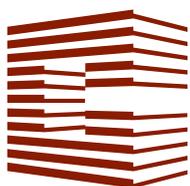


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中國基建投資有限公司
China Infrastructure Investment Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 600)

**SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
2022 ANNUAL RESULTS**

This announcement is made by China Infrastructure Investment Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2)(a) of the Rules Governing the Listing of Securities (the “**Listing Rules**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to (i) the announcements of the Company dated 31 March 2022, 11 May 2022, 20 May 2022, 23 June 2022, 8 July 2022 and 29 July 2022 in relation to, among other things, the delay in publication of the 2021 Audited Results and the 2021 Annual Report and the suspension of trading of the shares of the Company with effect from 11 July 2022; (ii) the announcement of the Company dated 8 August 2022 in relation to the Resumption Guidance; (iii) the announcements of the Company dated 10 October 2022, 10 January 2023, 13 October 2023 and 10 January 2024 in relation to the quarterly updates on the progress of resumption; (iv) the announcement of the Company dated 12 October 2023 in relation to change of auditor of the Company; (v) the 2021 Audited Results announcement and the 2021 Annual Report dated 5 January 2024; (vi) the 2022 Interim Results announcement and the 2022 Interim Report dated 5 January 2024; (vii) the 2022 Annual Results announcement and the 2022 Annual Report dated 5 January 2024; and (viii) the 2023 Interim Results announcement and the 2023 Interim Report dated 5 January 2024 (collectively, the “**Announcements**”). Unless otherwise specified, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements.

AUDIT MATTERS

Reference is made to the announcement of the Company dated 12 October 2023. The Company would like to provide additional information in relation to the audit procedures performed by Asian Alliance, being the auditors of the Company, in respect of the Audit Matters raised by HLB.

a) Construction in progress and related land use rights located in the PRC

- (i) Obtained the management accounts, ledgers and sub-ledgers account of Tianjin Hui Li Yuan.

- (ii) Reviewed the court judgement made by the 天津市南開區人民法院 (Tianjin Nankai District People's Court*) (the "**Court**") dated 30 March 2022.
- (iii) Performed company search to confirm if the Borrower, the Lender, the Tianjin Hui Li Yuan NCI and the Plaintiff has any relationship with the Company.
- (iv) Performed land search to confirm the ownership of the Properties. Asian Alliance noted that the Properties has been sealed by the Court and has not yet been auctioned by the Court because it does not meet the conditions for court disposal.
- (v) Site visited the Properties to observe the current status.

Asian Alliance considered the above audit procedures is insufficient to address the Audit Matters as Asian Alliance could not perform audit procedures on the books and records of Tianjin Hui Li Yuan, including but not limited to unable to obtain the construction agreements, the progress reports, the pledge agreement and the indemnity documents.

b) Investment in associates

- (i) Obtained and performed audit procedures on the books and records of the Forward Investment Group for the year ended 31 December 2021 in accordance with Hong Kong Standards on Auditing issued by the HKICPA.
- (ii) Ascertained whether the associates are correctly accounted for using the equity method in accordance with HKAS 28.
- (iii) Obtained the external audit confirmations to verify the account balances recorded by the Forward Investment Group as at 31 December 2021.
- (iv) Obtained audit evidence for the ECL assessment as at 31 December 2021 by:
 - Assessed the competency, capabilities and objectivity of the independent valuer ("**Valuer**") engaged by the Company.
 - Tested the integrity of information used by the Valuer to develop the ECL model on a sample basis.
 - Challenged management's basis and judgement in determining the credit loss allowance.
 - Reviewed the reasonableness of the management's estimation for the credit quality of the debtors.

