

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



## 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 2022

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 2022 of the Company and its subsidiaries (the “**Group**”) together with the 2021 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 2022

|   | 2022                 | 2021                |
|---|----------------------|---------------------|
|   | <u>US\$</u>          | <u>US\$</u>         |
| Net (loss) gain on financial assets at fair value through profit or loss (Note 3)       | (199,780,049)        | 48,648,395          |
| Investment income (Note 4)  | 14,847,528           | 14,144,426          |
| Other gains   | 118,879              | 202,682             |
| Administrative expenses   | <u>(11,573,620)</u>  | <u>(19,974,735)</u> |
| (Loss) profit before taxation   | (196,387,262)        | 43,020,768          |
| Taxation (Note 6)   | <u>43,216,843</u>    | <u>(18,815,401)</u> |
| (Loss) profit for the year  | (153,170,419)        | 24,205,367          |
| Other comprehensive (expense) income for the year                                       |                      |                     |
| Item that will not be reclassified subsequently to profit or loss                       |                      |                     |
| Exchange difference arising on translation to presentation currency                     | <u>(59,629,969)</u>  | <u>18,247,958</u>   |
| Total comprehensive (expense) income for the year                                       | <u>(212,800,388)</u> | <u>42,453,325</u>   |
| (Loss) profit for the year attributable to owners of the Company                        | <u>(153,170,419)</u> | <u>24,205,367</u>   |
| Total comprehensive (expense) income for the year attributable to owners of the Company | <u>(212,800,388)</u> | <u>42,453,325</u>   |
| Basic (loss) earnings per share (Note 7)  | <u>(1.005)</u>       | <u>0.159</u>        |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

|   | <u>2022</u><br><u>US\$</u> | <u>2021</u><br><u>US\$</u> |
|---|----------------------------|----------------------------|
| Non-current asset   |                            |                            |
| Financial assets at fair value through profit or loss                 | <u>656,253,381</u>         | <u>903,328,647</u>         |
| Current assets  |                            |                            |
| Financial assets at fair value through profit or loss                 | 33,817,225                 | 64,044,731                 |
| Other receivables and prepayments                                     | 59,450                     | 13,740,736                 |
| Cash and cash equivalents   | <u>25,489,216</u>          | <u>36,641,135</u>          |
|   | <u>59,365,891</u>          | <u>114,426,602</u>         |
| Current liabilities   |                            |                            |
| Other payables  | 24,695,000                 | 33,372,541                 |
| Taxation payable  | <u>1,725,491</u>           | <u>2,338,940</u>           |
|   | <u>26,420,491</u>          | <u>35,711,481</u>          |
| Net current assets  | <u>32,945,400</u>          | <u>78,715,121</u>          |
| Total assets less current liabilities                                 | <u>689,198,781</u>         | <u>982,043,768</u>         |
| Non-current liabilities   |                            |                            |
| Financial liabilities designated at fair value through profit or loss | 872,416                    | 1,318,564                  |
| Deferred taxation   | <u>116,755,912</u>         | <u>175,027,741</u>         |
|   | <u>117,628,328</u>         | <u>176,346,305</u>         |
| <b>Net assets</b>   | <u><b>571,570,453</b></u>  | <u><b>805,697,463</b></u>  |
| <b>Capital and reserves</b>   |                            |                            |
| Share capital   | 139,348,785                | 139,348,785                |
| Reserves  | 68,837,982                 | 128,034,239                |
| Retained profits  | <u>363,383,686</u>         | <u>538,314,439</u>         |
| <b>Equity attributable to owners of the Company</b>                   | <u><b>571,570,453</b></u>  | <u><b>805,697,463</b></u>  |
| <b>Net asset value per share (Note 8)</b>                             | <u><b>3.752</b></u>        | <u><b>5.289</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 2022 and 2021 included in this preliminary announcement of annual results for 2022 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 2021 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 2022 in due course.

