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## 中國投資基金有限公司

CHINA INVESTMENT FUND COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00612)

### ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

The Board (the “**Board**”) of Directors (the “**Directors**”) of China Investment Fund Company Limited (the “**Company**”) wishes to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021 as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
Revenue	3	252	480
Other income, gains and (losses)	5	229	1,152
Net realised loss on disposals of financial assets at fair value through profit or loss		(2,798)	(21,859)
Net unrealised (loss) gain on financial assets at fair value through profit or loss		(206,646)	169,202
		(208,963)	148,975
(Loss) gain on disposal of subsidiaries	16	(190)	67,922
Administrative expenses		(105,389)	(105,637)
Finance costs	6	(16,645)	(19,242)
(Loss) profit before taxation	7	(331,187)	92,018
Taxation	8	–	73,112
(Loss) profit for the year attributable to owners of the Company		(331,187)	165,130
(Loss) earnings per share	10		
– Basic (HK cents per share)		(23.97)	12.36
– Diluted (HK cents per share)		(23.97)	12.27

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss) profit for the year attributable to owners of the Company	<u>(331,187)</u>	<u>165,130</u>
<b>Other comprehensive (expense) income:</b>		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	<u>(51,940)</u>	<u>21,196</u>
Other comprehensive (expense) income for the year, net of tax	<u>(51,940)</u>	<u>21,196</u>
Total comprehensive (expense) income attributable to owners of the Company	<u><u>(383,127)</u></u>	<u><u>186,326</u></u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Notes</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>Non-current assets</b>			
Property, plant and equipment		<b>467,776</b>	519,703
Intangible assets		<b>9,806</b>	11,155
Right-of-use assets		<b>16,257</b>	10,408
Financial assets at fair value through profit or loss	<i>12</i>	<b>497,279</b>	674,085
Deferred tax assets		<b>6,359</b>	6,359
Deposits and prepayments	<i>11</i>	<b>4,118</b>	6,937
		<hr/> <b>1,001,595</b>	<hr/> 1,228,647
<b>Current assets</b>			
Prepayments, deposits and other receivables	<i>11</i>	<b>7,529</b>	19,717
Financial assets at fair value through profit or loss	<i>12</i>	<b>107,309</b>	99,094
Bank balances and cash		<b>101,029</b>	111,881
		<hr/> <b>215,867</b>	<hr/> 230,692
<b>Current liabilities</b>			
Accruals and other payables		<b>9,452</b>	8,390
Borrowings	<i>13</i>	<b>55,440</b>	118,316
Lease liabilities		<b>8,417</b>	8,169
		<hr/> <b>73,309</b>	<hr/> 134,875
<b>Net current assets</b>		<hr/> <b>142,558</b>	<hr/> 95,817
<b>Total assets less current liabilities</b>		<hr/> <b>1,144,153</b>	<hr/> 1,324,464

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 <i>HK\$'000</i>
<b>Non-current liabilities</b>			
Borrowings	<i>13</i>	<b>38,532</b>	49,775
Lease liabilities		<b>8,929</b>	2,427
		<u><b>47,461</b></u>	<u>52,202</u>
<b>Net assets</b>		<u><b>1,096,692</b></u>	<u>1,272,262</u>
<b>Capital and reserve</b>			
Share capital	<i>14</i>	<b>71,014</b>	67,500
Reserves		<b>1,025,678</b>	1,204,762
		<u><b>1,096,692</b></u>	<u>1,272,262</u>
<b>Total equity</b>		<u><b>1,096,692</b></u>	<u>1,272,262</u>
<b>Net asset value per share</b>	<i>10</i>	<u><b>HK\$0.77</b></u>	<u>HK\$0.94</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

### 1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with 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 statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

### 2. APPLICATION OF NEW AND 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 periods beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
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 these consolidated financial statements.

#### 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:

HKFRS 17	Insurance Contracts <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>3</sup>
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>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2024.

