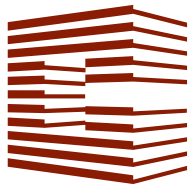


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中國基建投資有限公司 China Infrastructure Investment Limited

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

CHANGE OF AUDITOR

This announcement is made by China Infrastructure Investment Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.51(4) of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

RESIGNATION OF AUDITORS

The board of directors (the “**Board**”) of the Company announces that HLB Hodgson Impey Cheng Limited (“**HLB**”) resigned as the auditors of the Company and certain subsidiaries on 11 October 2023. HLB considers the following matters should be brought to the attention of the shareholders and the creditors of the Company:

- (1) HLB’s audit of the Group’s consolidated financial statements for the year ended 31 December 2021 (the “**2021 Audit**”) was suspended in July 2022 due to the major outstanding matters (the “**Audit Matters**”) as detailed in HLB’s resignation letter (the “**Resignation Letter**”);
- (2) Construction in progress and related land use rights located in the People’s Republic of China (the “**PRC**”) of approximately HK\$77,271,000 (collectively referred to as the “**Properties**”).

As disclosed in the Company’s announcement dated 24 May 2017, 天津滙力源動力設備有限公司 (Tianjin Hui Li Yuan Power Equipment Co. Ltd.*) (“**Tianjin Hui Li Yuan**”), a non-wholly owned subsidiary of the Company, had entered into an agreement with a PRC trust company (the “**Lender**”), to provide a pledge of the Properties (the “**Pledge**”) to secure a loan granted to a third party (the “**Borrower**”) in the sum of RMB80,000,000 (the “**Pledged Loan**”). In order to protect the interest of the Group against the loss which might be suffered by the Group under the Pledge, the Borrower and the non-controlling interest of Tianjin Hui Li Yuan (who was the vendor from whom the Group acquired its 60% equity interest of Tianjin Hui Li Yuan in 2017 and has a common director with the Borrower) (the “**Tianjin Hui Li Yuan NCI**”) entered into (i) a counter indemnity in favour of the Group pursuant to which they agreed to, among other matters, indemnify the Group

for its liabilities and loss which may arise from the Pledge; and (ii) the Tianjin Hui Li Yuan NCI also agreed to indemnify the Group by offering a pledge of its 40% equity interest in Tianjin Hui Li Yuan to the Group upon default in the Pledged Loan by the Borrower (the “**Indemnity**”). During the 2021 Audit, HLB has noted that on 30 March 2022, 天津市南開區人民法院 (Tianjin Nankai District People’s Court*) made a judgment (the “**Judgment**”) that amongst other things, the Borrower shall compensate 天津物產進出口貿易有限公司 (Tianjin Product Import & Export Trading Co., Ltd.*), being a party to which the Lender has transferred its interest in the Pledged Loan to (the “**Plaintiff**”), for the outstanding principal amount of RMB80,000,000, related interest and legal fee and Tianjin Hui Li Yuan shall bear any shortfall amount between the proceeds from sale of the Properties and the outstanding amount of the Pledged Loan. HLB was unable to obtain sufficient and appropriate evidence in relation to (i) whether this event is an adjusting event in accordance with HKAS 10 “Events after the Reporting Period” and whether the Group should have made provision for the outflow of resources embodying economic benefits which may arise in the future in respect of the Judgment as at and for the year ended 31 December 2021; and (ii) the amount of provision in respect of the subject matters of the Judgment that should have been recognised as at 31 December 2021, because no supporting documentation was made available to HLB in relation to the financial condition of the Borrower and the status of the Pledged Loan as at 31 December 2021 except for the Judgment made after the end of the reporting period. As at 31 December 2021, no provision has been recognised by the Group in the consolidated financial statements. HLB was also unable to obtain sufficient appropriate audit evidence to satisfy themselves as to (i) the identity of the Plaintiff and whether the Plaintiff was related to the Group in accordance with Hong Kong Accounting Standard (“**HKAS**”) 24 “Related Party Disclosures” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”); (ii) the financial implications of the Indemnity because (1) there was no supporting documentation made available to HLB that the Borrower and the Tianjin Hui Li Yuan NCI were able to provide sufficient financial resources to compensate the Group in respect of the Judgment; (2) the Tianjin Hui Li Yuan NCI had not yet transferred their 40% shareholding in Tianjin Hui Li Yuan to the Group pursuant to the Indemnity; and (3) based on the latest information made available to HLB, the Borrower and the Tianjin Hui Li Yuan NCI had not yet made any compensation to the Group in respect of the Judgment up to the date of the Resignation Letter. Further, HLB was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to (i) the extent of construction works done and construction costs incurred by the Group as at 31 December 2021 and consequentially the carrying values of the construction in progress and related construction cost payables, if any, as at 31 December 2021, because no construction progress report and other supporting documentation concerning the progress of the construction project was made available to HLB; (ii) consequentially, whether any carrying amounts of construction in progress should have been transferred to the appropriate classes of property, plant and equipment upon completion of construction during the year ended 31 December 2021 in accordance with HKAS 16 “Property, plant and equipment” and commenced recognition of depreciation charges thereon during the year then ended; and (iii) the impairment assessment of the Properties as at 31 December 2021 and the

