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中投國際

CHINA INVESTMENT FUND INTERNATIONAL HOLDINGS LIMITED
中國投資基金國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 00612)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2017

The Board (the "**Board**") of Directors (the "**Directors**") of China Investment Fund International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017, with the comparative figures for the year ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Notes	**2017**	2016
		HK$	*HK$*
Revenue	*3*	**12,563**	572,162
Net realised gain on disposals of available-for-sale financial assets		**–**	38,435,795
Net realised gain (loss) on disposals of financial assets at fair value through profit or loss		**2,201,830**	(16,168,562)
Net realised loss on settlement of futures contracts		**(12,145,439)**	–
Net unrealised loss on financial assets at fair value through profit or loss		**(41,183,353)**	(55,550,058)
		(51,114,399)	(32,710,663)
Net (loss) gain on disposals of subsidiaries/ deregistration of subsidiaries	*10*	**(10,478,016)**	225,905
Impairment loss on prepayments and deposits		**–**	(10,000,000)
Administrative expenses		**(84,265,958)**	(78,799,333)
Finance costs	*5*	**(9,218,838)**	(2,164,185)
Loss before tax	*6*	**(155,077,211)**	(123,448,276)
Income tax expense	*7*	**–**	–
Loss for the year attributable to owners of the Company		**(155,077,211)**	(123,448,276)
Loss per share	*9*		
– Basic (HK cents per share)		**(13.09)**	(10.99)
– Diluted (HK cents per share)		**(13.09)**	(10.99)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$	*HK$*
Loss for the year attributable to owners of the Company	**(155,077,211)**	(123,448,276)
Other comprehensive income (expenses):		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**7,130**	32,433
Net loss arising on revaluation of available-for-sale financial assets	**(13,193,675)**	(30,986,420)
Reclassification of investment revaluation reserve upon disposals of subsidiaries	**10,783,505**	–
Reclassification of investment revaluation reserve upon disposals of available-for-sale financial assets	**–**	(33,207,445)
Other comprehensive expenses for the year, net of tax	**(2,403,040)**	(64,161,432)
Total comprehensive expenses attributable to owners of the Company	**(157,480,251)**	(187,609,708)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Notes	2017 HK$	2016 HK$
Non-current assets			
Property, plant and equipment		**12,898,416**	3,012,037
Intangible assets		**10,228,403**	3,612,279
Available-for-sale financial assets	*11*	**43,175,238**	58,412,214
Rental deposit		**4,655,471**	4,655,471
		70,957,528	69,692,001
Current assets			
Prepayments, deposits and other receivables		**32,530,227**	15,358,050
Financial assets at fair value through profit or loss	*12*	**40,434,884**	46,812,600
Cash and cash equivalents		**138,446,606**	17,170,079
		211,411,717	79,340,729
Current liabilities			
Accruals and other payables		**6,418,654**	2,222,672
Borrowings		**122,790,000**	3,000,000
		129,208,654	5,222,672
Net current assets		**82,203,063**	74,118,057
Total assets less current liabilities		**153,160,591**	143,810,058

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*
At 31 December 2017

	Notes	**2017** **HK$**	2016 *HK$*
Non-current liabilities			
Borrowings		**107,611,743**	42,193,144
Advance from a shareholder		**–**	26,318,619
		107,611,743	68,511,763
Net assets		**45,548,848**	75,298,295
Capital and reserves			
Share capital	*13*	**60,886,100**	55,351,000
Reserves		**(15,337,252)**	19,947,295
Total equity		**45,548,848**	75,298,295
Net asset value per share	*9*	**0.04**	0.07

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. BASIS OF PREPARATION OF 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**"). In addition, the consolidated financial statements also include 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 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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the these amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2017 and which have not been early adopted in these financial statements.