The directors of the Company anticipate that the application of the above new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. REVENUE

An analysis of the Group's revenue for the year is as follows:

	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest income from banks and financial institutions	<u><b>252</b></u>	<u>480</u>

### 4. SEGMENT INFORMATION

For the years ended 31 December 2022 and 2021, the Group's revenue was interest income from banks and financial institutions. The directors of the Company consider that these activities constitute one business segment since these transactions are subject to common risks and returns. Given the nature of the Group's operation is investment holding, it is not considered meaningful to provide a business segment analysis of operating profits. The Group's segment revenue, assets and liabilities for the year, analysed by geographical markets, are as follows:

	Hong Kong		PRC and others jurisdictions		Consolidated	
	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>	<b>2022</b> <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Segment revenue:						
Interest income from banks and financial institutions	<u><b>134</b></u>	<u>376</u>	<u><b>118</b></u>	<u>104</u>	<u><b>252</b></u>	<u>480</u>
Non-current assets*	<b>509,620</b>	695,912	<b>481,498</b>	519,439	<b>991,118</b>	1,215,351
Total assets	<u><b>604,567</b></u>	<u>787,773</u>	<u><b>612,895</b></u>	<u>671,566</u>	<u><b>1,217,462</b></u>	<u>1,459,339</u>
Total liabilities	<u><b>103,026</b></u>	<u>187,048</u>	<u><b>17,744</b></u>	<u>29</u>	<u><b>120,770</b></u>	<u>187,077</u>
Other segment information:						
Additions to property, plant and equipment	-	215	<b>1,054</b>	-	<b>1,054</b>	215
Additions to right-of-use assets	<u>-</u>	<u>-</u>	<u><b>21,049</b></u>	<u>-</u>	<u><b>21,049</b></u>	<u>-</u>

\* The non-current assets information above is based on the locations of the assets and excluded deferred tax assets and deposits and prepayments.

Given that the nature of the Group's operation is investment holding, there was no information regarding major customers as determined by the Group.

## 5. OTHER INCOME, GAINS AND (LOSSES)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government subsidies ( <i>note</i> )	598	–
Net foreign exchange (losses) gains	(729)	876
Effective interest income from rental deposits	358	248
Gain on early termination of a lease	–	48
Others	2	(20)
	<u>229</u>	<u>1,152</u>

*Note:* Regarding the government subsidies, approximately HK\$591,000 were received from the Employment Support Scheme in Hong Kong.

## 6. FINANCE COSTS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest expenses on:		
Interest-bearing loan notes	2,174	2,121
Interest-bearing bonds	13,039	15,924
Interest-bearing loans	–	55
Lease liabilities	1,432	1,142
	<u>16,645</u>	<u>19,242</u>

## 7. (LOSS) PROFIT BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The Group's (loss) profit before taxation has been arrived at after charging (crediting) the following items:		
Directors' emoluments:		
Fees	3,420	3,420
Other emoluments	4,524	3,772
Discretionary bonuses	664	570
Retirement benefits scheme contributions	74	69
Staff costs:		
Basic salaries and allowances	20,559	15,181
Retirement benefits scheme contributions	487	452
Total staff costs (including directors' emoluments)	<u>29,728</u>	<u>23,464</u>
Auditor's remuneration	770	750
Depreciation of property, plant and equipment	12,551	14,085
Depreciation of right-of-use assets	13,541	10,896
Expenses related to short-term leases	96	114
Loss on property, plant and equipment written off	11	837
Impairment loss on intangible assets	1,109	2,146
Gain on early termination of a lease	–	(48)
Net foreign exchange losses (gains)	<u>729</u>	<u>(876)</u>

## 8. TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Deferred taxation		
Credit for the year	<u>          -</u>	<u>      (73,112)</u>

Under the Hong Kong Profits Tax two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No Hong Kong Profits Tax or EIT has been provided as the Group had no assessable profits in either jurisdiction for the year (2021: Nil).

Under the law of the People's Republic of China ("PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group's PRC subsidiaries is 25% for both years.

## 9. DIVIDEND

No dividend was proposed during the year, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

## 10. NET ASSET VALUE PER SHARE AND (LOSS) EARNINGS PER SHARE

### Net asset value per share

The net asset value per share is calculated by dividing the net assets included in the consolidated statement of financial position of approximately HK\$1,096,692,000 (2021: approximately HK\$1,272,262,000) by the number of ordinary shares in issue as at 31 December 2022, being approximately 1,420,290,000 (2021: 1,350,005,000) shares.