impairment loss recognised in respect of the Properties of approximately HK\$38,388,000 and HK\$Nil respectively in respect of property, plant and equipment and right-of-use assets (“**ROUAs**”) for the year ended 31 December 2021 because there was no documentary evidence to the key assumptions and valid explanations made by directors of the Company made available to HLB which formed the basis used by the external valuation firm engaged by the Group for the determination of the recoverable amounts of the Properties at 31 December 2021 and whether the impairment assessment had reflected the effect of the proceedings and conditions relating to the Judgment before the end of the reporting period. In addition, HLB has not been arranged for site visits of both the Properties and Tianjin Hui Li Yuan.

(3) Investment in associates of approximately HK\$72,397,000

As at 31 December 2021, the Group’s investment in associates represents 40% equity interests in Forward Investment (PRC) Company Limited (“**Forward Investment**”) and its subsidiary 南京泰和盈科置業有限公司 (Nanjing Taihe Yingke Property Company Limited*) (the “**Forward Investment Group**”). As at the date of the Resignation Letter, HLB has not been provided with (i) books and records of Forward Investment Group for the year ended 31 December 2021; (ii) documentary evidence to the key assumptions and valid explanations made by directors of the Company which formed the basis used by the external valuation firm engaged by the Group for the determination of the business valuation of the Forward Investment Group for the purpose of impairment testing as at 31 December 2021; (iii) external audit confirmations or alternative audit evidence for verifying the transactions and account balances recorded by the Forward Investment Group as at 31 December 2021 and the year then ended; and (iv) documentary evidence for the expected credit loss (“**ECL**”) assessment of the trade and other receivables recorded by the Forward Investment Group at 31 December 2021. Consequentially, HLB was unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the share of results of associates and share of other comprehensive income of associates of approximately HK\$97,725,000 and HK\$3,013,000 respectively recognised for the year ended 31 December 2021.

(4) Investment properties of approximately HK\$38,082,000

As at the date of the Resignation Letter, HLB has not been provided (i) 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) the books and records of the Group’s subsidiary recording the Group’s investment properties; and (iii) documentary evidence to the key assumptions and valid explanations made by directors of the Company which formed the basis used by the external valuation firm engaged by the Group for the determination of the property valuation of the Group’s investment properties for the purpose of the ascertaining its fair value at 31 December 2021 and the fair value loss of approximately HK\$15,188,000 recognised for the year then ended. In addition, HLB has not been arranged for site visits of both the Group’s investment properties and the relevant subsidiary owning its legal title.