HKFRS 9 (2014)	Financial instruments[1]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[5]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 & HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 15	Clarifications to HKFRS 15[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle[2]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKAS 40	Investment Property[1]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate
5 Effective for annual periods beginning on or after 1 January 2021

Except as described below, the Directors of the Company considered that the application of these new and amendments to HKFRSs and interpretations are unlikely to have a material impact on the Group's financial position and performance as well as the financial statements disclosures in the future.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for de-recognition and, in November 2013, to include new requirements for general hedge accounting. HKFRS 9 was further revised in July 2014 mainly to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income ("**FVTOCI**") measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- All recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model which objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model which objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 on the basis of the facts and circumstances that exist at that date, the Directors of the Company have performed a preliminary assessment of the impact of HKFRS 9 to the Group's consolidated financial statements. All financial assets and financial liabilities will continue to be measured on the same basis as is currently adopted under HKAS 39.

In general, the Directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier recognition of credit losses for the respective items and are currently assessing the potential impact.

As facts and circumstances may change during the period leading up to the initial date of application of HKFRS 9, which is expected to be 1 January 2018 and since the Group does not intend to early apply this standard, the assessment of the potential impact is subject to change.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 establishes a single comprehensive model for entities to account for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

1. Identify the contract with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract;
5. Recognise revenue when or as the entity satisfies a performance obligation.

Under HKFRS 15, an entity recognises revenue when or as a performance obligation is satisfied, that is, when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required.

In April 2016, Clarifications to HKFRS 15 were issued in relation to the identification of performance obligations, principal versus agent considerations, as well as licencing application guidance.

Based on preliminary analysis, the Directors of the Company anticipate that the adoption of HKFRS 15 in the future is unlikely to have a significant impact on revenue recognition but will result in more disclosures.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions between operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (that is, all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date.

Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas under HKFRS 16, lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

HKFRS 16 will primarily affect the Group's accounting as lessee of leases for property, plant and equipment which are currently classified as operating leases. The application of HKFRS 16 is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the consolidated statement of profit or loss and other comprehensive income over the period of the lease.

At 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$15,229,137 for leased properties, the majority of which is payable between one year and two years after the reporting date. A portion of this amount may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted.

The Group is considering whether to adopt HKFRS 16 before its effective date of 1 January 2019. However, early adoption of HKFRS 16 is only permitted if this is no earlier than the adoption of HKFRS 15. It is therefore unlikely that HKFRS 16 will be adopted before the effective date of HKFRS 15, being 1 January 2018.

3. REVENUE

Revenue represents interest income from banks, financial institutions and available-for-sale ("**AFS**") financial assets for the years. An analysis of the Group's revenue for the years is as follows:

	2017	2016
	HK$	*HK$*
Interest income from:		
Deposits in banks and financial institutions	**12,563**	11,568
AFS financial assets	**–**	560,594
	12,563	572,162

4. SEGMENT INFORMATION

For the years ended 31 December 2017 and 2016, the Group's revenue was mainly interest income from banks, financial institutions and AFS financial assets. The Directors 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		The People's Republic of China ("PRC")		Consolidated	
	2017	2016	**2017**	2016	**2017**	2016
	HK$	*HK$*	***HK$***	*HK$*	***HK$***	*HK$*
Segment revenue:						
Interest income from deposits in banks and financial institutions	**1,228**	11,568	**11,335**	–	**12,563**	11,568
Interest income from AFS financial assets	**–**	–	**–**	560,594	**–**	560,594
	1,228	11,568	**11,335**	560,594	**12,563**	572,162
Non-current assets*	**23,126,819**	6,624,316	**–**	–	**23,126,819**	6,624,316
Total assets	**220,156,173**	109,569,382	**62,213,072**	39,463,348	**282,369,245**	149,032,730
Total liabilities	**236,819,236**	73,734,003	**1,161**	432	**236,820,397**	73,734,435
Other segment information:						
Additions to property, plant and equipment	**15,179,642**	1,879,823	**–**	–	**15,179,642**	1,879,823
Additions to intangible assets	**6,616,124**	3,612,279	**–**	–	**6,616,124**	3,612,279

* The non-current assets information above is based on the locations of the assets and excluded AFS financial assets and rental deposit.