### (Loss) earnings per share

The calculations of basic and diluted (loss) earnings per share are based on:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>(Loss) earnings</b>		
(Loss) profit attributable to owners of the Company	<u>      (331,187)</u>	<u>      165,130</u>

	2022 '000	2021 '000
<b>Shares</b>		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share calculation	1,381,450	1,336,003
Effect of dilutive potential ordinary shares – share options	4,000	9,565
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share calculation	<u>1,385,450*</u>	<u>1,345,568</u>

\* No adjustment has been made to the basic loss per share for the year ended 31 December 2022 because the resulted loss per share is decreased when taking the outstanding share options into account, as the outstanding share options had an anti-dilutive effect on the basic loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

#### 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Rental and utility deposits	7,321	5,268
Due from brokers ( <i>note</i> )	48	16,325
Prepayment for leasehold improvements	2,296	2,337
Other prepayments	1,330	902
Other deposits and receivables	652	1,822
	<hr/>	<hr/>
	<u>11,647</u>	<u>26,654</u>
Analysed for reporting purposes as:		
Current assets	7,529	19,717
Non-current assets*	4,118	6,937
	<hr/>	<hr/>
	<u>11,647</u>	<u>26,654</u>

\* Non-current assets include rental and utility deposits of approximately HK\$1,822,000 (2021: approximately HK\$4,600,000) and prepayment for leasehold improvements of approximately HK\$2,296,000 (2021: approximately HK\$2,337,000).

*Note:* The balances represent the cash account balances with securities brokers that are used for trading of securities. The management of the Company monitors the credit risk of these brokers on a regular basis.

None of the above assets is either past due or impaired. The receivables included in the above balances have no recent history of default.

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Equity securities listed in Hong Kong ( <i>note</i> )	505,341	674,085
Equity securities listed in the PRC ( <i>note</i> )	99,247	99,094
	<u>604,588</u>	<u>773,179</u>
Analysed for reporting purposes as:		
Current assets	107,309	99,094
Non-current assets	497,279	674,085
	<u>604,588</u>	<u>773,179</u>

*Note:* Particulars of investments of listed equity securities held by the Group as at 31 December 2022 and 2021 disclosed pursuant to Chapter 21 of Listing Rules are as follows:

Name of investee companies	Place of incorporation	Number of shares held	Proportion of investee's capital owned	Cost <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Accumulated unrealised gain (loss) recognised <i>HK\$'000</i>	Dividend received/receivable during the year <i>HK\$'000</i>	% of gross assets of the Group	% of net assets of the Group
At 31 December 2022									
<i>Listed equity securities in Hong Kong</i>									
Hong Kong Exchanges and Clearing Limited	Hong Kong	8,800	Less than 0.01%	2,993	2,967	(26)	-	0.24%	0.27%
Tencent Holdings Limited	Cayman Islands	8,800	Less than 0.01%	2,956	2,939	(17)	-	0.24%	0.27%
Hua Yin International Holdings Limited	Bermuda	1,042,000,000	14.46%	79,192	422,010	342,818	-	34.66%	38.48%
New Concepts Holdings Limited	Cayman Islands	156,740,000	11.46%	42,998	72,100	29,102	-	5.92%	6.57%
Jiading International Group Holdings Limited (formerly known as Farnova Group Holdings Limited)	Bermuda	18,750,000	1.84%	3,000	3,169	169	-	0.26%	0.29%
Alibaba Group Holding Limited	Cayman Islands	25,000	Less than 0.01%	2,135	2,156	21	-	0.18%	0.20%
				<u>133,274</u>	<u>505,341</u>	<u>372,067</u>			
<i>Listed equity securities in the PRC</i>									
Caihong Display Devices Co., Ltd.	PRC	100,000	Less than 0.01%	928	468	(460)	-	0.04%	0.04%
Tianma Bearing Group Co., Ltd.	PRC	28,000,000	1.41%	71,188	98,779	27,591	-	8.11%	9.01%
				<u>72,116</u>	<u>99,247</u>	<u>27,131</u>			
				<u>205,390</u>	<u>604,588</u>	<u>399,198</u>			
At 31 December 2021									
<i>Listed equity securities in Hong Kong</i>									
Hua Yin International Holdings Limited	Bermuda	1,042,000,000	15.40%	79,192	656,460	577,268	-	44.98%	51.60%
New Concepts Holdings Limited	Cayman Islands	27,116,000	2.85%	7,999	17,625	9,626	-	1.21%	1.39%
				<u>87,191</u>	<u>674,085</u>	<u>586,894</u>			
<i>Listed equity securities in the PRC</i>									
Caihong Display Devices Co., Ltd.	PRC	100,000	Less than 0.01%	1,007	837	(170)	-	0.06%	0.07%
Tianma Bearing Group Co., Ltd.	PRC	28,000,000	2.32%	77,250	98,257	21,007	-	6.73%	7.72%
				<u>78,257</u>	<u>99,094</u>	<u>20,837</u>			
				<u>165,448</u>	<u>773,179</u>	<u>607,731</u>			