- (5) Trade receivables of approximately HK\$105,966,000 and trade payables of approximately HK\$14,660,000

Based on the information currently made available to HLB, HLB was unable to obtain sufficient appropriate audit evidence in relation to (i) the recoverability and valuation of trade receivables with a carrying amount of approximately HK\$105,941,000 as at 31 December 2021, as the amounts were overdue over one year and based on the information currently made available to HLB the amounts were not yet settled up to the date of the Resignation Letter and no supporting documentation, information and explanation on the ECL assessment from the management was made available to HLB. Consequentially, HLB was also unable to be satisfied with the recording accuracy of impairment loss of approximately HK\$31,338,000 recorded for the year ended 31 December 2021; (ii) the occurrence of the recorded amount of settlement of trade receivables of approximately HK\$1,415,000 during the year ended 31 December 2021 because there was no supporting documentation made available to HLB to ascertain the settlements were made by the respective customers and for the settlement amounts; and (iii) the occurrence of the recorded amounts of trade receivables and trade payables because HLB was not provided with (1) all relevant sales or purchase value-added tax (“VAT”) invoices; (2) underlying delivery notes; (3) direct audit confirmations from relevant customers and suppliers; and (4) original bank documents supporting the movements of trade receivables and trade payables.

- (6) Other receivables, deposits and prepayment of approximately HK\$251,710,000

Based on the information currently made available to HLB, HLB was unable to obtain sufficient appropriate audit evidence in relation to (i) whether prepayments of approximately HK\$2,554,000 as at 31 December 2021 which represented prepaid construction cost of property, plant and equipment had been utilised during the year ended 31 December 2021 because of the circumstances described in paragraph (2) abovementioned; (ii) the validity, existence, valuation and recording accuracy of trade deposits paid of approximately HK\$225,659,000 as at 31 December 2021 which represented trade deposits paid for construction materials because no contracts between the suppliers and the Group were made available to HLB; (iii) the recoverability of the carrying amounts of other receivables, deposits and prepayment as at 31 December 2021 and recording accuracy of allowance for ECL of approximately HK\$15,030,000 recognised for the year ended 31 December 2021 as no supporting documentation, information and explanation for the ECL assessment made by the Group’s management were made available to HLB. Further, the Group did not disclose information concerning credit analysis of gross carrying amounts of those other receivables, deposits and prepayments; (iv) the validity of compensation income arising from profit guarantee recognised as other

income of HK\$36,000,000 for the year ended 31 December 2021 because no supporting documentation, information and explanation was made available to HLB to satisfy themselves that the amount is probable to be collected by the Group and based on the information currently made available to HLB no settlement was made up to the date of the Resignation Letter; (v) the recoverability of the related compensation income receivable as at 31 December 2021 because the amount was overdue and no supporting documentation of the impairment assessment under ECL model for the compensation income receivable as at 31 December 2021 was made available to HLB. Further, the relevant original bank documents relating to the settlement of the compensation income recognised during the year ended 31 December 2020 were not yet provided to HLB; and (vi) the recoverability of pledged deposit included in other receivables paid to an entity related to the Group's interest-bearing borrowings with principal amount of HK\$115,000,000 and was defaulted as at 31 December 2021 (the "**Defaulted Loan**") because there was no direct audit confirmation made available to HLB. Further, there has been no breakdown of the other receivables of approximately HK\$22,580,000 (except for the pledged deposit of the Defaulted Loan) that were made available to HLB up to the date of the Resignation Letter.

- (7) Accruals and other payables of HK\$84,866,000 and finance costs of the Defaulted Loan of HK\$11,500,000

