Net assets	649,050,242	575,055,168
Capital and reserves		
Share capital	139,348,785	139,348,785
Reserves	62,080,654	70,366,095
Retained profits	447,620,803	365,340,288
Equity attributable to owners of the Company	649,050,242	575,055,168
Net asset value per share (Note 8)	4.261	3.775

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 2019 and 2018 included in this preliminary announcement of annual results for 2019 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 2018 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 2019 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 AND INTERPRETATION TO HKFRSs

Amendments and interpretation to HKFRSs that are mandatorily effective for the current year

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

HK(IFRIC) - Int 23	Uncertainty over income tax treatments
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 - 2017 Cycle

The application of the above amendments and interpretation 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 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	Definition of a business 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 and HKAS 8	Definition of material ³

¹ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the first annual period beginning on or after 1 January 2020.

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 2020.

In addition to the above amendments to HKFRSs, a revised *Conceptual framework for financial reporting* was issued in 2018. Its consequential amendments, *the Amendments to references to the conceptual framework in HKFRS standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

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

The following is the analysis of net gain (loss) on investments of the Group for the year ended 31 December 2019. 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:

	2019 <i>US\$</i>	2018 <i>US\$</i>
	<u> </u>	<u> </u>
Net gain (loss) on financial assets at FVTPL		
Listed investments		
Realised	8,215,192	4,463,675
Unrealised	106,134,385	(61,422,643)
Unlisted investments		
Unrealised	17,499,050	(54,164,115)
Total	131,848,627	(111,123,083)
	<u> </u>	<u> </u>

4. INVESTMENT INCOME

	2019 <i>US\$</i>	2018 <i>US\$</i>
	<u> </u>	<u> </u>
Interest income on bank deposits	905,655	723,039
Dividend income on financial assets at FVTPL		
Listed equity investments	8,099,357	7,878,780
Unlisted equity investments	6,523,375	10,282,733
	14,622,732	18,161,513
Total	15,528,387	18,884,552
	<u> </u>	<u> </u>

4. INVESTMENT INCOME - CONTINUED

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

	2019 <i>US\$</i>	2018 <i>US\$</i>
	<u> </u>	<u> </u>
Interest income for financial assets at amortised cost	905,655	723,039
Dividend income on financial assets at FVTPL	<u>14,622,732</u>	<u>18,161,513</u>
Total	<u>15,528,387</u>	<u>18,884,552</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, 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.

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 2019

	Reportable segments				Others US\$	Total US\$
	Financial services US\$	Culture, media and consumption US\$	Information technology US\$	Total reportable segments 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

For the year ended 31 December 2018

	Reportable segments				Others US\$	Total US\$
	Financial services US\$	Culture, media and consumption US\$	Information technology US\$	Total reportable segments US\$		
Net loss on financial assets at FVTPL	(70,719,453)	(20,642,973)	(12,869,034)	(104,231,460)	(6,891,623)	(111,123,083)
Dividend income on financial assets at FVTPL	15,646,461	2,445,364	69,688	18,161,513	-	18,161,513
Other gains	-	656,419	-	656,419	-	656,419
Segment loss	(55,072,992)	(17,541,190)	(12,799,346)	(85,413,528)	(6,891,623)	(92,305,151)
Unallocated:						
- Administrative expenses						(13,684,505)
- Interest income on bank deposits						723,039
Loss before taxation						(105,266,617)

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:

	2019 <i>US\$</i>	2018 <i>US\$</i>
Segment assets		
Financial services	522,812,932	406,212,808
Culture, media and consumption	104,105,646	152,030,035
Information technology	76,518,883	51,919,568
Total assets for reportable segments	703,437,461	610,162,411
Others	26,340,987	29,177,353
Unallocated	64,254,412	48,559,849
Consolidated assets	794,032,860	687,899,613
Segment liabilities		
Financial services	87,975	129,624
Culture, media and consumption	437,920	612,394
Information technology	299,916	218,821
Total liabilities for reportable segments	825,811	960,839
Others	4,664,572	4,716,874
Unallocated	139,492,235	107,166,732
Consolidated liabilities	144,982,618	112,844,445