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

## 2. APPLICATION OF AMENDMENTS TO HKFRSs

### **Amendments to HKFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 and relevant for the preparation of the consolidated financial information:

|                       |   |
|-----------------------|---|
| Amendments to HKFRS 3 | Reference to the conceptual framework     |
| Amendments to HKFRSs  | Annual improvements to HKFRSs 2018 - 2020 |

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

<sup>1</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 (LOSS) GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (“FVTPL”)

The following is an analysis of net (loss) gain on investments of the Group for the year ended 31 December 2022. The amounts of realised (loss) gain 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 (loss) gain represent the change of fair value during the year of financial instruments held by the Group as at the year end:

|  | <b>2022</b>                 | 2021                     |
|--|-----------------------------|--------------------------|
|  | <i>US\$</i>                 | <i>US\$</i>              |
| Net (loss) gain on financial assets at FVTPL |                             |                          |
| Listed investments                           |                             |                          |
| Realised                                     | <b>(1,638,161)</b>          | (4,232,791)              |
| Unrealised                                   | <b>(115,237,342)</b>        | 54,297,642               |
| Unlisted investments                         |                             |                          |
| Realised                                     | <b>7,758,242</b>            | 141,076                  |
| Unrealised                                   | <b>(90,662,788)</b>         | (1,557,532)              |
| Total  | <b><u>(199,780,049)</u></b> | <b><u>48,648,395</u></b> |

### 4. INVESTMENT INCOME

|  | <b>2022</b>              | 2021                     |
|--|--------------------------|--------------------------|
|  | <i>US\$</i>              | <i>US\$</i>              |
| Interest income on bank deposits             | <b><u>216,625</u></b>    | <u>297,161</u>           |
| Dividend income on financial assets at FVTPL |                          |                          |
| Listed equity investments                    | <b>13,205,386</b>        | 11,393,412               |
| Unlisted equity investments                  | <b>1,425,517</b>         | 2,453,853                |
|  | <b><u>14,630,903</u></b> | <u>13,847,265</u>        |
| Total  | <b><u>14,847,528</u></b> | <b><u>14,144,426</u></b> |

#### 4. INVESTMENT INCOME - CONTINUED

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

|   | <b>2022</b><br><i>US\$</i>  | 2021<br><i>US\$</i>         |
|---|-----------------------------|-----------------------------|
|   | <u>                    </u> | <u>                    </u> |
| Interest income for financial assets<br>at amortised cost | <b>216,625</b>              | 297,161                     |
| Dividend income on financial assets<br>at FVTPL           | <b>14,630,903</b>           | 13,847,265                  |
| Total   | <b><u>14,847,528</u></b>    | <b><u>14,144,426</u></b>    |

#### 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 and medical activities (2021: manufacturing, energy and resources, medical and agriculture 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 2022

|  | Reportable segments        |  |                                | Total reportable segments<br>US\$ | Others<br>US\$   | Total<br>US\$        |
|--|----------------------------|--|--------------------------------|-----------------------------------|------------------|----------------------|
|  | Financial services<br>US\$ | Culture, media and consumption<br>US\$ | Information technology<br>US\$ |                                   |                  |                      |
| Net (loss) gain on financial assets at FVTPL | (160,535,201)              | 8,791,597                              | (56,426,286)                   | (208,169,890)                     | 8,389,841        | (199,780,049)        |
| Dividend income on financial assets at FVTPL | 12,944,090                 | 870,792                                | 698,271                        | 14,513,153                        | 117,750          | 14,630,903           |
| Other gains                                  | -                          | 559,632                                | -                              | 559,632                           | -                | 559,632              |
| Segment (loss) profit                        | <u>(147,591,111)</u>       | <u>10,222,021</u>                      | <u>(55,728,015)</u>            | <u>(193,097,105)</u>              | <u>8,507,591</u> | <u>(184,589,514)</u> |
| Unallocated:                                 |                            |  |                                |                                   |                  |                      |
| - Administrative expenses                    |                            |  |                                |                                   |                  | (11,573,620)         |
| - Interest income on bank deposits           |                            |  |                                |                                   |                  | 216,625              |
| - Other losses                               |                            |  |                                |                                   |                  | <u>(440,753)</u>     |
| Loss before taxation                         |                            |  |                                |                                   |                  | <u>(196,387,262)</u> |

