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中國城市基礎設施集團有限公司
China City Infrastructure Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2349)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Due to the widespread of Omicron variant of the COVID-19 pandemic, the auditing process for the annual results of the Group for the year ended 31 December 2021 has been delayed and not been fully completed as of the announcement date. However, in order to keep the shareholders of the Company and the potential investors informed of the business operation and financial position of the Group, the Board decided to publish the unaudited annual results of the Group for the year ended 31 December 2021 together with the audited comparative figures for the corresponding period in 2020 on the planned date of announcement.

KEY HIGHLIGHTS

- Revenue is approximately HK\$74,877,000 for the Current Year, while approximately HK\$73,742,000 was recorded in 2020, an increase of approximately 1.5%.
- Revenue from property investment business is approximately HK\$39,450,000 for the Current Year, an increase of approximately 29.2% compared with that of approximately HK\$30,521,000 in 2020.
- The Group's net loss for the year is approximately HK\$162,765,000, an increase of approximately 70% compared with that of approximately HK\$95,744,000 for the year ended 31 December 2020.
- As at 31 December 2021, the Group's total assets amounted to approximately HK\$2,679,194,000, a decrease of approximately 1.1% from that of approximately HK\$2,709,722,000 as at 31 December 2020.

UNAUDITED ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of China City Infrastructure Group Limited (the “Company”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively refer to as the “Group”) for the year ended 31 December 2021 (the “Current Year”), together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	<i>NOTES</i>	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Revenue	4	74,877	73,742
Cost of sales		(36,173)	(44,598)
Gross profit		38,704	29,144
Fair value loss in respect of investment properties revaluation		(76,495)	(235,364)
Gain on disposal of subsidiaries		5	323,847
Gain on disposal of a joint venture		–	819
Share of result of a joint venture, net of dividend		–	503
Other operating income		11,113	43,032
Other operating expenses		(4,201)	(95,129)
Selling and distribution expenses		(2,442)	(3,410)
Administrative expenses		(56,695)	(68,267)
Finance costs	5	(91,878)	(149,057)
Loss before tax		(181,889)	(153,882)
Income tax credit	6	19,124	58,138
Loss for the year	7	(162,765)	(95,744)
Loss attributable to:			
Owners of the Company		(162,765)	(85,341)
Non-controlling interests		–	(10,403)
		(162,765)	(95,744)
Loss per share	9	<i>HK cents</i>	<i>HK cents</i>
– Basic		(5.20)	(2.73)
– Diluted		(5.20)	(2.73)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Loss for the year	<u>(162,765)</u>	<u>(95,744)</u>
Other comprehensive income for the year:		
<i>Items that are reclassified or may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	39,232	86,711
Release of translation reserve upon disposal of subsidiaries	–	22,791
Release of translation reserve upon disposal of a joint venture	–	177
Share of translation reserve of a joint venture	<u>–</u>	<u>44</u>
Other comprehensive income for the year	<u>39,232</u>	<u>109,723</u>
Total comprehensive (loss) income for the year (net of tax)	<u>(123,533)</u>	<u>13,979</u>
Total comprehensive (loss) income attributable to:		
Owners of the Company	(123,533)	24,591
Non-controlling interests	<u>–</u>	<u>(10,612)</u>
	<u>(123,533)</u>	<u>13,979</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		2021	2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		5,874	8,510
Investment properties		2,131,707	2,146,429
Goodwill		151,598	151,598
Right-of-use assets		22,628	24,920
		<u>2,311,807</u>	<u>2,331,457</u>
Current assets			
Inventories		16	83
Inventory of properties		191,427	188,221
Trade and other receivables	10	57,911	67,605
Pledged bank deposit		100,605	95,238
Bank balances and cash		17,428	27,118
		<u>367,387</u>	<u>378,265</u>
TOTAL ASSETS		<u>2,679,194</u>	<u>2,709,722</u>
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital		312,828	312,828
Reserves		706,675	830,208
Equity attributable to owners of the Company		<u>1,019,503</u>	<u>1,143,036</u>
TOTAL EQUITY		<u>1,019,503</u>	<u>1,143,036</u>