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) credit for the year comprises:

	2019	2018
	US\$	US\$
	<u> </u>	<u> </u>
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	(173,958)	(15,479,471)
Withholding tax for distributed earnings	(985,578)	(364,262)
Underprovision in prior year	-	(47,589)
Deferred taxation		
Current year	(33,386,827)	34,136,814
Total	<u>(34,546,363)</u>	<u>18,245,492</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 (LOSS) PER SHARE

The calculation of basic earnings (loss) per share is based on the profit for the year of US\$101,808,974 (2018: loss of US\$87,021,125) and the number of 152,333,013 ordinary shares (2018: 152,333,013 ordinary shares) with no par value in issue during the year.

No diluted earnings (loss) 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\$649,050,242 (2018: US\$575,055,168) and 152,333,013 ordinary shares (2018: 152,333,013 ordinary shares) with no par value in issue at 31 December 2019.

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 2020 the payment of a final dividend of US\$0.07 (or HK\$0.546) per share (2018: a final dividend of US\$0.07 per share and special dividends of US\$0.10 per share), totaling US\$0.07 (or HK\$0.546) per share (2018: US\$0.17), in respect of the year ended 31 December 2019 to shareholders whose names appear on the register of members on 3 June 2020. The final dividend, if approved, is to be payable in cash on 27 July 2020. Total dividends for the year are US\$0.07 (or HK\$0.546) per share (2018: US\$0.17), amounting to US\$10,663,311 (2018: US\$25,896,613).

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 2020. 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 2020 to 28 May 2020, 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 2020. 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 3 June 2020. 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 3 June 2020.

REVIEW AND OUTLOOK

Overall Performance

The Group recorded a profit attributable to equity shareholders of US\$101.81 million for the year ended 31 December 2019, compared to a loss attributable to equity shareholders of US\$87.02 million for last year. The reversal was mainly due to a significant increase in the overall value of the financial assets at fair value through profit or loss (the “**Financial Assets**”), resulting in the recognition of a gain, rather than a loss as in the prior year. As of 31 December 2019, the net assets of the Group were US\$649.05 million (31 December 2018: US\$575.06 million), with a net asset value per share of US\$4.261 (31 December 2018: US\$3.775).

The net gain on the Financial Assets for the year was US\$131.85 million, compared to a net loss of US\$111.12 million for last year. The listed and unlisted investments recorded net gains of US\$114.35 million and US\$17.50 million, respectively.

Total investment income for the year decreased by 17.74% to US\$15.53 million (2018: US\$18.88 million) as compared to last year, due mainly to a decrease in dividend income from investments.

Acquisitions and Disposals of Investments

In 2019, the Group continued to seek out and rigorously evaluate investment opportunities. During the year, the Group increased its investment in an existing project and completed an investment in a new project, both related to the field of information technology. In addition, the Group remitted the consideration for an investment in a new information technology-related project.

Pony AI Inc. (“**Pony AI**”) carried out a new round of equity financing and introduced a new investor. To avoid the dilution of interest, the Group exercised its anti-dilution rights under the relevant agreements and made a further investment of US\$0.61 million in Pony AI on 25 April 2019 so as to maintain its equity interest and certain rights (including information rights) in Pony AI as unchanged.

On 2 September 2019, the Group entered into a capital increase agreement and other relevant agreements in relation to Shenzhen Arashi Vision Co., Ltd. (“**Arashi Vision**”), pursuant to which the Group agreed to contribute capital of RMB20 million to Arashi Vision in return for a 1% equity interest in Arashi Vision. The Group completed the capital injection of RMB20 million (equivalent to US\$2.83 million) on 20 September 2019. On 31 October 2019, the Group entered into an equity transfer agreement with an existing shareholder of Arashi Vision, pursuant to which the Group agreed to acquire a 0.625% equity interest in Arashi Vision at a price of RMB10 million, bringing the Group’s total investment in Arashi Vision to RMB30 million, accounting for a 1.625% equity interest in the company. Arashi Vision is a company striving to become a global leader engaged in the research, development and manufacture of 360-degree video products.