### 13. BORROWINGS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interest-bearing loan notes, unsecured	32,481	32,442
Interest-bearing bonds, unsecured	61,491	135,649
	<u>93,972</u>	<u>168,091</u>
Analysed for reporting purposes as:		
Current liabilities	55,440	118,316
Non-current liabilities	38,532	49,775
	<u>93,972</u>	<u>168,091</u>

2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
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The carrying amounts of above borrowings are repayable:

Within one year	55,440	118,316
More than one year but not exceeding two years	28,455	39,721
More than two years but not exceeding five years	10,077	10,054
	<u>93,972</u>	<u>168,091</u>

### 14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.05 each '000	Nominal value <i>HK\$'000</i>
Authorised:		
<b>At 1 January 2021, 31 December 2021 and 31 December 2022</b>	<u>4,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 1 January 2021	1,327,874	66,394
Exercise of share options ( <i>Note a</i> )	22,131	1,106
<b>At 31 December 2021 and 1 January 2022</b>	<u>1,350,005</u>	<u>67,500</u>
<b>Issue of shares by placement (<i>Note b</i>)</b>	<u>64,720</u>	<u>3,236</u>
<b>Exercise of share options (<i>Note c</i>)</b>	<u>5,565</u>	<u>278</u>
<b>At 31 December 2022</b>	<u>1,420,290</u>	<u>71,014</u>

*Notes:*

- (a) During the year ended 31 December 2021, 864,597 share options and 21,266,000 share options were exercised at the subscription price of HK\$0.729 per share and HK\$0.808 per share respectively, and a total of 22,130,597 ordinary shares were issued, giving gross proceeds in a total of approximately HK\$17,813,000.
- (b) On 2 June 2022, 37,912,000 ordinary shares were issued by the Company pursuant to a placing agreement dated 16 May 2022 at a placing price of HK\$3.05 per share, giving gross proceeds of approximately HK\$115,632,000.

On 14 October 2022, 26,808,000 ordinary shares were issued by the Company pursuant to a placing agreement dated 21 September 2022 at a placing price of HK\$3.5 per share, giving gross proceeds of HK\$93,828,000.

- (c) During the year ended 31 December 2022, 1,465,193 share options and 4,100,000 share options were exercised at the subscription price of HK\$0.729 per share and HK\$0.808 per share respectively, and a total of 5,565,193 ordinary shares were issued, giving gross proceeds in a total of approximately HK\$4,381,000.

## 15. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Financial instruments measured at fair value on a recurring basis

Some of the Group's financial assets and liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>At 31 December 2022</b>				
<b>Financial assets at FVTPL (<i>note</i>)</b>				
– Listed equity securities	<u>604,588</u>	<u>–</u>	<u>–</u>	<u>604,588</u>
<b>At 31 December 2021</b>				
<b>Financial assets at FVTPL (<i>note</i>)</b>				
– Listed equity securities	<u>773,179</u>	<u>–</u>	<u>–</u>	<u>773,179</u>

*Note:* The fair value of listed equity securities classified as level 1 is determined by the closing price quoted in active markets.

## 16. (LOSS) GAIN ON DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2022, the Group disposed of its entire equity interests in 5 subsidiaries to an independent third party for an aggregate consideration of HK\$50,000, resulting in a net loss on disposal of HK\$190,000.

The aggregate net assets of the subsidiaries at the date of disposal were as follows:

	<i>HK\$'000</i>
Intangible asset	240
Net assets disposed of	240
Total consideration	(50)
Net loss on disposal	190

An analysis of net inflows of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	<i>HK\$'000</i>
Net cash inflow arising on disposal:	
Cash consideration received	50
Cash and cash equivalents disposed of	-
	50

During the year ended 31 December 2021, the Group disposed of its entire equity interests in a subsidiary to an independent third party for a consideration of approximately HK\$26,839,000, resulting in a gain on disposal of approximately HK\$67,922,000.

The net assets of the subsidiary at the date of disposal were as follows:

	<i>HK\$'000</i>
Bank balances and cash	4
Net assets disposed of	4
Release of capital reserve	(38,839)
Release of exchange reserve	(2,248)
	(41,083)
Total consideration	(26,839)
Net gain on disposal	(67,922)

An analysis of net inflows of cash and cash equivalents in respect of the disposal of subsidiary is as follows:

	<i>HK\$'000</i>
Net cash inflow arising on disposal:	
Cash consideration received	26,839
Cash and cash equivalents disposed of	<u>(4)</u>
	<u>26,835</u>

**17. CAPITAL COMMITMENTS**

	<b>2022</b>	2021
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	<u><b>16,191</b></u>	<u>17,724</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The Group is principally engaged in investment in listed and unlisted securities.

