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 2018

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 2018 of the Company and its subsidiaries (the "**Group**") together with the 2017 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 2018

	2018	2017
	US$	*US$*
Net (loss) gain on financial assets at fair value through profit or loss *(Note 3)*	**(111,123,083)**	174,206,045
Investment income *(Note 4)*	**18,884,552**	15,207,807
Other gains	**656,419**	442,792
Administrative expenses	**(13,684,505)**	(21,022,596)
(Loss) profit before taxation	**(105,266,617)**	168,834,048
Taxation *(Note 6)*	**18,245,492**	(50,931,214)
(Loss) profit for the year	**(87,021,125)**	117,902,834
Other comprehensive (expense) income for the year		
Item that will not be reclassified subsequently to profit or loss		
Exchange difference arising on translation	**(26,793,189)**	35,547,816
Total comprehensive (expense) income for the year	**(113,814,314)**	153,450,650
(Loss) profit for the year attributable to owners of the Company	**(87,021,125)**	117,902,834
Total comprehensive (expense) income for the year attributable to owners of the Company	**(113,814,314)**	153,450,650
Basic (loss) earnings per share *(Note 7)*	**(0.571)**	0.774

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	2018	2017
	US$	*US$*
Non-current asset		
Financial assets at fair value through profit or loss	**579,151,538**	448,753,156
Current assets		
Financial assets at fair value through profit or loss	**55,058,638**	376,210,439
Other receivables and prepayments	**5,239,397**	96,135
Cash and cash equivalents	**48,450,040**	47,767,265
	108,748,075	424,073,839
Current liabilities		
Other payables	**27,620,833**	38,172,583
Taxation payable	**396,223**	5,285,658
	28,017,056	43,458,241
Net current assets	**80,731,019**	380,615,598
Total assets less current liabilities	**659,882,557**	829,368,754
Non-current liabilities		
Financial liabilities designated at fair value through profit or loss	**1,306,574**	1,451,162
Deferred taxation	**83,520,815**	122,291,478
	84,827,389	123,742,640
Net assets	**575,055,168**	705,626,114
Capital and reserves		
Share capital	**139,348,785**	139,348,785
Reserves	**70,366,095**	99,871,339
Retained profits	**365,340,288**	466,405,990
Equity attributable to owners of the Company	**575,055,168**	705,626,114
Net asset value per share *(Note 8)*	**3.775**	4.632

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 2018 and 2017 included in this preliminary announcement of annual results for 2018 does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2017 to the Registrar of Companies of Hong Kong as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2018 in due course.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

New HKFRSs that are mandatorily effective for the current year

The Group has applied the following new HKFRS issued by the HKICPA for the first time in the current year that is relevant to the business operation of the Group:

HKFRS 9	Financial instruments

The new HKFRS mentioned above has been applied by the Group in accordance with the relevant transition provision which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs - CONTINUED

New HKFRSs that are mandatorily effective for the current year - continued

HKFRS 9 *Financial Instruments*

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("**ECL**") for financial assets; and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provision set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement of financial assets at the date of initial application, i.e. 1 January 2018.

	Financial assets designated at fair value through profit or loss ("**FVTPL**") *US$*	Financial assets at FVTPL required by HKFRS 9 *US$*
Closing balance at 31 December 2017 - HKAS 39	824,963,595	-
Effect arising from initial application of HKFRS 9: Reclassification (Note 1)	(824,963,595)	824,963,595
Opening balance at 1 January 2018	-	824,963,595

Note 1: Financial assets at FVTPL and/or designated at FVTPL

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs - CONTINUED

New HKFRSs that are mandatorily effective for the current year - continued

HKFRS 9 *Financial Instruments* - continued

Summary of effects arising from initial application of HKFRS 9 – continued

At the date of initial application, the Group no longer applied designation as measured at FVTPL for the portfolio of financial assets which is managed and its performance is evaluated on a fair value basis, as these financial assets are required to be measured at FVTPL under HKFRS 9. As a result, these investments of US$824,963,595 were reclassified from financial assets designated at FVTPL to financial assets at FVTPL.