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. FINANCE COSTS

	2017	2016
	HK$	*HK$*
Interest expenses on:		
Bank and broker accounts overdrafts	**–**	1
Interest-bearing loan notes	**2,166,246**	2,164,184
Interest-bearing bonds	**6,265,341**	–
Other loans	**787,251**	–
	9,218,838	2,164,185

6. LOSS BEFORE TAX

	2017	2016
	HK$	*HK$*
The Group's loss before tax has been arrived at after charging the following items:		
Directors' emoluments:		
Fees	**3,910,667**	4,094,246
Other emoluments	**2,801,725**	3,271,253
Discretionary bonuses	**895,000**	–
Retirement benefits scheme contributions	**64,390**	65,161
Equity-settled share-based payments	**1,330,000**	12,949,000
Staff costs:		
Basic salaries and allowances	**8,397,427**	4,776,936
Retirement benefits scheme contributions	**275,237**	163,184
Equity-settled share-based payments	**–**	5,642,000
Total staff costs (including Directors' emoluments)	**17,674,446**	30,961,780
Auditor's remuneration	**680,000**	690,000
Depreciation of property, plant and equipment	**4,309,082**	1,018,887
Impairment loss on prepayments and deposits	**–**	10,000,000
Loss on property, plant and equipment written-off	**984,181**	36,384
Net foreign exchange losses	**340,736**	688,294
Operating lease charges in respect of office premises	**11,332,540**	6,779,659

7. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

No Hong Kong Profits Tax has been provided as the Group had no assessable profits in Hong Kong for the year (2016: Nil).

Under the law of the PRC on Enterprises 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.

The tax expense for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss as follows:

	2017	2016
	HK$	*HK$*
Loss before tax	**(155,077,211)**	(123,448,276)
Tax at the applicable statutory tax rates	**(26,692,152)**	(20,368,945)
Tax effect of income not taxable for tax purpose	**(53,562)**	(152,209)
Tax effect of expenses not deductible for tax purpose	**16,538,136**	10,734,624
Tax effect of temporary differences not recognised	**(199,881)**	86,519
Tax effect of tax losses not recognised	**10,407,459**	9,700,011
Tax expense for the year	**–**	–

No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. The tax losses do not have any expiry date under the current tax legislation and may be carried forward indefinitely. The Group had no material unprovided deferred tax liabilities at the end of the reporting period (2016: Nil).

8. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since the end of the reporting period (2016: Nil).

9. NET ASSET VALUE PER SHARE AND LOSS 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 HK$45,548,848 (2016: HK$75,298,295) by the number of shares in issue as at 31 December 2017, being 1,217,722,000 (2016: 1,107,020,000).

Loss per share

The calculation of the basic and diluted loss per share is based on the loss for the year attributable to owners of the Company of HK$155,077,211 (2016: HK$123,448,276) and weighted average number of 1,184,587,223 (2016: 1,123,625,300 adjusted) ordinary shares in issue during the year. The weighted average number of ordinary shares for the years ended 31 December 2017 and 2016 for the purpose of calculating basic loss per share amount has been adjusted for the open offer on the basis of one offer share for every ten existing shares held on the record date.

For the years ended 31 December 2017 and 2016, the computation of diluted loss per share has not assumed the conversion of the Company's outstanding share options since they are anti-dilutive for the years ended 31 December 2017 and 2016. Accordingly, diluted loss per share is the same as basic loss per share.

10. NET (LOSS) GAIN ON DISPOSALS OF SUBSIDIARIES/DEREGISTRATION OF SUBSIDIARIES

(a) Disposal of subsidiaries

During the year 2017, the Group disposed of its 100% equity interest in Ace Provision Limited together with its subsidiaries to an independent third party for an aggregate consideration of HK$12,106,000, resulting in a loss on disposal of HK$9,629,023.