2022 began with the largest global surge in COVID-19 cases since the start of the pandemic, spurred by the spread of the Omicron variant. The resulting illness, however, was less severe and less deadly compared to those in 2020 and 2021. The war in Ukraine has been ongoing for more than one year and a peaceful resolution is still not foreseeable in the near future. Increasing fuel and food prices have caused higher inflation around the world. According to the IMF, global economic growth is expected to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. Given such difficult investment environment, the Directors have taken prudent strategies to manage our portfolio.

### **FINANCIAL REVIEW**

For the year ended 31 December 2022, the Group recorded a net loss of approximately HK\$331,187,000 (2021: a net profit of approximately HK\$165,130,000). The turnaround of the result with a loss for the year as compared to a profit in the previous year was primarily due to a net unrealised loss on financial assets at fair value through profit or loss (“FVTPL”) of approximately HK\$206,646,000 (2021: net unrealised gain on financial assets at FVTPL of approximately HK\$169,202,000) which was mainly attributable to the fair value loss on listed securities.

### **SECURITIES INVESTMENTS**

The Board exercised caution while actively managing its investment portfolio in accordance with the Company’s investment objective and policy for the best interests of our shareholders.

#### **Investment in listed securities**

As at 31 December 2022, the Group held total listed securities classified under financial assets at FVTPL of approximately HK\$604,588,000 (2021: approximately HK\$773,179,000).

### **INVESTMENT PORTFOLIO**

We divide our strategy into three categories, namely long-term holding investment, mid-term private equity and venture capital and short-term trading of securities and other financial instruments. Our investments during the year 2022 were diverse and covered the following sectors: property development and management, construction works and environmental protection, financial and investment in innovation and technology.

## Significant Investments

As at 31 December 2022, the Group's securities investments in an entity with a value which exceeds 5% of the Group's total assets included securities investments in Hua Yin International Holdings Limited, New Concepts Holdings Limited and Tianma Bearing Group Co., Ltd.

The Group has established risk management procedures that enable it to identify, measure, monitor and control various types of risk it faces. The management will closely monitor the Group's investment portfolio.

Particulars of investments in listed equity securities held by the Group as at 31 December 2022 and 2021 disclosed pursuant to Chapter 21 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") are as follows:

Name of investee companies	Place of incorporation	Number of shares held	Proportion of investee's capital owned	Cost HK\$'000	Market value HK\$'000	Accumulated unrealised gain (loss) recognised HK\$'000	Dividend received/receivable during the year HK\$'000	% of gross assets of the Group	% of net assets of the Group
At 31 December 2022									
<i>Listed equity securities in Hong Kong</i>									
Hong Kong Exchanges and Clearing Limited	Hong Kong	8,800	Less than 0.01%	2,993	2,967	(26)	-	0.24%	0.27%
Tencent Holdings Limited	Cayman Islands	8,800	Less than 0.01%	2,956	2,939	(17)	-	0.24%	0.27%
Hua Yin International Holdings Limited	Bermuda	1,042,000,000	14.46%	79,192	422,010	342,818	-	34.66%	38.48%
New Concepts Holdings Limited	Cayman Islands	156,740,000	11.46%	42,998	72,100	29,102	-	5.92%	6.57%
Jiading International Group Holdings Limited (formerly known as Farnova Group Holdings Limited)	Bermuda	18,750,000	1.84%	3,000	3,169	169	-	0.26%	0.29%
Alibaba Group Holding Limited	Cayman Islands	25,000	Less than 0.01%	2,135	2,156	21	-	0.18%	0.20%
				<u>133,274</u>	<u>505,341</u>	<u>372,067</u>			
<i>Listed equity securities in the PRC</i>									
Caihong Display Devices Co., Ltd.	PRC	100,000	Less than 0.01%	928	468	(460)	-	0.04%	0.04%
Tianma Bearing Group Co., Ltd.	PRC	28,000,000	1.41%	71,188	98,779	27,591	-	8.11%	9.01%
				<u>72,116</u>	<u>99,247</u>	<u>27,131</u>			
				<u>205,390</u>	<u>604,588</u>	<u>399,198</u>			
At 31 December 2021									
<i>Listed equity securities in Hong Kong</i>									
Hua Yin International Holdings Limited	Bermuda	1,042,000,000	15.40%	79,192	656,460	577,268	-	44.98%	51.60%
New Concepts Holdings Limited	Cayman Islands	27,116,000	2.85%	7,999	17,625	9,626	-	1.21%	1.39%
				<u>87,191</u>	<u>674,085</u>	<u>586,894</u>			
<i>Listed equity securities in the PRC</i>									
Caihong Display Devices Co., Ltd.	PRC	100,000	Less than 0.01%	1,007	837	(170)	-	0.06%	0.07%
Tianma Bearing Group Co., Ltd.	PRC	28,000,000	2.32%	77,250	98,257	21,007	-	6.73%	7.72%
				<u>78,257</u>	<u>99,094</u>	<u>20,837</u>			
				<u>165,448</u>	<u>773,179</u>	<u>607,731</u>			