Based on the information currently made available to HLB, HLB was unable to obtain sufficient appropriate audit evidence in relation to (i) the completeness and recording accuracy of finance costs of approximately HK\$11,500,000 recognised for the year ended 31 December 2021 because no supporting documentation was made available to HLB to determine whether default interest and other default penalties are required to be accrued for; (ii) consequentially, the completeness and recording accuracy of interest payable and accrued bank charges included in accruals and other payables of approximately HK\$49,150,000 and HK\$10,000,000 respectively as at 31 December 2021 because of the circumstances as described in (i) above; (iii) the validity and recording accuracy of movement of the finance costs and bank charges recorded in accruals and other payables of approximately HK\$11,500,000 and HK\$nil during the year ended 31 December 2021 because there was no supporting documentation made available to HLB; (iv) the differences in the amount of interests payables stated in the direct audit confirmation from the respective counter party for the purposes of HLB's audit that HLB has received and the amount of interest payables of approximately HK\$49,150,000 recorded in the consolidated statement of financial position as at 31 December 2021; and (v) the completeness and recording accuracy of the amount due to the Borrower of approximately HK\$11,775,000 as at 31 December 2021 because there is no supporting documentation, information and explanation made available to HLB.

- (8) Revenue of approximately HK\$18,182,000 and cost of sales of approximately HK\$16,080,000

Based on the information currently made available to HLB, HLB has not been provided with (i) all VAT sales and purchases invoices and related agreements; (ii) all agreements relating to property management service income and rental income; (iii) all delivery notes; (iv) supporting documents and valid explanation that the Group is a principal in respect of revenue recognition; (v) direct audit confirmations from customers and suppliers; (vi) complete walkthrough documents to support amounts and balances recorded in respect of the transactions involved in the entire business operation and the roles and responsibility of each counterparty in the entire trade chain and the relationship among the involved parties; and (vii) original bank documents supporting the settlement of related trade receivables and trade payables.

- (9) Subsequent events and contingent liabilities

HLB has been unable to obtain sufficient appropriate audit evidence to satisfy themselves as to the completeness and disclosure of both the events and transactions after the date of the reporting period of the Group and the contingent liabilities.

- (10) Going concern

Based on the information currently made available to HLB, there exists events and conditions which cast significant doubts about the Group's ability to continue as a going concern, including but not limited to, the following:

- (i) The Group incurred net losses of approximately HK\$178,594,000 and HK\$348,497,000 for the years ended 31 December 2021 and 2020 respectively;
- (ii) The Group incurred an operating cash outflow of approximately HK\$14,336,000 for the year ended 31 December 2021;
- (iii) the Defaulted Loan was not repaid up to the date of the Resignation Letter and no supporting documentation of the extension for repayment; and
- (iv) The Judgment and Tianjin Hui Li Yuan shall bear any shortfall between the proceeds from the sale of the Properties and the outstanding amount of the Pledged Loan.

In addition, the adjustments found to be necessary to the Group's financial performance for the year ended 31 December 2021 and closing balances of assets and liabilities as at 31 December 2021 of the Audit Matters described in paragraphs (2) to (10) herein may cause the operating results and liquidity position of the Group as presented in the consolidated financial statements for the year ended 31 December 2021 to be adversely affected.

HLB has not been provided with any cash flow forecast of the Group prepared by the directors of the Company for justifying the appropriate application of going concern assumption in the preparation of the consolidated financial statements of the Group for the year ended 31 December 2021. There were also no legally binding documents from any financial institution or valid plans of both fundraising and operations to verify the Group's ability to meet its existing debts and obligations when they fall due. In addition, HLB has not been provided with legally binding documents in relation to financial support from its substantial shareholder and supporting documents of the capability of providing financial support from such substantial shareholder.

HLB stated in the Resignation Letter that HLB had communicated to the Audit Committee the Audit Matters and that HLB's work is not completed. The Audit Matters are based on the best of HLB's knowledge as of the date the 2021 Audit was suspended as HLB had not obtained any update from the directors of the Company since then. Up to the date of the Resignation Letter, HLB had not been provided with any reasonable explanation and information from the Company regarding the Audit Matters.

Reason of resignation of HLB as auditor of the Company

During the 2021 Audit, a key management staff of the Company has been suffering from serious health problems, which caused great hindrance to him in the management and daily works in the Company. The audit progress of the 2021 Audit was also inevitably affected. However, upon the strengthening of management of the Company recently and the lifting of epidemic prevention measures by the PRC and Hong Kong governments, the gradual return to normalcy not only to society but also to the Company. The Company will use its best endeavours to publish all outstanding financial results required under the Listing Rules as soon as possible.