	<i>NOTES</i>	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		364,810	375,269
Borrowings – due after one year		466,613	457,428
Convertible note – due after one year		–	393,802
Promissory note – due after one year		–	52,908
Deposits received for lease of properties		5,952	7,367
Lease liabilities – due after one year		4,177	2,803
		<u>841,552</u>	<u>1,289,577</u>
Current liabilities			
Trade and other payables	<i>11</i>	144,463	121,370
Contract liabilities		1,070	821
Deposits received for lease of properties		7,036	6,233
Tax payable		50,692	49,089
Convertible note – due within one year		416,404	–
Promissory note – due within one year		53,229	–
Borrowings – due within one year		142,622	89,583
Lease liabilities – due within one year		2,623	10,013
		<u>818,139</u>	<u>277,109</u>
TOTAL LIABILITIES		<u>1,659,691</u>	<u>1,566,686</u>
TOTAL EQUITY AND LIABILITIES		<u>2,679,194</u>	<u>2,709,722</u>
NET CURRENT (LIABILITIES) ASSETS		<u>(450,752)</u>	<u>101,156</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,861,055</u>	<u>2,432,613</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. General

China City Infrastructure Group Limited (the “Company”) is an exempt company with limited liability incorporated in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 October 2002.

The shares of the Company have been listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 25 June 2003. The Directors of the Company consider Linkway Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, as the substantial shareholder of the Company.

The consolidated financial statements are presented in Hong Kong Dollars (“HK\$”), which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively, the “Group”) are property investment, property development, hotel business and property management in the People’s Republic of China (the “PRC”).

2. Basis of Preparation

The consolidated financial statements have been prepared on a going concern basis notwithstanding the net current liabilities of approximately \$450,752,000 as at 31 December 2021. The directors of the Company have reviewed the Group’s cash flow projections which cover a period of not less than one year from 31 December 2021. In the opinion of the directors of the Company, the liquidity of the Group can be maintained in the coming year as the directors of the Company had taken into consideration of the following facts and circumstances:

- (a) On 9 March 2022, Green City Development Limited (the “Vendor”), a wholly owned subsidiary of the Company, as the vendor entered into a memorandum of understanding with Sky Climber Development Limited as the purchaser (the “Purchaser”), in relation to a possible transfer back (the “Transfer”) of 100% equity interests of Precious Palace Enterprises Limited. The Purchaser is the holder of (i) convertible bonds with outstanding principal amount of HK\$431,500,000 issued by the Company to the Purchaser (the “Convertible Bonds”); and (ii) the promissory note with outstanding principal amount of HK\$53,500,000 issued by the Company to the Purchaser (the “Promissory Note”). The Convertible Bonds and the Promissory Note will become due in July 2022. It is expected that part of the consideration of the Transfer will be set off against the Convertible Bonds and the Promissory Note. The Transfer is under negotiation between the Company and the Purchaser and the Company expects to enter into formal sales and purchase agreement in the first half of 2022 subject to negotiation.

- (b) The company has repaid bank borrowing which due within one year of approximately HKD93,900,000 in March 2022.
- (c) The Group will take active measures to continue to speed up the collection of outstanding trade receivables and other receivables, control cost of sales and administrative costs and maintain containment of capital expenditures.

3. Application of New and Amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for current year

In 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, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective.

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Related amendments to Hong Kong Interpretation 5 ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transactions ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2021 ²

¹ *Effective for annual periods beginning on or after 1 April 2021.*

² *Effective for annual periods beginning on or after 1 January 2022.*

³ *Effective for annual periods beginning on or after 1 January 2023.*

⁴ *Effective for annual periods beginning on or after a date to be determined.*

The directors anticipates that the application of these new and amendments to HKFRSs will have no material impact on the Group's financial statements in the foreseeable future.

4. Segment information

The accounting policies for the operating segments are the same as the Group's accounting policies in the preparation of the Group's consolidated financial statements.

The Group's operating segments are identified based on the components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. Specifically, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions, which is the same information reported to the chief operating decision maker.

The Group's operating segments are as follows:

- Property Development Business Segment, which engages in development of property projects in the PRC
- Property Investment Business Segment, which engages in leasing of investment properties in the PRC
- Hotel Business Segment, which engages in operation of a hotel in the PRC
- Property Management Business Segment, which engages in provision of property management and other services in the PRC

Segment revenues and results

The following is an analysis of the Group's revenues and results by reportable segments.