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

	HK$
AFS financial assets	**2,193,240**
Cash and cash equivalents	**369,178**
Financial assets at fair value through profit or loss ("**FVTPL**")	**8,389,100**
Net assets disposal of:	**10,951,518**
Release of investment revaluation reserve	**10,783,505**
	21,735,023
Total consideration	**(12,106,000)**
Net loss on disposal	**9,629,023**

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

	HK$
Net cash inflow arising on disposal:	
Cash consideration received	**12,106,000**
Cash and cash equivalents disposed of	**(369,178)**
	11,736,822

During the year 2016, the Group disposed of its 100% equity interest in Assets Bloom Limited together with its subsidiaries, Best Keen International Limited together with its subsidiary, Big Star Ventures Limited together with its subsidiaries, and Victory Pride Limited with its subsidiary to independent third parties for an aggregate consideration of HK$1,080, resulting in a gain on disposal of HK$225,905.

The aggregate net liabilities of the subsidiaries at the date of disposal were as follow:

	HK$
Motor vehicles	**574,395**
Other receivables	**780**
Deposit received	**(800,000)**
Net liabilities disposal of:	**(224,825)**
Total consideration	**(1,080)**
Net gain on disposals	**(225,905)**

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

	HK$
Net cash inflow arising on disposal:	
Cash consideration received	**1,080**
Cash and cash equivalents disposed of	**–**
	1,080

(b) Deemed disposal of subsidiaries

On 27 July 2017, the Company acquired one ordinary share with a par value of US$1 of its subsidiary, China Investment Holdings Limited ("**CIH Limited**"), representing 100% equity interest of CIH Limited. With issuance of CIH Limited's shares to an independent third party in August 2017, the Group's equity interest in CIH Limited eventually was diluted from 100% to 15%, resulting in a loss in control over CIH Limited and its subsidiaries and their financial results will no longer be consolidated into the consolidated financial statements of the Group. The loss on deemed disposal of CIH Limited and its subsidiaries was HK$848,993.

Analysis of assets and liabilities over which control was lost was as follow:

	HK$
Other receivables	**998,815**
Net asset disposal of:	**998,815**
Fair value of investment retained	**(149,822)**
Net loss on deemed disposal of subsidiaries	**848,993**

There was no inflow or outflow of cash and cash equivalents in respect of the deemed disposal of subsidiaries.

(c) Deregistration of subsidiaries

During the year ended 31 December 2017, the Group deregistered one dormant subsidiary, Beautiful Smile Holdings Limited, which was incorporated in Vanuatu. Three was no gain or loss arising from the deregistration.

During the year ended 31 December 2016, the Group deregistered three dormant subsidiaries, Art Cheer Limited, Mighty Leader Limited and Sun Speed Limited, all were incorporated in Vanuatu. There was no gain or loss arising from the deregistration.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017	2016
	HK$	*HK$*
Listed equity securities, at fair value *(Note 1)*		
Cost	**–**	12,976,745
Fair value adjustments	**–**	(9,060,245)
	–	3,916,500
Unlisted equity securities, at fair value *(Note 2)*		
Cost	**77,975,000**	77,975,000
Fair value adjustments	**(34,949,701)**	(23,479,286)
	43,025,299	54,495,714
Unlisted equity securities, at cost (Note 3)		
Cost	**149,939**	–
Less: Impairment loss	**–**	–
	149,939	–
Total	**43,175,238**	58,412,214

Note 1: The fair value of listed equity securities are based on their quoted closing price in an active market.

Note 2: The fair value of unlisted equity securities are based on the valuation assessment performed by the Directors of the Company with reference to the valuation reports provided by respective independent valuers.