Impairment under ECL model

ECL for other financial assets at amortised cost, including cash and cash equivalents and other receivables, are assessed on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition. As at 1 January 2018, no additional credit loss allowance has been recognised against retained profits as the results of the assessment and the impact are considered as immaterial.

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

New and amendments to HKFRSs in issue but not yet effective

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

HK(IFRIC)-Int 23	Uncertainty over income tax treatments[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]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015-2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[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.

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

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

The following is the analysis of net (loss) gain on investments of the Group for the year ended 31 December 2018. The amounts of realised (loss) gain represent the fair value difference between the beginning of the year or purchase date in the year and the disposal date of financial instruments while the amounts of unrealised (loss) gain represent the change of fair value during the year of financial instruments held by the Group as at the year end:

	2018	2017
	US$	*US$*
Net (loss) gain on financial assets at FVTPL		
Listed investments		
Realised	**4,463,675**	2,906,761
Unrealised	**(61,422,643)**	117,183,692
Unlisted investments		
Realised	**-**	(917,900)
Unrealised	**(54,164,115)**	55,033,492
Total	**(111,123,083)**	174,206,045

4. INVESTMENT INCOME

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

	2018	2017
	US$	*US$*
Interest income on bank deposits	**723,039**	269,311
Dividend income on financial assets at FVTPL		
Listed equity investments	**7,878,780**	9,846,963
Unlisted equity investments	**10,282,733**	5,091,533
	18,161,513	14,938,496
Total	**18,884,552**	15,207,807

4. INVESTMENT INCOME - CONTINUED

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

	2018	2017
	US$	*US$*
Interest income for financial assets not at FVTPL	**723,039**	269,311
Investment income earned on financial assets at FVTPL	**18,161,513**	14,938,496
Total	**18,884,552**	15,207,807

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, education and medical and pharmaceutical activities, of which manufacturing, energy and resources and medical and pharmaceutical activities were being reported as separate segments in prior years. 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 and comparative figures have been represented. Investment in medical and pharmaceutical activities had been fully disposed of during 2017.

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 2018

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

For the year ended 31 December 2017 (restated)

	Reportable segments					
	Financial services *US$*	Culture, media and consumption *US$*	Information technology *US$*	Total reportable segments *US$*	Others *US$*	Total *US$*
Net gain on financial assets at FVTPL	115,731,800	27,966,583	20,328,808	164,027,191	10,178,854	174,206,045
Dividend income on financial assets at FVTPL	10,239,404	3,803,622	66,614	14,109,640	828,856	14,938,496
Other gains	-	442,792	-	442,792	-	442,792
Segment profit	125,971,204	32,212,997	20,395,422	178,579,623	11,007,710	189,587,333
Unallocated:						
- Administrative expenses						(21,022,596)
- Interest income on bank deposits						269,311
Profit before taxation						168,834,048

Segment (loss) profit represents the net (loss) gain on financial assets at FVTPL including net (loss) gain 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**")) and interest income on bank deposits. 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 (loss) profit.

5. SEGMENTAL INFORMATION - CONTINUED

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

	2018	2017
	US$	*US$*
		(restated)
Segment assets		
Financial services	**406,212,808**	558,939,886
Culture, media and consumption	**152,030,035**	179,312,367
Information technology	**51,919,568**	49,089,108
Total assets for reportable segments	**610,162,411**	787,341,361
Others	**29,177,353**	37,622,234
Unallocated	**48,559,849**	47,863,400
Consolidated assets	**687,899,613**	872,826,995
Segment liabilities		
Financial services	**129,624**	100,126
Culture, media and consumption	**612,394**	735,830
Information technology	**218,821**	115,559
Total liabilities for reportable segments	**960,839**	951,515
Others	**4,716,874**	4,403,139
Unallocated	**107,166,732**	161,846,227
Consolidated liabilities	**112,844,445**	167,200,881