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.

In addition, the Group disposed of and exited from one investment in the year.

During the period of March to April 2019, the Group disposed of its entire holding of 7.21 million A shares of Besttone Holding Co., Ltd. (“**Besttone**”) for net proceeds of RMB125.61 million (equivalent to US\$18.69 million). The pre-tax internal rate of return to the Group from Besttone was 11.64%.

Liquidity, Financial Resources, Gearing and Commitments

The Group's cash and cash equivalents increased by 32.38%, from US\$48.45 million at the end of last year to US\$64.14 million (representing 8.08% of the Group's total assets) as of 31 December 2019, due mainly to proceeds from the disposal of all of the A shares of Bestone, as well as cash distributions received from certain investments during the year.

As of 31 December 2019, the Group had no outstanding bank loans (31 December 2018: Nil).

As of 31 December 2019, the Group had commitments of US\$44.56 million (31 December 2018: US\$20.15 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, Yunnan Jinlanmei International Travel Investment Development Co., Ltd., Anhui Iflytek Venture Capital LLP, Arashi Vision and a potential new financial services project.

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 1.65% in 2019, which had a certain negative 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 2019, the Group's total investments amounted to US\$713.97 million. The sector distribution of investments was US\$515.61 million in financial services (representing 64.93% of the Group's total assets), US\$104.10 million in culture, media and consumption (13.11%), US\$67.92 million in information technology (8.55%), and US\$26.34 million in other ventures (including manufacturing, energy and resources, and education, etc.) (3.32%). In addition, cash and cash equivalents were US\$64.14 million, representing 8.08% of the Group's total assets as of 31 December 2019.

Prospects

The market, presently, is cautious about global economic development in 2020 and, in particular, pays attention to the ultimate impact of the novel coronavirus on the major global economies. In 2020, the China's economy may still be exposed to downward risks with the possibility of further deterioration, mainly attributable to a few factors. In terms of external demand, manufacturing industries in developed economies are still in a downward cycle. The growth of fiscal revenue in China is under pressure, with little room for tax and fee reductions. The growth in real estate investment has been slowing. And, lastly, other factors, including the spread of the novel coronavirus, create a backdrop of uncertainty. Given that China's economic growth in 2020 continues to show signs of slowing and its economic restructuring is in a critical period, 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 convened in December 2019 has identified that government policies in 2020 will closely follow the objective of building a prosperous society in a well-rounded way. They will uphold the general principle of growth and new development concept, while ensuring stability as well. They will also uphold supply-side structural reforms as a major objective, along with greater openness as an impetus to promote quality development. They will strive to complete the "three critical missions" and work well with the "six stabilities." In particular, "stability" will be the first priority, with stability in growth and employment as core requirements. In addition, efforts will be made to push ahead with counter-cyclical adjustments and optimise the synergy, transmission and implementation mechanisms for fiscal, monetary and employment policies. They will also work aggressively to deepen reforms in the economic system with respect to state-owned assets, state-owned enterprises and fiscal and taxation systems, etc. As the country is still fighting hard against the novel coronavirus, it may be difficult to make a complete and accurate assessment of the impact of the epidemic on China's economy. 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 may enter 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 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:

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.

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 2019 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
ZHANG Jian
Chairman

Hong Kong, 30 March 2020

As at the date hereof, the Executive Directors of the Company are Mr. CHU Lap Lik, Victor, Mr. WANG Xiaoding and Mr. TSE Yue Kit; 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 and Dr. LI Fang. In addition, Ms. KAN Ka Yee, Elizabeth is the Alternate Director to Mr. CHU Lap Lik, Victor.