### For the year ended 31 December 2021

|  | Reportable segments        |  |                                | Total reportable segments<br>US\$ | Others<br>US\$     | Total<br>US\$     |
|--|----------------------------|--|--------------------------------|-----------------------------------|--------------------|-------------------|
|  | Financial services<br>US\$ | Culture, media and consumption<br>US\$ | Information technology<br>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)                        | <u>21,699,906</u>          | <u>9,592,035</u>                       | <u>32,669,556</u>              | <u>63,961,497</u>                 | <u>(1,185,717)</u> | <u>62,775,780</u> |
| Unallocated:                                 |                            |  |                                |                                   |                    |                   |
| - Administrative expenses                    |                            |  |                                |                                   |                    | (19,974,735)      |
| - Interest income on bank deposits           |                            |  |                                |                                   |                    | 297,161           |
| - Other losses                               |                            |  |                                |                                   |                    | <u>(77,438)</u>   |
| Profit before taxation                       |                            |  |                                |                                   |                    | <u>43,020,768</u> |

Segment (loss) profit represents the net (loss) gain 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 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 (loss) profit.

## 5. SEGMENTAL INFORMATION - CONTINUED

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

|   | 2022<br><i>US\$</i>       | 2021<br><i>US\$</i>         |
|---|---------------------------|-----------------------------|
| <b>Segment assets</b>                     |                           |                             |
| Financial services                        | 454,236,174               | 670,770,763                 |
| Culture, media and consumption            | 53,659,356                | 48,047,832                  |
| Information technology                    | <u>162,887,995</u>        | <u>232,867,920</u>          |
| Total assets for reportable segments      | 670,783,525               | 951,686,515                 |
| Others                                    | 19,287,081                | 16,611,825                  |
| Unallocated                               | <u>25,548,666</u>         | <u>49,456,909</u>           |
| Consolidated assets                       | <u><u>715,619,272</u></u> | <u><u>1,017,755,249</u></u> |
| <b>Segment liabilities</b>                |                           |                             |
| Financial services                        | 38,955                    | 61,734                      |
| Culture, media and consumption            | 175,413                   | 209,039                     |
| Information technology                    | <u>512,963</u>            | <u>830,862</u>              |
| Total liabilities for reportable segments | 727,331                   | 1,101,635                   |
| Others                                    | 145,085                   | 4,930,651                   |
| Unallocated                               | <u>143,176,403</u>        | <u>206,025,500</u>          |
| Consolidated liabilities                  | <u><u>144,048,819</u></u> | <u><u>212,057,786</u></u>   |

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:

|  | <b>2022</b>        | 2021         |
|--|--------------------|--------------|
|  | <b>US\$</b>        | US\$         |
| The Company and its subsidiaries         |                    |              |
| Current tax:                             |                    |              |
| PRC Enterprise Income Tax                | <b>(870)</b>       | (163,943)    |
| Withholding tax for distributed earnings | <b>(1,322,341)</b> | (1,908,006)  |
| Deferred taxation                        |                    |              |
| Current year                             | <b>44,540,054</b>  | (16,743,452) |
| Total                                    | <b>43,216,843</b>  | (18,815,401) |

No provision for taxation in Hong Kong has been made as the Company and its subsidiaries did 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 (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss for the year of US\$153,170,419 (2021: profit of US\$24,205,367) and the number of 152,333,013 ordinary shares (2021: 152,333,013 ordinary shares) with no par value in issue during the year.

No diluted (loss) earnings per share for 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\$571,570,453 (2021: US\$805,697,463) and 152,333,013 ordinary shares (2021: 152,333,013 ordinary shares) with no par value in issue at 31 December 2022.

## DIVIDEND

No interim dividend was declared during the year.