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 credit (charge) for the year comprises:

	2018	2017
	US$	*US$*
The Company and its subsidiaries		
Current tax:		
PRC Enterprise Income Tax	**(15,479,471)**	(13,607,510)
Withholding tax for distributed earnings of PRC subsidiaries	**(364,262)**	(2,678,216)
Underprovision in prior year	**(47,589)**	-
Deferred taxation		
Current year	**34,136,814**	(34,645,488)
Total	**18,245,492**	(50,931,214)

No provision for taxation in Hong Kong has been made as the Company and its subsidiaries do not have assessable profits for the 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 (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss for the year of US$87,021,125 (2017: profit of US$117,902,834) and the number of 152,333,013 ordinary shares (2017: 152,333,013 ordinary shares) with no par value in issue during the year.

No diluted (loss) 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$575,055,168 (2017: US$705,626,114) and 152,333,013 ordinary shares (2017: 152,333,013 ordinary shares) with no par value in issue at 31 December 2018.

DIVIDENDS

As the shares of Industrial Bank Co., Ltd. held by the Group had been fully disposed of in the beginning of the year and received a satisfactory return, and to mark the 25th listing anniversary of the Company, a special interim dividend of US$0.05 per share (2017: Nil) amounting to US$7,616,651 (2017: Nil) for the year ended 31 December 2018 was declared by the Board and paid in cash on 8 November 2018 (2017: Nil).

The Board has resolved to recommend at the forthcoming annual general meeting ("**AGM**") to be held on 28 May 2019 the payment of a final dividend of US$0.07 (or HK$0.546) per share (2017: US$0.06) and a special dividend of US$0.05 (or HK$0.390) per share (2017: Nil), totaling US$0.12 (or HK$0.936) per share (2017: US$0.06), in respect of the year ended 31 December 2018 to shareholders whose names appear on the register of members on 3 June 2019. The final and special dividends, if approved, are to be payable in cash on 25 July 2019. Total dividends for the year are US$0.17 (or HK$1.326) per share (2017: US$0.06), amounting to US$25,896,612 (2017: US$9,139,981).

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 12 July 2019. Shareholders who have submitted the dividend election form previously do not need to re-submit this form.

BOOK CLOSURE

The register of members of the Company will be closed from 23 May 2019 to 28 May 2019, 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 2019. 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 2019. 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 2019.

REVIEW AND OUTLOOK

Overall Performance

The Group recorded a loss attributable to equity shareholders of US$87.02 million for the year ended 31 December 2018, compared to a profit attributable to equity shareholders of US$117.90 million for last year. The reversal was mainly due to a decline in the overall value of the financial assets at FVTPL (the "**Financial Assets**"), resulting in the recognition of a loss, rather than a gain as in the prior year. As of 31 December 2018, the net assets of the Group were US$575.06 million (31 December 2017: US$705.63 million), with a net asset value per share of US$3.775 (31 December 2017: US$4.632).

The net loss on the Financial Assets for the year was US$111.12 million, compared to a net gain of US$174.21 million for last year. The listed and unlisted investments recorded net losses of US$56.96 million and US$54.16 million, respectively.

Total investment income for the year increased by 24.13% to US$18.88 million (2017: US$15.21 million) as compared to last year, due mainly to an increase in dividend and distribution income from investments, and to an increase in interest income.

Material Acquisitions and Disposals of Investments

In 2018, the Group continued to seek out and rigorously evaluate investment opportunities, completing the funding for three new projects, all related to the field of information technology.

On 29 January 2018, the Group completed a capital contribution of RMB30 million (equivalent to US$4.74 million) to Ningbo Meishan Free Trade Port Area Jiangmen Venture Capital LLP (the "**Jiangmen Ventures Fund**"), representing 7.32% of the total fund subscription amount. The major investment targets of the Jiangmen Ventures Fund are enterprises related to machine intelligence, Internet of Things (IoT), natural user interface, and enterprise computing, with a primary focus on early-stage business ventures.