## Going forward

Given the fluctuation in the worldwide financial markets, the Board will continue to identify any investment opportunities and manage the investment portfolio in accordance with the Company's investment objective and policy with a view of gaining good investment yields for our shareholders. The Board will monitor market development closely with a view of identifying attractive and long-term investment opportunities.

## SUMMARY OF MATERIAL LEGAL PROCEEDINGS INVOLVING THE COMPANY

### (1) High Court Action HCA 796 of 2016

A Writ of Summons with an Indorsement of Claim was issued on 29 March 2016 in the High Court of Hong Kong in HCA 796 of 2016 by Yang Yan as plaintiff against the Company and its former subsidiary, Grand Dragon Investment Development Limited (“**Grand Dragon**”) as defendants whereby the plaintiff is claiming against the defendants for the forfeiture of a deposit for HK\$10,000,000 paid by the Company on behalf of Grand Dragon to the plaintiff pursuant to the written equity transfer agreement between Grand Dragon and the plaintiff in relation to the failure to commence due diligence of the target company which the plaintiff claims is a repudiatory breach of the said agreement. The defendants have counterclaimed against the plaintiff (which action has been consolidated with High Court Action 796 of 2016) for, inter alia, an order for the return of the deposit of HK\$10,000,000 to the defendants.

Upon the Plaintiff's repeated failures to appear at Court for the case management conferences and to comply with various procedural directions, the Plaintiff's claim was formally struck out and the Company applied to the Court on 15 August 2022 for judgment and costs against the Plaintiff. The Plaintiff subsequently applied to the Court after the deadline to restore her claim, the date of which application has not yet been fixed by the Plaintiff. Pending resolution of the Plaintiff's application, the Plaintiff's claim remains struck out until further order of the Court.

### (2) High Court Action Miscellaneous Proceedings HCMP 1102 of 2019 and HCMP 719 of 2019

These two actions relate to the issuance of ten bond notes issued by the Company to an individual, namely, Huang Qingzhan (“**Huang**”) for the aggregate principal value of HK\$10 million due for repayment on 30 April 2023 (“**Bond Notes**”). Interest is payable on the Bond Notes on a bi-annual basis commencing 31 March 2016. The issue to be determined in HCMP 719 of 2019 related to whether the suspension of the Company's shares on 8 March 2019 entitled Huang to early redemption of the Bond Notes. The Company maintained that such suspension was not a breach of the terms of the Bond Notes. The issue to be determined in HCMP 1102 of 2019 related to whether the interest payment paid by the Company on the due date of 31 March 2016 to an account provided by Huang was made in accordance with the terms and conditions of the Bond Notes. The Company maintains that the interest payment was duly paid on time.

On 19 March 2020, the Court delivered judgment in favour of the Company in HCMP 719 of 2019 and in favour of Huang in HCMP 1102 of 2019 with each party bearing its own costs.

The Company lodged an appeal on 7 May 2020 against the decision of the Court made on 19 March 2020 in relation to HCMP 1102 of 2019 under Civil Appeal No. 103 of 2020 (the “**Appeal**”). The Appeal was heard by the Court of Appeal on 16 December 2022. On 1 March 2023, the Court of Appeal handed down its decision allowing the Company’s Appeal and dismissing the previous Order granted in favour of Huang in HCMP 1102 of 2019 with costs of the Appeal and costs in the court below awarded to the Company. The Court of Appeal confirmed, inter alia, that the Company had complied with its interest payment obligations under the Bond Note and Huang was not entitled to early redemption of the Bond Notes.

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group had bank balances and cash of approximately HK\$101,029,000 as at 31 December 2022 (2021: approximately HK\$111,881,000), representing approximately 8.3% (2021: approximately 7.7%) of the Group’s total assets. As at 31 December 2022, the Group had long-term borrowings of unsecured interest-bearing bonds of approximately HK\$38,532,000 (2021: approximately HK\$49,775,000 including unsecured interest-bearing loan notes and unsecured interest-bearing bonds).