Asian Alliance considered the above audit procedures can fully address the Audit Matter raised by HLB, except Asian Alliance were unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the accuracy of the loss on disposal of construction in progress included in property, plant and equipment amounted to approximately HK\$121,161,000 resulted from the land resumption during the year ended 31 December 2021.

c) Investment properties

- (i) Obtained and checked all rental agreements and property management service agreements attributable to the revenue of approximately HK\$1,311,000 and HK\$1,057,000 reported during the year ended 31 December 2021, respectively.
- (ii) Obtained and performed audit procedures on the books and records of the Group's subsidiary recording the Group's investment properties (i.e. 天津俊華物流有限公司) for the year ended 31 December 2021 in accordance with Hong Kong Standards on Auditing issued by the HKICPA.
- (iii) Obtained audit evidence for the property valuation of the Group's investment properties as at 31 December 2021 by:
 - Assessed the competency, capabilities and objectivity of the Valuer engaged by the Company.
 - Challenged whether Valuer's method of valuation is reflective of the current market conditions.
 - Assessed the reasonableness of the key inputs/assumptions used in the property valuation.
 - Tested the integrity of information used by the Valuer in the property valuation on a sample basis.
- (iv) Site visited of both the properties and the relevant subsidiary owning its legal title.
- (v) Obtained the audit confirmations from the tenant or customer to confirm the relevant income.

Asian Alliance considered the above audit procedures can fully address the Audit Matter raised by HLB.

d) Trade receivables and trade payables

- (i) Obtained audit evidence for the ECL assessment as at 31 December 2021 by:
 - Assessed the competency, capabilities and objectivity of the independent Valuer engaged by the Company.
 - Tested the integrity of information used by the Valuer to develop the ECL model on a sample basis.
 - Challenged management's basis and judgement in determining the credit loss allowance.
 - Reviewed the reasonableness of the management's estimation for the credit quality of the debtors.

- (ii) Obtained the supporting documents for the settlement of all trade receivables.
- (iii) Obtained all the relevant sales or purchase VAT invoices.
- (iv) Obtained all the underlying delivery notes.
- (v) Obtained most direct audit confirmations and obtained alternative audit evidence for non-reply direct audit confirmations.
- (vi) Obtained the reprint bank documents from the banks which can support the movements of trade receivables and trade payables.

Asian Alliance considered the above audit procedures can fully address the Audit Matter raised by HLB.

e) Other receivables, deposits and prepayment

- (i) Prepayments of approximately HK\$2,554,000 as at 31 December 2021 which represented prepaid construction cost of property, plant and equipment was attributable from Tianjin Hui Li Yuan in which Asian Alliance could not obtain sufficient audit evidence.
- (ii) Obtained audit evidence for the ECL assessment as at 31 December 2021 by:
 - Assessed the competency, capabilities and objectivity of the Valuer engaged by the Company.
 - Tested the integrity of information used by the Valuer to develop the ECL model on a sample basis.
 - Challenged management’s basis and judgement in determining the credit loss allowance.
 - Reviewed the reasonableness of the management’s estimation for the credit quality of the debtors.
- (iii) Obtained direct audit confirmations (including pledged deposit for interest bearing borrowing and trade deposit which the sales contracts are cancelled and to be refundable) for significant balances as at 31 December 2021 and performed alternative procedures to obtain audit evidence for non-reply direct audit confirmations.
- (iv) Checked to the terms in the subscription agreement in relation to the subscription of 40% equity interest in Forward Investment (PRC) Company Limited and the profit guarantee (the “**Profit Guarantee**”) and reperformed calculation of the compensation income arising from the Profit Guarantee.

- (v) Although the compensation income receivables as at 31 December 2021 has not yet settled up to the date of this report, the management of the Group engaged an external valuation firm to assist to perform ECL assessment on the compensation income receivables as at 31 December 2021 and provide all the documentary evidence with explanations for the ECL assessments on the compensation income receivables.
- (vi) Checked to the reprint bank documents from the banks relating to the settlement of the compensation income recognised during the year ended 31 December 2020.
- (vii) Except for the balances of HK\$7,198,000 accounted in Tianjin Hui Li Yuan, Asian Alliance have obtained all the breakdown with proper documentary evidence and performed the substantive test with satisfactory results.