For the year ended 31 December 2021

	Property Development Business HK\$'000 (Unaudited)	Property Investment Business HK\$'000 (Unaudited)	Hotel Business HK\$'000 (Unaudited)	Property Management Business HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
TOTAL REVENUE AND EXTERNAL SALES	<u>–</u>	<u>39,450</u>	<u>10,754</u>	<u>24,673</u>	<u>74,877</u>
RESULT					
Segment operating results	<u>(87)</u>	<u>2,574</u>	<u>(7,836)</u>	<u>6,499</u>	<u>1,150</u>
Fair value loss in respect of investment properties revaluation	–	(76,495)	–	–	(76,495)
Gain on disposal of subsidiaries					5
Unallocated corporate income					4,071
Unallocated corporate expenses					(18,742)
Finance costs					<u>(91,878)</u>
Loss before tax					(181,889)
Income tax credit					<u>19,124</u>
Loss for the year					<u><u>(162,765)</u></u>

For the year ended 31 December 2020

	Property Development Business <i>HK\$'000</i> (Audited)	Property Investment Business <i>HK\$'000</i> (Audited)	Hotel Business <i>HK\$'000</i> (Audited)	Property Management Business <i>HK\$'000</i> (Audited)	Total <i>HK\$'000</i> (Audited)
TOTAL REVENUE AND EXTERNAL SALES	16,765	30,521	7,913	18,543	73,742
RESULT					
Segment operating results	(3,334)	23,043	(3,816)	892	16,785
Fair value loss in respect of investment properties revaluation	–	(235,364)	–	–	(235,364)
Impairment loss on goodwill	–	(40,000)	–	–	(40,000)
Impairment loss on inventory of properties	(41,679)	–	–	–	(41,679)
Share of result of a joint venture					503
Gain on disposal of subsidiaries					323,847
Gain on disposal of a joint venture					819
Unallocated corporate income					4,532
Unallocated corporate expenses					(34,268)
Finance costs					(149,057)
Loss before tax					(153,882)
Income tax credit					58,138
Loss for the year					(95,744)

5. Finance costs

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Interest expense on bank loans and other borrowings	54,054	102,274
Effective interest expense on convertible notes	35,547	33,645
Imputed interest on promissory note	1,925	12,058
Interest expense on lease liabilities	352	1,080
	91,878	149,057

6. Income tax credit

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
The tax credit (expenses) comprises:		
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax (“EIT”)	–	–
Land Appreciation Tax (“LAT”) in the PRC	–	(1,444)
	<hr/>	<hr/>
Current tax expenses for the year	–	(1,444)
Deferred tax credit for the year	19,124	59,582
	<hr/>	<hr/>
	19,124	58,138
	<hr/> <hr/>	<hr/> <hr/>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of a qualifying group entity will be taxed at 8.25% (2020: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2020: 16.5%). The profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2020: 16.5%).

No provision for taxation in Hong Kong has been made as the Group’s income neither arises in, nor is derived from Hong Kong.

The Group’s PRC EIT is calculated based on the applicable tax rates on assessable profits, if applicable. PRC LAT is levied at the applicable tax rate on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

7. Loss for the year

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Loss for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	27,694	35,360
Retirement benefits scheme contributions, including contributions for directors	<u>1,614</u>	<u>1,049</u>
Total staff costs	<u>29,308</u>	<u>36,409</u>
Auditor's remuneration	900	1,000
Cost of inventory of properties sold	–	9,890
Depreciation of property, plant and equipment	362	639
Gain on disposal of investment properties	–	(1,535)
Depreciation of right-of-use assets	10,777	14,085
Impairment loss of goodwill*	–	40,000
Impairment loss on right-of-use assets*	–	2,936
Impairment loss on inventory of properties*	–	41,679
(Reversal of) increase in allowance for credit losses of trade receivables*	(828)	1,774
Increase in allowance for credit losses of other receivables*	2,244	2,197
COVID-19-related rent concessions received	–	(9,103)
Loss on early redemption of promissory note*	<u>–</u>	<u>3,580</u>
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Gross rental income from investment properties	(39,450)	(30,521)
Less: Direct operating expenses from investment properties that generated rental income during the year	<u>12,712</u>	<u>3,397</u>
	<u>(26,738)</u>	<u>(27,124)</u>

* These expenses for the year are included in "other operating expenses".

8. Dividends

The directors do not recommend the payment of a dividend for the years ended 31 December 2021 and 2020.