Apart from the long-term debts, the Group had short-term borrowings which are unsecured interest-bearing loan notes and unsecured interest-bearing bonds in an aggregate amount of approximately HK\$55,440,000 (2021: approximately HK\$118,316,000 including unsecured interest-bearing bonds).

The Group’s gearing ratio, being the total borrowings divided by equity attributable to owners of the Company, was approximately 8.6% as at 31 December 2022 (2021: approximately 13.2%).

## **CAPITAL COMMITMENTS**

As at 31 December 2022, the Group had capital commitments in respect of property, plant and equipment which is contracted for but not provided for of approximately HK\$16,191,000 (2021: approximately HK\$17,724,000).

## **PLEDGE OF ASSETS AND CONTINGENT LIABILITIES**

As at 31 December 2022, there were no charges on the Group’s assets and the Group did not have any material contingent liabilities (2021: Nil).

## **FOREIGN EXCHANGE EXPOSURE**

Most of the business transactions of the Group are denominated in Hong Kong dollars (“**HK\$**”) and Renminbi (“**RMB**”). The management of the Group will closely monitor fluctuations in these currencies and take appropriate actions when needed. As at 31 December 2022, the Group did not engage in currency hedging nor did it adopt any formal hedging activities. For the year ended 31 December 2022, the Group had major financial assets of approximately HK\$131,995,000 (2021: approximately HK\$174,390,000) which was denominated in RMB. The Group currently does not have any foreign currency hedging policy. However, the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

## **MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

Except for those disclosed in note 16 to this announcement, there was no other material acquisition or disposal of subsidiaries by the Group during the year.

## **CAPITAL STRUCTURE**

The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”). During the year, the movements in the Company’s share capital are as follow:

On 2 June 2022, 37,912,000 ordinary shares were issued by the Company pursuant to a placing agreement dated 16 May 2022. Shares were issued at a placing price of HK\$3.05 per share, giving gross proceeds of approximately HK\$115,632,000. During the year, the Company fully utilised the gross proceeds of approximately HK\$115,632,000. The Company utilised HK\$29.3 million (or 25.3% of the gross proceeds) to invest in listed securities (namely, listed equity securities in JD.com, Inc. (HK\$10 million), Tencent Holdings Limited (HK\$11.5 million) and Hong Kong Exchanges and Clearing Limited (HK\$7.8 million). Moreover, the Company used HK\$86.3 million (or 74.70% of the gross proceeds) for general working capital purposes.

On 14 October 2022, 26,808,000 ordinary shares were issued by the Company pursuant to a placing agreement dated 21 September 2022 at a placing price of HK\$3.50 per share, giving gross proceeds of HK\$93,828,000. Up to 31 December 2022, the Company utilised (a) HK\$40.1 million (or 42.80% of the gross proceeds) to invest in listed securities (namely, listed equity securities in New Concepts Holdings Limited (HK\$35.0 million), Jiading International Group Holdings Limited (HK\$3.0 million) and Alibaba Group Holding Limited (HK\$2.1 million). Also, the Company used HK\$39.2 million (or 41.80% of the gross proceeds) for general working capital purposes.

During the year ended 31 December 2022, 1,465,193 share options and 4,100,000 share options were exercised at the subscription price of HK\$0.729 per share and HK\$0.808 per share respectively, and a total of 5,565,193 ordinary shares were issued, giving gross proceeds of approximately HK\$4,381,000.

## **PROSPECTS**

The annual rate of inflation fell from 7.1 percent to 6.5 percent in 2022. the United State (“U.S.”) Federal Reserve is expected to slow the pace of interest-rate hikes and probably bring them to a halt later this year. China’s scrapping of its stringent, years-long COVID-fighting measures will increase economic activity and citizens’ mobility, kickstarting growth in the second quarter of 2023. It is expected that China’s economy will expand 5% this year, while the U.S. and Europe face the prospect of recessions. Tensions between the U.S. and China over a number of issues, such as Taiwan, Korea Peninsula, and South China Sea, are escalating dramatically in the past few months. Although a military conflict between the U.S. and China over those issue is unlikely in short term, it will be the main risk for Asia in the years ahead. Under such extremely uncertain environment, the Directors will take prudent strategies to manage our investment portfolio.

## **COMPLIANCE WITH THE APPLICABLE LAWS AND REGULATIONS**

During the year ended 31 December 2022, the Group has in all material respects complied with the applicable requirements under the Companies Law (Revised) under the laws of the Cayman Islands, the Rules Governing the Listing of Securities on the Stock Exchange, the Companies Ordinance and the Securities and Futures Ordinance under the laws of Hong Kong.