Note 3: The unlisted AFS equity securities do not have a quoted market price in an active market and those fair value cannot be reliably measured and therefore unlisted AFS equity securities are measured at cost less identified impairment loss at the end of reporting period.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017	2016
	HK$	*HK$*
Financial assets designated at held for trading		
– Listed equity securities in Hong Kong *(Note 1)*	**14,724,600**	46,812,600
– Listed equity securities in the PRC *(Note 1)*	**19,584,692**	–
	34,309,292	46,812,600
Financial assets designated at FVTPL		
– Unlisted option contracts in the PRC *(Note 2)*	**6,125,592**	–
	40,434,884	46,812,600

Note 1: The fair value of listed equity securities are based on their quoted closing prices in an active market.

Note 2: The fair value of unlisted option contracts are measured using valuation technique in which the significant inputs are based on observable market data.

13. SHARE CAPITAL

	Number of ordinary shares of HK$0.05 each	**Nominal value**
		HK$
Authorised:		
At 1 January 2016, 31 December 2016 and 31 December 2017	4,000,000,000	200,000,000
Issued and fully paid:		
At 1 January 2016, 31 December 2016 and 1 January 2017	1,107,020,000	55,351,000
Issue of shares under the Open Offer *(Note a)*	110,702,000	5,535,100
At 31 December 2017	1,217,722,000	60,886,100

Note a: On 26 April 2017, the Company announced that it proposed to raise not less than approximately HK$62 million and not more than approximately HK$66 million before expenses by issuing not less than 110,702,000 offer shares and not more than 117,792,552 offer shares at the subscription price of HK$0.56 per offer share on the basis of one offer share for every ten existing shares held on the record date (the "Open Offer"). On 26 April 2017, the Company entered into an underwriting agreement with an underwriter (the "Underwriter") pursuant to which the Open Offer was fully underwritten by the Underwriter.

On 13 June 2017, upon the completion of the Open Offer, the Company issued 110,702,000 new ordinary shares of HK$0.05 each at a subscription price of HK$0.56 for a total consideration, before related expenses, of approximately HK$62 million. Details and results of the Open Offer were set out in the Company's announcements dated 27 April 2017 and 9 May 2017 and prospectus dated 19 May 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

In 2017, US President Donald Trump made his impact on world economy by cancelling U.S. participation in the Trans-Pacific Partnership, withdrawing the United States from the Paris Climate Agreement, etc.. His American First Champion is the driving force behind the global rise of protectionism. The geo-political conflict in the Middle East, Northeast Asia, and the India subcontinent are worsening. However, according to IMF, the global economy is expected to grow 3.6 percent in 2017, while China will beat its growth target of 6.5 percent. Under such highly volatile investment environment, the Directors have taken prudent strategy to manage our investment portfolio.

For the year ended 31 December 2017, the Group recorded a net loss of approximately HK$155,077,000 (2016: approximately HK$123,448,000), representing an increase in net loss of approximately HK$31,629,000 or 26% as compared to last year. The loss was mainly due to the net unrealised loss on financial assets at fair value through profit or loss, net realised loss on settlement of futures contracts, net loss on disposals of subsidiaries, administrative expenses and finance costs during the year.

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 interest for our shareholders. For the year ended 31 December 2017, the Group recorded a revenue of approximately HK$13,000 (2016: approximately HK$572,000), decreased by approximately HK$559,000 or 98% over the previous year. The Group did not have a net realised gain or loss on disposal of available-for-sale financial assets (2016: net realised gain on disposals of available-for-sale financial assets of approximately HK$38,436,000). The Group recorded a net realised gain on disposals of financial assets at fair value through profit or loss of approximately HK$2,202,000 (2016: net realised loss on disposals of financial assets at fair value through profit or loss of approximately HK$16,169,000). The Group made a net unrealised loss on financial assets at fair value through profit or loss of approximately HK$41,183,000 (2016: approximately HK$55,550,000). The Group made a net realised loss on settlement of futures contracts of approximately HK$12,145,000 (2016: Nil).