9. Loss per share

The calculation of the basic and diluted loss per share is based on the loss attributable to the owners of the Company of approximately HK\$162,765,000 (2020: approximately HK\$85,341,000) and on the number of ordinary shares of 3,128,278,542 (2020: 3,128,278,542 shares) in issue during the year.

For the years ended 31 December 2021 and 2020, the computation of diluted loss per share has not taken into account the conversion of the Company's outstanding convertible note and share options since their exercise would result in a decrease in loss per share, and is regarded as anti-dilutive.

10. Trade and other receivables

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Trade receivables		
– contracts with customers	2,286	11,226
– property investment business	18,194	15,674
Less: Allowance for credit losses	<u>(946)</u>	<u>(1,774)</u>
	<u>19,534</u>	<u>25,126</u>
Prepayments and deposits (<i>note a</i>)	22,138	29,908
Other receivables	20,680	14,768
Less: Allowance for credit losses	<u>(4,441)</u>	<u>(2,197)</u>
	<u>38,377</u>	<u>42,479</u>
	<u>57,911</u>	<u>67,605</u>

notes:

- (a) Included in prepayments and deposits are an amount of approximately HK\$4,366,000 (2020: approximately HK\$4,262,000) for the repair and maintenance deposit deposited with the government and an amount of approximately HK\$4,441,000 (2020: approximately HK\$3,858,000) for utility deposits. The remaining balance represents the prepayment for construction work and other prepaid expenses.

An aging analysis of trade receivables (net of allowance for credit losses) based on invoice dates at the end of the reporting period is as follows:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Within 90 days	13,835	19,655
91 to 180 days	2,569	1,420
Over 180 days	3,130	4,051
	<u>19,534</u>	<u>25,126</u>

Details of impairment assessment of trade and other receivables for the year ended 31 December 2021 and 2020 are set out in the annual report.

11. Trade and other payables

The following is an aging analysis of the Group's trade payables based on the invoice dates at the end of the reporting period:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Within 90 days	3,710	508
91 to 180 days	–	311
Over 180 days	3,550	7,322
Trade payables	7,260	8,141
Interest payables	44,154	37,235
Accrued expenses and other tax payables	11,772	9,441
Other payables (<i>note a</i>)	81,277	66,553
	<u>144,463</u>	<u>121,370</u>

Trade payables principally comprise amounts outstanding for purchase of hotel consumables, construction materials and construction work of properties under development and investment properties.

The average credit period of trade payables is three to six months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that the carrying amounts of trade and other payables approximate their fair value.

notes:

- (a) The other payables included approximately HK\$10,919,000 (2020: approximately HK\$12,011,000) of deposit received from tenants.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is engaged in property related business and started to dedicate to the infrastructure business since late 2014. In order to devote more resources to meet the strategic direction of the Group's business, the Group may sell the whole or a portion of Group's property portfolio depending on the market and market value of the property portfolio. In support of further business development of the Group, the management is actively looking for the potential projects which is compatible with the Group's principal activities.

BUSINESS REVIEW

The PRC Property Development Business

During the year ended 31 December 2021, the Group's did not generate any revenue from property development business (2020: approximately HK\$16.8 million). Aggregate gross floor area (the "GFA") sold for the year ended 31 December 2020 was 1,363 square meters ("sq.m."). Average selling price (the "ASP") was HK\$12,326 per sq.m. for the year ended 31 December 2020.

The PRC Property Investment Business

Wuhan Future City Commercial Property Management Company Limited was formed by the Group to operate the Future City Shopping Centre ("Future City") owned by the Group. Future City is located at Luo Shi Road South within close proximity to the Luoyu Road shopping belt and the Jiedao Kou station of metro line No. 2. The total leasable area of Future City is approximately 55,029 sq.m. with car park included. Future City is situated in the heart of business and commercial centre of Hongshan District in Wuhan City, convenient to East Lake, Wuhan University, Wuhan University of Technology and other landmarks. Future City now becomes a fashionable, dynamic and international shopping centre to cater for the growing demand from the surrounding business centres and university region (more than twenty universities and tertiary education institutions including Wuhan University and Wuhan University of Technology) with 1,000,000 students and residential consumers. As at 31 December 2021, the occupancy rate of Future city was 95% (31 December 2020: 92%).