On 5 June 2018, the Group entered into some relevant agreements in relation to Beijing CAS Cambricon Technology Co., Ltd. ("**Cambricon**"), pursuant to which the Group, via a partnership entity, indirectly participated in the capital funding of Cambricon. On 14 June 2018, the Group completed a capital contribution of approximately RMB38 million (equivalent to US$5.94 million) for a beneficial equity interest of 0.246% in Cambricon upon conclusion of the funding round. Cambricon is a high technology company that focuses on the research, development and design of artificial intelligence (AI) chips.

On 27 June 2018, the Group entered into a preferred share purchase agreement and other relevant agreements in relation to Pony AI Inc. ("**Pony AI**"), pursuant to which the Group agreed to contribute capital of US$8 million to Pony AI in exchange for not less than a 0.8% stake in Pony AI upon conclusion of the funding round. The Group completed the capital contribution of US$8 million on 6 July 2018. Pony AI is a research and development company in China that focuses on technology solutions for autonomous driving.

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

The Group was granted authorisation by its shareholders to dispose of its entire holding of A shares of Industrial Bank Co., Ltd. ("**IBC**"). During the period of January to February 2018, the Group disposed of the entire remaining balance of 23.94 million A shares of IBC for net proceeds of US$69.45 million. Thus far, the Group has completed the disposal of its entire holding of A shares of IBC and exited from this investment. The pre-tax internal rate of return to the Group from IBC was 28.35%.

Liquidity, Financial Resources, Gearing and Commitments

The Group's cash and cash equivalents slightly increased by 1.42%, from US$47.77 million at the end of last year to US$48.45 million (representing 7.04% of the Group's total assets) as of 31 December 2018. Although the Group received a substantial amount of proceeds from the disposal of the entire remaining balance of A shares of IBC, it also made payments for the related taxes, capital contributions for new investments, a special interim dividend, and other items during the year.

As of 31 December 2018, the Group had no outstanding bank loans (31 December 2017: Nil).

As of 31 December 2018, the Group had commitments of US$20.15 million (31 December 2017: US$27.83 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. and Anhui Iflytek Venture Capital LLP.

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 5.04% in 2018, 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 2018, the Group's total investments amounted to US$634.21 million. The sector distribution of investments was US$401.08 million in financial services (representing 58.30% of the Group's total assets), US$152.03 million in culture, media and consumption (22.10%), US$51.92 million in information technology (7.55%), and US$29.18 million in other ventures (including manufacturing, energy and resources, and education, etc.) (4.25%). In addition, cash and cash equivalents were US$48.45 million, representing 7.04% of the Group's total assets as of 31 December 2018.

Prospects

The global economy is likely to face slower growth in 2019 and the US-China trade disputes will remain the primary source of uncertainty. Growth of the US economy may also face some changes, as the rate-hike cycle of the US Federal Reserve approaches an end, and as the impact of the US fiscal and trade deficits could possibly weaken support for a strong US dollar. Economic growth of the Eurozone is expected to slow, while Japan's economy is expected to continue on a path of recovery, propelled by domestic demand. In 2019, China's economy will be challenged by a number of factors, including a mixed global environment, a further slowdown of domestic economic growth due to different levels of weaker foreign trade, business investment and domestic consumption, potential risks arising from high leverage, and finally the negative effects of a narrowing trade surplus due to the US-China tariff war. All things considered, China's macro economy may continue to face downward pressure in 2019. Given that China's economic growth in 2019 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 2018 has identified the primary objective for China's economy in 2019 — making progress while ensuring stability. The Central Government has identified seven key tasks to be carried out in 2019, including: advancing quality development of the manufacturing industry, promoting the formation of a strong domestic market, implementing a rural revitalisation strategy, facilitating coordinated regional development, accelerating economic system reform, promoting greater openness in the economy, and strengthening the protection and improvement of people's livelihoods. 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:

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 2018 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, 28 March 2019

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.