Investment in listed shares

At 31 December 2017, the Group's did not hold any listed securities under available-for-sale financial assets (2016: approximately HK$3,917,000) and the Group held listed securities under financial assets at fair value through profit or loss of approximately HK$34,309,000 (2016: approximately HK$46,813,000).

Investment in unlisted shares

For the year ended 31 December 2017, the Group's investment portfolio in unlisted securities consists of Mountain Gold Holdings Inc. ("**Mountain Gold**") of approximately HK$35,835,000 (2016: approximately HK$39,286,000), Galaxy Automotive MS Inc. ("**Galaxy AMS**") of approximately HK$7,190,000 (2016: approximately HK$15,210,000) and China Investment Holdings Limited of HK$149,939 (2016: Nil).

In October 2015, the Group acquired 6.4% equity interest in Mountain Gold, a company principally engaged in the mining industry with an underground high-grade gold mine and exploration property located in Guizhou, the People's Republic of China, with a mining license called Jinping County Jinchangxi-Bize Gold Mine with an area of 0.8934 km^2 and an exploration license called Jinping County Shierpan Gold Detailed Exploration Property with an area of 3.64 km^2. A total resource was estimated to be 21.6 tons of gold at a grade of 10.37g/t gold in compliance with the JORC Code. Mining, processing and administration facilities plant were constructed in place. The validity period of the mining license and the exploration license is from August 2015 to October 2021 and from 29 May 2016 to 28 May 2018 respectively.

In August 2015, the Group acquired 29% equity interest in Galaxy AMS, a company principally engaged in the research and development and manufacturing of high-quality auto parts as well as research and development and sales of automobile system solutions. Galaxy AMS's current sales market includes China, Taiwan, Hong Kong and Macau. The racing team which was sponsored by Galaxy AMS had been awarded with numerous trophies in a variety of regional events in the past few years. Recognition of its products and automobile system solutions is on the rise in the industry and the retail market.

Investment in listed futures contracts

For the year ended 31 December 2017, the Group recognised a net realised loss on settlement of gold futures contracts of approximately HK$12,145,000 (2016: Nil). As at 31 December 2017, the Group did not have any investment in gold future contracts (2016: Nil).

Investment in unlisted option contracts

For the year ended 31 December 2017, the Group recognised an unrealised loss on revaluation of unlisted option contracts of approximately HK$8,813,000 (2016: Nil). As at 31 December 2017, included in the Group's unlisted option contracts of approximately HK$6,126,000 (2016: Nil).

INVESTMENT REVIEW

The Company mainly held eight investments as of 31 December 2017, comprising one equity security listed in Hong Kong, three equity securities listed in PRC, two private equity securities in the Republic of Vanuatu and two unlisted option contracts.

At 31 December 2017

Name of investee company	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK$	Market value HK$	Accumulated unrealised gain/(loss) recognised HK$	Net assets attributable to the Company HK$000	Dividend received/ receivable during the year HK$	% of gross assets of the Company
Listed equity security in Hong Kong									
Zhidao International (Holdings) Limited	Cayman Islands	30,360,000	1.53%	38,248,211	14,724,600	(23,523,611)	6,827	–	5.21%
Listed equity securities in PRC									
Irico Display Devices Co., Ltd.	PRC	270,000	0.04%	2,320,906	2,337,334	16,428	616	–	0.83%
Tianma Bearing Group Co., Ltd.	PRC	800,022	0.07%	10,309,315	7,945,751	(2,363,564)	3,702	–	2.81%
Youngy Co., Ltd.	PRC	240,000	0.13%	12,639,198	9,301,607	(3,337,591)	1,130	–	3.29%
Private equity securities									
Galaxy Automotive MS Inc.	Republic of Vanuatu		29%	27,975,000	7,190,000	(20,785,000)	7,190	–	2.55%
Mountain Gold Holdings Inc.	Republic of Vanuatu		6.4%	50,000,000	35,835,299	(14,164,701)	35,835	–	12.69%