The Group completed the acquisition of the entire issued share capital of Precious Palace Enterprises Limited (“Precious Palace”) on 19 July 2019 for a total consideration of approximately HK\$795 million. Fengzhen Industrial Development (Shenzhen) Co. Limited, a company established in the PRC and an indirect wholly owned subsidiary of Precious Palace, is currently holding properties located in Longgang, Shenzhen, the PRC. The properties comprise property complex with land area of 14,971.1 sq.m. and total gross floor area of 36,875.72 square meters (“Longgang Properties”). Longgang Properties are located in Longcheng Road, which is in close proximity of Shenzhen metro Line 3 of Nanlian station and Shuanglong station. As at 31 December 2021, the occupancy rate of Longgang Properties was 95% (31 December 2020: 95%). On 9 March 2022, Green City Development Limited (the “Vendor”), a wholly owned subsidiary of the Company, as the vendor entered into a memorandum of understanding with Sky Climber Development Limited as the purchaser (the “Purchaser”), in relation to a possible transfer back (the “Transfer”) of 100% equity interests of Precious Palace. The Purchaser is the holder of (i) convertible bonds with outstanding principal amount of HK\$431,500,000 issued by the Company to the Purchaser (the “Convertible Bonds”); and (ii) the promissory note with outstanding principal amount of HK\$53,500,000 issued by the Company to the Purchaser (the “Promissory Note”). The Convertible Bonds and the Promissory Note will become due in July 2022. It is expected that part of the consideration of the Transfer will be set off against the Convertible Bonds and the Promissory Note.

As at 31 December 2021, the aggregate fair value of the Future City and the Longgang Properties held by the Group was approximately HK\$2,131.7 million (31 December 2020: HK\$2,146.4 million). During the year ended 31 December 2021, the rental income generated from the investment properties was approximately HK\$39.5 million (2020: approximately HK\$30.5 million) and the average occupancy rate was around 93.9% (31 December 2020: 82.9%).

The PRC Hotel Business

Wuhan Future City Hotel Management Company Limited (“Hotel Company”), an indirect wholly owned subsidiary of the Company, manages a business hotel (“Future City Hotel”) with around 231 rooms, which is featured as one of the largest all suite business hotels in term of room number in Central China. Easy access to the East Lake and universities and government authorities attracts travellers from different levels. Future City Hotel is well-equipped with function rooms and conference rooms to provide services of banquet and business conference and team of hospitality professionals was recruited to deliver personalised services to customers. Future City Hotel has suspended its operation since January 2022 due to the impact of the COVID-19 pandemic.

During the year ended 31 December 2021, the revenue arising from Future City Hotel was approximately HK\$10.8 million (2020: approximately HK\$7.9 million) and the average occupancy rate was around 33% (2020: 36.6%).

The PRC Property Management Business

Wuhan Future City Property Management Company Limited and Wuhan Chengji Commodity City Management Company Limited, the indirect wholly owned subsidiaries of the Company, provides residents and tenants with safe, modern, comfortable and high quality property management services. During the year ended 31 December 2021, the revenue from property management was approximately HK\$24.7 million (2020: approximately HK\$18.5 million).

GROUP PROJECTS

Wuhan City, Hubei

Future City

Future City is a large-scale integrated composite development located at Luo Shi Road South within close proximity to the Luoyu Road shopping belt and the Jiedao Kou stations of metro line No. 2. Future City is situated in the heart of business and commercial centre of Hongshan District in Wuhan City, convenient to East Lake, Wuhan University, Wuhan University of Technology and other landmarks in the neighbourhood with 1,000,000 students and residential consumers. Future City covers a total site area of 19,191 sq.m. with a total GFA of 145,273 sq.m. and comprises of five high-rise residential towers, a four-story premier shopping centre and parking spaces.

Future Mansion

Future Mansion is located at a prime location at Wuluo Road in Hongshan District in Wuhan City, just 600 meters from Future City project. It is near the conjunction of metro line No. 2 and 7. It has a total site area of 5,852 sq.m. and been developed for a composite building of residential apartments and retail shops with GFA of 42,149 sq.m..

Wuhan City, Hubei

Zhongshui • Longyang Plaza

Zhongshui • Longyang Plaza is strategically situated in the prime location between the Wangjiawan business area and national level Wuhan Economic & Technological Development Zone, delineated in the western Wuhan Middle Ring Road, next to the Hanyang bus terminal and adjacent to Longyang Avenue. The project has a land site of 30,625 sq.m. and is atop the Hanyang Station of metro line No. 3. This integrated complex will be developed for splendid shopping mall and luxurious office apartments with planned GFA of 135,173 sq.m..