As disclosed in the announcement of the Company dated 8 August 2022, the Stock Exchange has imposed the resumption guidance on the Company for the resumption of trading in the shares of the Company (the "**Resumption Guidance**"), pursuant to which the Company is required to, among others, publish all outstanding financial results required under the Listing Rules and address any modifications. As at the date of this announcement, the annual results of the Company for the year ended 31 December 2021 (the "**2021 Annual Results**"), the annual report of the Company for the year ended 31 December 2021 (the "**2021 Annual Report**"), the interim results and the interim report of the Company for the six months ended 30 June 2022, the annual results of the

Company for the year ended 31 December 2022 (the “**2022 Annual Results**”), the annual report of the Company for the year ended 31 December 2022 (the “**2022 Annual Report**”) and the interim results and the interim report of the Company for the six months ended 30 June 2023 remain outstanding. If the Company fails to remedy the issues causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange’s satisfaction and resume trading in its shares by 10 January 2024, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company’s listing.

Given the imminent deadline for fulfilling the Resumption Guidance and for the best interest of the Company and its shareholders having considered the audit timetable, the Board wishes to complete the audit of the 2021 Annual Results and the 2022 Annual results as soon as possible. In these circumstances, the audit committee of the Company (the “**Audit Committee**”) has been communicating and consulting with HLB of the Audit Matters and considers that the Company and HLB may not be able to reach any consensus regarding the audit timetable. Therefore, the Board resolved to recommend HLB to resign as the auditors of the Company, with a view to enable the Company to engage another auditor to complete the audit of the 2021 Annual Results and 2022 Annual Results.

On 28 September 2023, the Company served a notification to HLB that the Board resolved to recommend HLB to resign as the auditors of the Company.

On 11 October 2023, HLB agreed to resign from the position of auditors of the Company and tendered the Resignation Letter to the Board. Save as disclosed above, HLB confirmed that no circumstances connected with its resignation which HLB considered should be brought to the attention of the shareholders or the creditors of the Group.

Save as disclosed above, the Board and the Audit Committee have also confirmed that there is no disagreement between the Company and HLB, and there is no other matter in connection with the resignation of HLB that needs to be brought to the attention of the shareholders of the Company.

The Board would like to take this opportunity to express its sincere gratitude to HLB for its professional services rendered to the Group during the past years.

APPOINTMENT OF AUDITOR

The Board further announces that, in accordance with the articles of association of the Company and with the recommendation from the Audit Committee, it has resolved to appoint Asian Alliance (HK) CPA Limited (“**Asian Alliance**”) as the new auditor of the Company on 11 October 2023 to fill the causal vacancy following the resignation of HLB and to hold office until the conclusion of the next annual general meeting of the Company.

In recommending to the Board on the proposed appointment of Asian Alliance, the Audit Committee has made reference to, *inter alia*, The Guidelines for Effective Audit Committees – Selection, Appointment and Reappointment of Auditors issued by the Accounting and Financial Reporting Council (AFRC) on 16 December 2021, and considered the background, credentials, experience, track record and manpower allocation of Asian Alliance. The Audit Committee, after discussing with Asian Alliance on the publication of the 2021 Annual Results, 2021 Annual Report, 2022 Annual Results and 2022 Annual Report, is of the view that the proposed resources of and the timeline provided by Asian Alliance are reasonable and that Asian Alliance is fully aware of the reasons for the resignation of HLB and the issues raised in the Resignation Letter.

The Board would like to take this opportunity to express its warm welcome to Asian Alliance on its appointment as the auditor of the Company.

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 should exercise caution when dealing in the shares of the Company.

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

Hong Kong, 12 October 2023

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.

* *For identification purposes only*