Name of unlisted option contracts	Cost HK$	Fair value HK$	Accumulated unrealised loss recognised HK$
Unlisted option contract (399006.SZ)	11,581,386	4,748,815	(6,832,571)
Unlisted option contract (159915.SZ)	3,357,432	1,376,777	(1,980,655)

At 31 December 2016

Name of investee company	Place of incorporation	Particular of issued shares held	Proportion of investee's capital owned	Cost HK$	Market value HK$	Accumulated unrealised gain/(loss) recognised HK$	Net assets attributable to the Company HK$000	Dividend received/ receivable during the year HK$	% of gross assets of the Company
Listed equity securities in Hong Kong									
Newtree Group Holdings Limited	Cayman Islands	5,168,000	0.22%	1,494,463	2,454,800	960,337	694	–	1.65%
Tech Pro Technology Development Limited	Cayman Islands	16,700,000	0.24%	28,337,612	3,072,800	(25,264,812)	1,907	–	2.06%
Zhidao International (Holdings) Limited	Cayman Islands	30,360,000	1.53%	38,248,211	18,519,600	(19,728,611)	7,031	–	12.43%
WLS Holdings Limited	Cayman Islands	98,980,000	0.78%	29,722,944	22,765,400	(6,957,544)	6,251	–	15.28%
Kingbo Strike Limited	Cayman Islands	11,190,000	1.47%	12,976,745	3,916,500	(9,060,245)	7,657	–	2.63%
Private equity securities									
Galaxy Automotive MS Inc.	Republic of Vanuatu		29%	27,975,000	15,210,000	(12,765,000)	1,793	–	10.21%
Mountain Gold Holdings Inc.	Republic of Vanuatu		6.4%	50,000,000	39,285,714	(10,714,286)	39,286	–	26.36%

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

High Court Action 796 of 2016

A Writ of Summons with an Indorsement of Claim dated 29 March 2016 has been issued in the High Court of Hong Kong in High Court Action 796 of 2016 by Yang Yan ("**Ms. Yang**") as plaintiff against the Company and its subsidiary Grand Dragon Investment Development Limited ("**Grand Dragon**") as defendants whereby the plaintiff claims against the defendants for the forfeiture of a deposit for HK$10,000,000 paid by Grand Dragon (the "**Payment**"). Service of the Writ of Summons and the Statement of Claim took place on respectively in May 2016 and August 2016. The Company and Grand Dragon maintains, inter alia, that Ms. Yang is not entitled to forfeit the Payment and will continue to strenuously contest the above legal proceedings and pursue its claim for the return of the Payment by way of counterclaim. If the matter cannot be settled, this dispute may ultimately lead to a trial of the action. The claim by the Company and Grand Dragon against Ms. Yang in High Court Action 2654 of 2016 was discontinued by consent and the claim has been consolidated with the above legal proceedings.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$138,447,000 as at 31 December 2017 (2016: approximately HK$17,170,000) represented approximately 49.0% (2016: approximately 11.5%) of the Group's total assets. As at 31 December 2017, the Group had long-term debts which are unsecured interest-bearing loan notes and unsecured interest-bearing bonds in an aggregate amount of approximately HK$107,612,000 (2016: unsecured interest-bearing loan notes and advance from a shareholder in an aggregate amount of approximately HK$68,512,000).

Apart from the long-term debts, the Group had the short-term debts consisting of unsecured interest-bearing bonds and unsecured loans at approximately HK$122,790,000 (2016: unsecured interest-bearing bonds of HK$3,000,000).

The Group's gearing ratio, representing the total debts divided by equity attributable to owners of the Company, was approximately 505.8% as at 31 December 2017 (2016: approximately 95%).