Longgang, Shenzhen

Longgang Properties

Longgang Properties comprise property complex located in Shenzhen, the PRC, with land area of 14,971 sq.m. and total gross floor area of 36,876 sq.m.. The construction of the Longgang Properties have been completed and comprise (1) Huajiang Building with a total gross floor area of 3,786 sq.m. was used for rental purpose; (2) Meizhou Building with a total gross floor area of 12,249 sq.m. of which approximately 9,785 sq.m. was used for rental purpose and approximately 2,464 sq.m. was vacant; and (3) two factory premises and two staff quarters with a total gross floor area of 20,841 sq.m. were used for rental purpose. An urban renewal program is now being carried out in certain areas of Longgang District, which covers the location where the Longgang properties are situated. The Group considered that the Longgang Properties have redevelopment potentials.

The following table set forth an overview of the Group's property projects at 31 December 2021:

Project	City	Equity Interest in the Project	Site Area sq.m.	Total GFA/ Planned GFA sq.m.
Completed Projects				
Future City	Wuhan	100%	19,191	145,273
Future Mansion	Wuhan	100%	5,852	42,149
Zhongshui • Longyang Plaza	Wuhan	100%	30,625	135,173
Longgang Properties	Shenzhen	100%	14,971	36,876
Subtotal			70,639	359,471

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Current Year increased to approximately HK\$74.9 million from approximately HK\$73.7 million, an increase of 1.6% compared with that of last year. There is no revenue generated from property development in the Current Year (2020: approximately HK\$16.8 million).

The revenue from property leasing, hotel business and property management business increased from approximately HK\$30.5 million for the year ended 31 December 2020 to approximately HK\$39.5 million for the Current Year, from approximately HK\$7.9 million for the year ended 31 December 2020 to approximately HK\$10.8 million for the Current Year and from approximately HK\$18.5 million for the year ended 31 December 2020 to approximately HK\$24.7 million for the Current Year respectively.

Cost of Sales

The cost of sales decreased from approximately HK\$44.6 million for the year ended 31 December 2020 to approximately HK\$36.2 million for the Current Year. The decrease in cost of sales was primarily due to the decrease in cost of property development business.

In the Current Year, the Group's cost of sales included cost of sale in respect of hotel business segment and property management business of approximately HK\$14.4 million and HK\$13.9 million respectively, a decrease of approximately HK\$1.5 million and approximately HK\$0.9 million compared with that of the year ended 31 December 2020 respectively, and of property investment business of approximately HK\$7.8 million, an increase of approximately HK\$4.4 million with that of the year ended 31 December 2020. There is no cost of sale in respect of property development business as there is no sales of property during the Current Year compared to approximately HK\$10.4 million for the year ended 31 December 2020.

Gross Profit and Gross Profit Margin

The gross profit increased by approximately HK\$9.6 million from approximately HK\$29.1 million for the year ended 31 December 2020 to approximately HK\$38.7 million for the Current Year, which was mainly due to an increase in gross profit from property investment business (2021: HK\$31.7 million; 2020: HK\$27.1 million) and property management business (2021: HK\$10.7 million; 2020: HK\$3.7 million). The Group has an overall gross profit margin of 51.7% for the Current Year, as compared to that of 39.5% for the year ended 31 December 2020. The increase of gross profit margin was mainly due to the increase of property management business.

Other Operating Income

Other operating income decreased to approximately HK\$11.1 million for the Current Year from approximately HK\$43.0 million for the year ended 31 December 2020. The decrease was primarily due to a combined effect of a decrease in interest income of approximately HK\$26.2 million, the lack of a gain on disposal of investment properties of approximately HK\$1.5 million and COVID-19-related rent concessions amounting approximately HK\$9.1 million recorded in the year ended 31 December 2020.

Other Operating Expenses

Other operating expenses decreased to approximately HK\$4.2 million for the Current Year from approximately HK\$95.1 million for the year ended 31 December 2020. The decrease was primarily due to the impairment loss on goodwill, inventory of properties and right-of-use assets of approximately HK\$27.0 million, HK\$41.7 million and HK\$2.9 million recorded in the year ended 31 December 2020 respectively.