Asian Alliance considered the above audit procedures can fully address the Audit Matter raised by HLB except those balances accounted in Tianjin Hui Li Yuan.

f) Accruals and other payables and finance costs of the defaulted loan

- (i) Obtained the loan contract.
- (ii) Obtained the direct audit confirmation from the lender.
- (iii) Review the correspondence with the lender.
- (iv) Obtained the calculation (the “**Calculation**”) of the finance costs (including default interest and other default penalties) provided by the management of the Company.
- (v) Engaged a lawyer to review the basis of the Calculation is in accordance with the terms stated in the loan contract.
- (vi) Engaged an independent valuer to review the formular of the Calculation is in accordance with the terms stated in the loan contract and examine the arithmetical accuracy of the Calculation.

Asian Alliance considered the above audit procedures can fully address the Audit Matter raised by HLB.

g) Revenue

- (i) Obtained all VAT sales and purchases invoices and related agreements.
- (ii) Obtained all agreements relating to property management service income and rental income.
- (iii) Obtained all delivery notes.

- (iv) Obtained supporting documents and valid explanation that the Group is a principal in respect of revenue recognition.
- (v) Obtained direct audit confirmations from customers and suppliers.
- (vi) Obtained complete walk-through documents to support amounts and balances recorded in respect of the transactions involved in the entire business operation.
- (vii) Checked to the reprint bank documents from the banks supporting the settlement of related trade receivables and trade payables.

Asian Alliance considered the above audit procedures can fully address the Audit Matter raised by HLB.

h) Subsequent events and contingent liabilities

- (i) Obtained a complete list of contingent liabilities, claims arising from litigation which have been received.
- (ii) Reviewed the minutes of meetings of shareholders, board of directors and audit committees, and announcements from the end of reporting period to our report date.
- (iii) Enquired the management any specific events occurred that have material impact in the consolidated financial statements from the end of reporting period to report date, with documentary evidence, if any.
- (iv) Reviewed the latest financial information of the Group from end of reporting period to the audit report date.
- (v) Performed the litigation search on the major subsidiaries.
- (vi) Performed search for unrecorded liabilities.
- (vii) Reviewed the disclosure of the consolidated financial statements is in accordance with the requirement of HKAS 37.

Asian Alliance considered the above audit procedures can fully address the Audit Matter raised by HLB.

i) Going concern

- (i) Requested the management to provide all necessary supporting documents and explanations to support the assumptions underlying the profit and cash flow forecasts.
- (ii) Reviewed the profit and cash flow forecasts of the Group prepared by the management of the Company.

As the Group's current liabilities exceeded its current assets by approximately HK\$402,555,000 and the Group had net liabilities of approximately HK\$378,089,000 as at 31 December 2022, Asian Alliance were unable to ascertain whether the assumptions made by the directors of the Company in preparing the consolidated financial statements on a going concern basis are proper and appropriate.

During the audit progress, attention of the Audit Committee has been drawn by Asian Alliance in relation to, amongst others, the Audit Matters. In the Audit Committee meetings held between the Audit Committee members and Asian Alliance, the Audit Matters have been raised and discussed. The Audit Committee has also made relevant enquiries to the management of the Group and response has also been given to Asian Alliance. The Audit Committee has also reviewed the audit procedures as presented by Asian Alliance, including the information obtained and is satisfied that the Audit Matters have been fully addressed.

IMPAIRMENT UNDER THE ECL MODEL

As disclosed in the 2022 Annual Report, the Company made impairment losses on (i) trade receivables of approximately HK\$66 million and approximately HK\$49 million for the years ended 31 December 2021 (“**FY2021**”) and 2022 (“**FY2022**”) respectively; and (ii) other receivables, deposits and prepayment of approximately HK\$127 million and approximately HK\$128 million for the respective years. The Company would like to provide additional information in relation to (i) the nature of the underlying assets; and (ii) the underlying reasons for the impairment made.

Nature of the Underlying Assets

The underlying assets subject to the significant impairment for FY2021 and FY2022 were mainly trade receivables and other receivables.