There were no capital commitments as at 31 December 2017 (2016: approximately HK$7,208,000).

The Group did not have any material contingent liabilities as at 31 December 2017 (2016: Nil).

FOREIGN EXCHANGE EXPOSURE

Most of the business transactions of the Group are denominated in Hong Kong dollars and Renminbi. The management of the Group will closely monitor the fluctuation in these currencies and take appropriate actions when needed. As at 31 December 2017, the Group did not engage in currency hedging nor did it adopt any formal hedging activities. In Year 2017, the Group had financial assets of HK$26,393,492 (2016: HK$78,881) which was denominated in Renminbi. 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 arise.

ESTABLISHMENT OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES

Total 16 subsidiaries were established, 8 subsidiaries were disposed and 1 subsidiary was deregistered during the year ended 31 December 2017.

CAPITAL STRUCTURE

The shares of the Company were listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). During the year, the movement in the Company's share capital is as follow:

On 13 June 2017, upon the completion of the Open Offer, the Company issued 110,702,000 new ordinary shares of HK$0.05 each at a subscription price of HK$0.56 for a total consideration, before related expenses, of approximately HK$62,000,000. Approximately 41% have been used towards investments in listed securities, and approximately 39% have been used as general working capital.

PROSPECTS

The new Federal Reserve Chairman Powell said the central bank remained on course for more interest rate hikes this year and had been aiming to boost inflation to 2 percent, which could increase market volatility in the coming months. However, China's Belt and Road Initiative strategy could facilitate more global cooperation and, therefore, stimulate economic growth in the long run. Hence, the Directors will continue to take prudent strategy, such as investing in gold related products to hedge against market volatility as well as selected A-share stocks with strong growth prospect, to manage the Group's portfolio.

COMPLIANCE WITH THE APPLICABLE LAW AND REGULATIONS

In relation to human resources, during 2017 the Company has in all material respects complied with the requirements of the ordinances relating to disability, sex, family status and race discrimination, as well as the Employment Ordinance, the Minimum Wage Ordinance and ordinances relating to occupational safety of employees of the Group.

On the corporate level, during 2017 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 2017, the Company had 30 employees (2016: 22), including executive Directors, non-executive Directors and independent non-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 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

The Company has complied with the code provision of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange for the year ended 31 December 2017.

AUDIT COMMITTEE

The Audit Committee currently comprised solely of 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 2017.

The Group's 2017 audited financial statements had been duly reviewed by the Audit Committee with the auditor. 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 the auditor and therefore recommends the Board that HLM CPA Limited ("**HLM**") be re-appointed as our auditor in the AGM.

With the consent of the Audit Committee, the Board hereby confirms that, in the preparation of the 2017 consolidated financial statements of the Company, the Directors, both collectively and individually applied such degree of skill, care and diligence as may reasonably be expected of under the Rule 3.08 of the Listing Rules.

REMUNERATION COMMITTEE

Remuneration Committee currently comprised of executive Director, Mr. Zhang Xi and 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 all Directors' and senior management's remuneration and making recommendations to the Board on the remuneration packages of individual executive Director and senior management.

NOMINATION COMMITTEE

The Nomination Committee comprised of executive Director, Mr. Luk Hong Man, Hammond, 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 and the website of the Company at www.cifund.com.hk. The Company's annual report for the year ended 31 December 2017 will be published on the same websites and will be despatched to the Company's shareholders in due course.

SCOPE OF WORK OF HLM

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this announcement have been agreed by the Group's auditor, HLM, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM 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 HLM on this preliminary announcement.

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

Hong Kong, 21 March 2018

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. Sui Guangyi, Mr. Leung Ka Fai, Mr. Wang Mengtao and Ms. Ma Xiaoqiu; and the independent non-executive Directors are Ms. Jing Siyuan, Mr. Zhang Aimin and Mr. Zhang Qiang.

* *For identification purpose only*