Change in Fair Value of the Investment Properties

There was a loss of approximately HK\$76.5 million recorded in the Current Year (2020: HK\$235.4 million) arising from change in fair value of the investment property portfolio in the PRC held by the Group.

Selling and Distribution Expenses

The selling and distribution expenses decreased by 29.4% to approximately HK\$2.4 million for the Current Year from approximately HK\$3.4 million for the year ended 31 December 2020, primarily due to a decrease in advertising and promotion, and commission expenses for properties sales and property investment business.

Administrative Expenses

The administrative expenses decreased by 17.0% to approximately HK\$56.7 million for the Current Year from approximately HK\$68.3 million for the year ended 31 December 2020, primarily due the a decrease in staff cost.

Finance Costs

The finance costs decreased to approximately HK\$91.9 million for the Current Year from that of approximately HK\$149.1 million for the year ended 31 December 2020. The decrease was primarily due to a combined effect of a decrease in interest expenses on promissory note of approximately HK\$10.1 million and a decrease of finance cost on borrowings of approximately HK\$48.2 million.

Income Tax Credit

The Group recorded income tax credit of approximately HK\$19.1 million for the Current Year (2020: HK\$58.1 million). The decrease in income tax credit was primarily attributable to the decrease in deferred tax credit resulting from the decrease in the fair value loss of investment properties.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company increased from approximately HK\$85.3 million for the year ended 31 December 2020 to that of approximately HK\$162.8 million for the Current Year.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2021, total bank balances and cash (including pledged bank deposit) of the Group amounted to approximately HK\$118.0 million (31 December 2020: approximately HK\$122.4 million), representing a decrease of HK\$4.4 million as compared to that as at 31 December 2020.

Borrowings and Charges on the Group's Assets

At 31 December 2021, the Group's total borrowings included bank loans, other loans, convertible notes and promissory notes, in which bank loans and other loans amounted to approximately HK\$609.2 million (31 December 2020: approximately HK\$547.0 million), liability component of convertible note of approximately HK\$416.4 million (31 December 2020: approximately HK\$393.8 million) and promissory note of approximately HK\$53.2 million (31 December 2020: approximately HK\$52.9 million). Amongst the borrowings, approximately HK\$142.6 million (31 December 2020: approximately HK\$89.6 million) will be repayable within one year and approximately HK\$466.6 million (31 December 2020: approximately HK\$457.4 million) will be repayable after one year. The convertible note and promissory note are due in July 2022.

At 31 December 2021, certain investment properties, trade receivables and bank deposit with an aggregate amounts of approximately HK\$1,213.1 million (2020: HK\$1,367.1 million) were pledged as security for certain banking facilities granted to the Group.

Gearing Ratio

The gearing ratio was 94.2% as at 31 December 2021 (31 December 2020: 76.2%). The gearing ratio was measured by net debt (aggregated borrowings, convertible note and promissory note net of bank balances and cash and pledged bank deposit) over the equity attributable to owners of the Company. The increase in gearing ratio was mainly due to an increase in convertible note and borrowings of approximately HK\$22.6 million and HK\$62.2 million respectively. The current ratio (current assets divided by current liabilities) was 0.45 (31 December 2020: 1.37).

OUTLOOK AND FUTURE PLAN

During the year ended 31 December 2021, the COVID-19 pandemic has continued to spread around the world. The recurrent nature of the pandemic and the emergence of the virus variants as well as geopolitical tension have brought great uncertainties to the recovery of the global economy.

In view of the instability of the spread of COVID-19 pandemic, the Group has continued to take a series of necessary health precaution to mitigate the potential impact of the COVID-19 pandemic, including the implementation of prevention and control policies released by the relevant government authorities and adopting flexible work-from-home practices.

The Group will keep a close watch on the development and transformation trend of the industry, continue to implement our strategic development plan, keep abreast of the current trend, seize future investment opportunities arising from economic recovery and make continuous effort to optimize our investment portfolio and minimise the operating cost, with an aim to improve the value and market competitiveness of the Group.

CONTINGENT LIABILITIES AND COMMITMENTS

- (a) As at 31 December 2021 and 2020, the Group had no significant contingent liabilities.
- (b) As at 31 December 2021 and 2020, the Group had no capital commitments, contracted but not provided in the consolidated financial statements.