The Board has resolved to recommend at the forthcoming annual general meeting (AGM) the payment of a final dividend of US\$0.07 (or HK\$0.546) per share (2021: a final dividend of US\$0.07 per share and a special dividend of US\$0.07 per share, totaling US\$0.14 per share) in respect of the year ended 31 December 2022. The final dividend, if approved, is to be payable in cash on 27 July 2023. Total dividends for the year are US\$0.07 (or HK\$0.546) per share (2021: US\$0.14), amounting to US\$10,663,311 (2021: US\$21,326,622).

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 2023. 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 2023 to 29 May 2023, 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 2023. Subject to the approval by shareholders at the forthcoming AGM, the final dividend will be payable to shareholders whose names appear on the register of members of the Company after the close of business at 4:30 p.m. on 2 June 2023. In order to qualify for the final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Computershare Hong Kong Investor Services Limited at the above address not later than 4:30 p.m. on 2 June 2023.

## REVIEW AND OUTLOOK

### Overall Performance

The Group recorded a loss attributable to equity shareholders of US\$153.17 million for the year ended 31 December 2022, compared to a profit attributable to equity shareholders of US\$24.21 million for last year. The reversal was mainly due to a significant decline in the overall value of the financial assets at fair value through profit or loss (the "**Financial Assets**"), resulting in the recognition of a loss, rather than a gain as in the prior year. As of 31 December 2022, the net assets of the Group were US\$571.57 million (31 December 2021: US\$805.70 million), with a net asset value per share of US\$3.752 (31 December 2021: US\$5.289).

The net loss on the Financial Assets for the year was US\$199.78 million, compared to a net gain of US\$48.65 million for last year. Looking deeper, the Group's listed and unlisted investments recorded net losses of US\$116.88 million and US\$82.90 million, respectively.

Total investment income for the year increased by 5.02 % to US\$14.85 million (2021: US\$14.14 million) as compared to last year, due mainly to an increase in dividend income from investments.

## **Acquisitions and Disposals of Investments**

In 2022, the Group continued to seek out and rigorously evaluate investment opportunities. During the year, the Group made investments in the information technology industry and medical industry. The direct investments completed include the following:

Beijing Huashun Xin'an Technology Co., Ltd. ("**Huashun Xin'an**") carried out a new round of equity financing and introduced several new investors. To avoid a dilution of its interest, the Group entered into an investment agreement, along with other relevant agreements, in relation to Huashun Xin'an on 25 March 2022, and made a further investment of RMB6.50 million (equivalent to US\$1.02 million) in Huashun Xin'an on 19 April 2022. The relevant formalities were duly completed on 25 April 2022 and the Group holds a 4.295% equity interest in Huashun Xin'an, accordingly.

On 30 September 2022, the Group entered into a preferred shares subscription agreement in relation to Immvira Bioscience Inc. ("**Immvira**"), pursuant to which the Group agreed to contribute US\$8 million to Immvira in order to subscribe to the preferred shares issued by Immvira and to obtain a 1.67% equity interest. The Group paid the said investment amount to Immvira on 24 October 2022 to complete the transaction. Immvira is a biotech research and development company, and is principally engaged in clinical research and the development of vector technologies as potential cancer therapeutics. Leveraging intrinsic mechanisms of action and tumor microenvironment modifications, Immvira is focused on developing a new generation of novel anti-cancer drug vectors, including replicating and non-replicating herpes simplex virus vectors, drug delivery exosomes and tumor vaccines.

In addition, the Group exited from an equity investment project during the year.

On 31 March 2022, the Group entered into an equity transfer agreement in relation to Shenzhen Geesun Intelligent Technology Co., Ltd. ("**Geesun Intelligent**"), pursuant to which the Group agreed to transfer all of its 2.35% equity interest in Geesun Intelligent to the founding shareholder of Geesun Intelligent at a price of RMB53.13 million. All of the transfer consideration of RMB53.13 million (equivalent to US\$8.20 million) was fully received by the Group on 5 May 2022, and the equity transfer was duly completed on 1 June 2022. The pre-tax internal rate of return to the Group from Geesun Intelligent was 8.90%.

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

The Group's cash and cash equivalents decreased by 30.43 %, from US\$36.64 million at the end of last year to US\$25.49 million (representing 3.56 % of the Group's total assets) as of 31 December 2022, due mainly to the payment of a special dividend for 2021 by the Group.