Nature of the trade receivables were related to trading of construction materials. Principal activities of the debtors of the trade receivables were mainly construction and building, wholesale, metal and mining.

Nature of the other receivables were related to the trade deposits and compensation income. Principal activities of the debtors of the trade deposits were mainly wholesale, transportation and cargo.

For the compensation income, it arose from the acquisition of Forward Investment (PRC) Limited by the Company in 2012. The guarantors have committed to the Company in writing that the compensation will be settled on or before 31 August 2024. Due to the accounting policy, such amount considered as significant increase in credit risk in FY2022.

Reasons for the Impairment

According to the Group's accounting policy, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. For debts that are overdue for more than 90 days to two years, total impairment amount will be subject to an estimated credit loss ("ECL") rate of 61.70%, whereas those overdue for over two years will be calculated on a 100% ECL rate basis.

The underlying reasons for the significant impairment made are mainly due to the lingering COVID-19 pandemic in the PRC and the gloomy atmosphere of the property market in the PRC as follows.

2020 to 2022 was the hardest time for almost all the companies in the PRC due to the COVID-19 pandemic and the continuous and severe lock up measures. The trade receivables were mainly due from customers principally engaged in construction material. As disclosed in the resumption proposal submitted by the Company on 3 January 2024 (the "**Resumption Proposal**"), driven by the downfall of a great number of well-known multi-billion property developers, the effects of the liquidity crisis are not only limited to affecting the property developers but also companies in the upper and lower stream of the real estate industry as a whole. The impact has lingered around the market throughout the whole pandemic era. The relevant customers hence were not able to pay to the Company under the influence of the contagion effect of the liquidity crisis. As a result, according to the accounting policy of the Group and "Expected Credit Loss" in Hong Kong Financial Reporting Standard 9 *Financial Instruments* as well as the valuation report by the independent valuer, impairment of the account receivables from trading of construction materials for the years ended 31 December 2021 and 2022 were made.

As for the other receivables, the PRC government has implemented a wide array of epidemic prevention measures like lockdown measures to control the spread of the virus. Non-essential personnel were not allowed to leave their residence or travel around freely and businesses deemed non-essential or not urgent were forced to temporarily close down. Subsequently, the production of the suppliers of the Group was also forced to stop for the time being, leading to the situation where the goods ordered by the Company were not delivered albeit having paid the deposits already. As at 31 December 2021 and 2022, those deposits are subject to ECL assessment. According to the Group's accounting policy, impairment for these receivables were consequently made for the years ended 31 December 2021 and 2022 as well.

In view of the aforesaid real estate market crisis in the PRC, the Company adopted a more conservative view and strategy in the property investment segment. The Company will therefore allocate more resources to and focus more on its natural gas business by exploring thriving business opportunities in this segment in the foreseeable future. Furthermore, as mentioned previously, the lingering COVID-19 pandemic has cast a significant adverse impact to the market in general that many of the Company debtors were forced to reduce in scale in order to lower its operation costs. As of now, the Company has not resumed the business relationship with the concerned debtors.

Some of these debtors have, in fact, made payment to the Group after the effects of the COVID-19 started to fade away. Some of them have tried to negotiate with the Group for making partial payment, instalment or requesting for extension of payment. The Company will use its best endeavours to keep monitoring the repayment situation of the debtors.

CONTINUED SUSPENSION OF TRADING

Trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on 11 July 2022. Pending fulfilment of the Resumption Guidance, trading in the shares of the Company on the Stock Exchange will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
China Infrastructure Investment Limited
Lu Yi
Chairman

Hong Kong, 15 March 2024

As at the date of this announcement, the Board comprises Mr. Lu Yi (Chairman and Chief Executive Officer), Mr. Xu Feng and Mr. Ye De Chao as executive Directors; and Mr. He Jin Geng, Mr. Yu Hong Gao and Ms. Chen Yang as independent non-executive Directors.