## **EMPLOYEES**

As at 31 December 2022, the Company had 35 (2021: 32) employees including executive Directors. The Group’s remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of individual employees. During the year, the Group has generally maintained good relationship with its employees.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors by Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules. Upon enquiry by the Company of those who served as Director during the year ended 31 December 2022, all Directors have confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2022.

## **CORPORATE GOVERNANCE CODE**

During the year ended 31 December 2022, the Company complied with all the applicable provisions of the Corporate Governance Code (the “**Code Provision**”) as set out in Appendix 14 to the Listing Rules, except for the deviation set out as below.

Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. The Chairman of the Board did not attend the annual general meeting of the Company held on 28 June 2022.

## **AUDIT COMMITTEE**

The Audit Committee currently comprises independent non-executive Directors only, namely, Ms. Jing Siyuan (chairman), Mr. Zhang Aimin and Mr. Zhang Qiang. The composition and members of the Audit Committee comply with the requirements under Rule 3.21 of the Listing Rules.

The Audit Committee is mainly responsible for overseeing the Company's financial reporting system and internal control procedures; making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and to approve the remuneration and terms of engagement of the external auditors, and any questions of the resignation or dismissal of such auditors; and reviewing the interim and annual reports and accounts of the Company.

The Audit Committee meets regularly to review the financial reporting process and internal controls of the Group. The Audit Committee has reviewed the accounting policies and practices adopted by the Group and discussed internal controls and financial reporting matters with management of the Company including a review of the consolidated financial statements of the Group for the year ended 31 December 2022.

The Group's 2022 audited financial statements have been duly reviewed by the Audit Committee with the auditor and in relation to which the members of the Audit Committee unanimously recommended for approval by the Board. The Audit Committee has concluded that it is satisfied with the professional performance of Confucius International CPA Limited ("CICPA") as the auditor of the Company and therefore recommends to the Board that CICPA be reappointed as the auditor of the Company, which will be put forward for Shareholders' approval at the forthcoming annual general meeting.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2022 consolidated financial statements of the Group, the Directors, both collectively and individually, applied such degree of skill, care and diligence as may reasonably be expected of them under the Rule 3.08 of the Listing Rules.

## **REMUNERATION COMMITTEE**

The Remuneration Committee currently comprises one executive Director, Mr. Zhang Xi and two independent non-executive Directors, namely, Mr. Zhang Aimin (chairman) and Ms. Jing Siyuan.

The Remuneration Committee is mainly responsible for making recommendations to the Board on the Company's policy and structure for remuneration of all the Directors and senior management of the Company and making recommendations to the Board on the remuneration packages of individual executive Director and senior management.

## **NOMINATION COMMITTEE**

The Nomination Committee currently comprises one executive Director, Mr. Luk Hong Man, Hammond and two independent non-executive Directors, namely, Ms. Jing Siyuan (chairman) and Mr. Zhang Aimin.

The Nomination Committee is mainly responsible for reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of the independent non-executive Directors; and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The Nomination Committee formulated the Board diversity policy and the Company has adopted the Board diversity policy in August 2013. The Company recognises and embraces the benefits of diversity in Board members. Selection of Board members will be based on a range of diversified perspectives, including but not limited to gender, age, ethnicity, cultural and educational background, or professional experience. All Board appointments will be based on merit and the needs of the Company's business while taking into account diversity. The Nomination Committee also monitors the implementation of this policy and reports to the Board on the achievement of the measurable objectives for achieving diversity under this policy.

## **PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This final results announcement is published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of the Company at [www.cifund.com.hk](http://www.cifund.com.hk). The Company's annual report for the year ended 31 December 2022 will in due course be published on the same websites and despatched to the Company's shareholders.

## **SCOPE OF WORK OF THE INDEPENDENT AUDITOR**

The figures in respect of the Group's consolidated statement of financial position, the consolidated statement of profit or loss and the 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 this announcement have been agreed by the Group's auditors, CICPA to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CICPA 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 CICPA on this annual results announcement.

By Order of the Board  
**China Investment Fund Company Limited**  
**Luk Hong Man, Hammond**  
*Executive Director*

Hong Kong, 28 March 2023

*As at the date of this announcement, the executive Directors are Mr. Luk Hong Man, Hammond and Mr. Zhang Xi; the non-executive directors are Mr. Wang Mengtao, Mr. Leung Ka Fai and Mr. Liang Wenzhi; and the independent non-executive Directors are Ms. Jing Siyuan, Mr. Zhang Aimin and Mr. Zhang Qiang.*