As of 31 December 2022, the Group had no outstanding bank loans (31 December 2021: Nil).

As of 31 December 2022, the Group had no commitments (31 December 2021: US\$1.96 million).

## **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 9.38% in 2022, which had a 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 2022, the Group's total investments amounted to US\$690.07 million. The sector distribution of investments was US\$454.23 million in financial services (representing 63.47% of the Group's total assets), US\$53.66 million in culture, media and consumption (7.50%), US\$162.89 million in information technology (22.76%), and US\$19.29 million in other ventures (including manufacturing, energy and resources, and medical, etc.) (2.70%). In addition, cash and cash equivalents were US\$25.49 million, representing 3.56% of the Group's total assets as of 31 December 2022.

## **Prospects**

In view of five factors—the delayed effects of tightening of monetary policy in the world's major developed economies, the partial restoration of the global supply chain, the decline in global energy and food prices, the retracement of a strong US dollar from its recent peak, and the high inflation base in 2022—global inflation is expected to weaken quarter by quarter in 2023, but inflationary pressures may remain stubborn throughout the year. As a result of persistent high inflation and monetary tightening, the economic growth of major developed economies is likely to face additional downward pressure. However, it is expected that the development of China's economy will continue to assign greater importance to the promotion of industrial transformation and upgrade and to investments in people-oriented urbanisation, as a hedge against these external downward pressures on economic growth. Given that China's overall economic growth environment is expected to stabilise and to pursue progress in 2023, and that China's economic restructuring is continuing under 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 continue to improve.

## **Prospects – continued**

According to the principles of the Central Economic Working Conference held in December 2022, China's economic growth should insist on prioritising stability, while also striving for progress in 2023. It should continue to implement a proactive fiscal policy and a prudent monetary policy, as well as to strengthen macro policy control and enhance coordination among various policies, so as to achieve synergy for high-quality economic development. The five main policy points are: (1) To focus on expanding domestic demand by giving priority to restoring and expanding consumption. (2) To accelerate the construction of a modern industrial system. For key industry chains in the manufacturing industry, we have to precisely identify the weak links in key technologies and component parts, and then focus our collective efforts, coupled with quality resources, to strengthen these weak links so as to ensure that the industrial system is independently controllable, safe, and reliable, and that the national economic circulation is smooth. (3) To deepen the reform of state-owned enterprises and improve their core competitiveness. (4) To make greater efforts to attract and utilise foreign investment, while promoting a high level of openness to the outside world and improving the quality and level of trade and investment cooperation. And, (5) To effectively prevent and mitigate major economic and financial risks. To ensure the stable development of the real estate industry, do a solid job of ensuring the delivery of buildings and preserving people's livelihoods and stability, meet the reasonable financing needs of the industry, promote restructuring within the industry through mergers and acquisitions, and prevent and mitigate risks of outstanding and leading real estate enterprises in an effective manner, while improving their assets and liabilities positions. 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:

## **CORPORATE GOVERNANCE – CONTINUED**

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

Besides, owing to a business trip, the Chairman, Mr. ZHOU Xing, has given an apology for not being able to attend and chair the AGM of the Company which was held on 27 May 2022. Mr. WANG Xiaoding, the Executive Director, then took the chair of the meeting according to the Articles of Association of the Company. In order to ensure effective communication with the shareholders, some Directors, Chairman of the Company's Audit Committee and the external auditor were present at the meeting to answer shareholders' questions.

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 2022 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 2023

*As at the date hereof, the Executive Directors of the Company are Mr. WANG Xiaoding and Ms. KAN Ka Yee, Elizabeth; the Non-executive Directors are Mr. ZHOU Xing, Mr. ZHANG Rizhong, Mr. KE Shifeng and Mr. TSE Yue Kit; and the Independent Non-executive Directors are Mr. TSANG Wah Kwong, Dr. LI Fang, Dr. GONG Shaolin, Mr. Michael Charles VITERI and Mr. ZHU Qi.*