DISPOSALS

On 15 December 2021, the Group entered into a sales and purchase agreement with an independent third party to dispose of 100% equity interest in King Century Group Limited at a total consideration of approximately HK\$10,000. The disposal was completed on 15 December 2021.

Save for the above, the Group had no other material acquisition or disposal of subsidiaries, associates and joint ventures during the year.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the total number of employees stood at approximately 178. Total staff costs for the year was approximately HK\$29.3 million. The Group offers its workforce comprehensive remuneration and employees' benefits packages.

FINAL DIVIDEND

The Board resolved that the Company would not declare the payment of a dividend for the year ended 31 December 2021 (2020: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's ordinary shares during the year ended 31 December 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of the Listing Rules (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by Directors.

Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the year ended 31 December 2021.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2021, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised as below:

(1) Code Provision A.1.3

Under this code provision A.1.3, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice are given. Ad-hoc meetings of the Board are convened when the circumstances required, sufficient notice of which are given to all directors to ensure that the meetings are validly convened pursuant to the articles of association (the “Articles”) of the Company.

(2) Code Provision A.4.2

Under this code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. According to Articles, at each annual general meeting, one third of the Directors shall retire from office by rotation provided that notwithstanding anything therein, the chairman (the “Chairman”) of the Board of the Company shall not be subject to retirement by rotation or taken into account in determining the number of Directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the role of the chairman provides the Group with strong and consistent leadership and allows more effective planning and execution of long-term business strategy. As such, the Board is of the view that the Chairman should not be subject to retirement by rotation.

Except as stated above, the Company has continued to comply with the applicable code provisions of the CG Code.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee is accountable to the Board and the primary duties of the audit committee include the review and supervision of the Group’s financial reporting process and internal controls. The audit committee currently comprises of Mr. Ng Chi Ho, Dennis, Mr. Kwok Kin Wa and Ms. Kwong Mei Wan, Cally, who are the independent non-executive Directors.

The audit committee has reviewed the unaudited consolidated results of the Group for the year ended 31 December 2021 contained in this announcement.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company establishes different communication channels with Shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules; (ii) the annual general meeting provides a forum for Shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its Shareholders and stakeholders; and (v) the branch share registrar of the Company deals with shareholders for share registration and related matters.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the recent widespread of the Omicron variant of COVID-19 pandemic in Hong Kong and Shenzhen, where the head office and certain major subsidiaries of the Group are located, the auditing process for the annual results of the Group for the year ended 31 December 2021 has been delayed and not been fully completed as of the date of this announcement. The unaudited annual results for the year ended 31 December 2021 presented herein have not been agreed with the Company's auditor. An announcement relating to the audited annual results for the Current Year will be published when the auditing process has been completed.

The unaudited annual results for the year ended 31 December 2021 contained herein have been reviewed by the audit committee of the Company.

PUBLICATION OF THE AUDITED CONSOLIDATED FINANCIAL RESULTS OF THE GROUP FOR THE CURRENT YEAR

Publication of the audited consolidated financial results of the Group for the Current Year was delayed largely due to the recent widespread of the Omicron variant of the COVID-19 pandemic which caused a disruption in the auditing process. Since the completion of the auditing process depends on the travel restrictions and quarantine arrangements currently in force, it is therefore difficult to estimate a completion date for the auditing process with reasonable preciseness. However, the Group is closely monitoring the current situations in respect of the travel restrictions and quarantine arrangements both in Hong Kong and Mainland China, and hopefully, expects to publish the audited consolidated financial results of the Group for the Current Year on or before 30 April 2022.

PUBLICATION OF THE ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2021 will be published on the respective websites of the Stock Exchange and the Company and dispatched to the shareholders of the Company in due course.

The financial information contained herein in respect of the annual results of the Group for the year ended 31 December 2021 have not been audited and have not been agreed with the auditors. 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 City Infrastructure Group Limited
Li Chao Bo
Chairman

Hong Kong, 31 March 2022

* *The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

As at the date of this announcement, the Board comprises Mr. Li Chao Bo (Chairman), Mr. Ji Jiaming and Mr. Ye Tianfang (Chief Executive Officer) as executive Directors; Mr. Zhang Guiqing as non-executive Director; and Mr. Ng Chi Ho, Dennis, Mr. Kwok Kin Wa and Ms. Kwong Mei Wan, Cally as independent non-executive Directors.