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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

KEY HIGHLIGHTS

- Revenue from continuing operations is approximately HK\$65,593,000 for the year, while approximately HK\$64,331,000 was recorded in 2021, increased by approximately 2.0%.
- The Group's net loss for the year is approximately HK\$114,216,000, decreased by approximately 31.7% compared with approximately HK\$167,111,000 recorded in the year of 2021.
- As at 31 December 2022, the Group's total assets amounted to approximately HK\$1,402,305,000, a decrease of approximately 47.6% from that of approximately HK\$2,678,160,000 as at 31 December 2021.
- As at 31 December 2022, the gearing ratio was approximately 44.2% compared with approximately 95.1% recorded in the year of 2021. 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.

ANNUAL RESULT

The board (the “Board”) of directors (the “Directors”) of China City Infrastructure Group Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively refer to as the “Group”) for the year ended 31 December 2022 (the “Current Year”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

		2022	2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
CONTINUING OPERATIONS			
Revenue	3	65,593	64,331
Cost of sales		<u>(32,368)</u>	<u>(21,475)</u>
Gross profit		33,225	42,856
Fair value loss of investment properties		(3,936)	(76,495)
Gain on disposal of subsidiaries		711	5
Allowance for expected credit losses of trade and other receivables		(5,530)	(2,261)
Other operating income		4,606	7,859
Other operating expenses		(6,882)	(1,907)
Selling and distribution expenses		(738)	(2,332)
Administrative expenses		(36,384)	(49,919)
Finance costs	4	<u>(75,436)</u>	<u>(95,859)</u>
Loss before tax		(90,364)	(178,053)
Income tax (expense) credit	5	<u>(16,889)</u>	<u>19,124</u>
Loss for the year from continuing operations	6	(107,253)	(158,929)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	7	<u>(6,963)</u>	<u>(8,182)</u>
Loss for the year		<u>(114,216)</u>	<u>(167,111)</u>

	<i>NOTE</i>	2022 HK\$'000	2021 HK\$'000 (Restated)
Loss for the year attributable to owners of the Company			
– from continuing operations		(107,253)	(158,929)
– from discontinued operation		(6,963)	(8,182)
		<u>(114,216)</u>	<u>(167,111)</u>
Loss per share	<i>9</i>	HK Cents	HK Cents (Restated)
From continuing and discontinued operations			
– Basic		<u>(3.65)</u>	<u>(5.34)</u>
– Diluted		<u>(3.65)</u>	<u>(5.34)</u>
From continuing operations			
– Basic		<u>(3.43)</u>	<u>(5.08)</u>
– Diluted		<u>(3.43)</u>	<u>(5.08)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Loss for the year	<u>(114,216)</u>	<u>(167,111)</u>
Other comprehensive (expense) 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	(84,421)	39,189
Release of translation reserve upon disposal of subsidiaries	<u>(24,013)</u>	<u>–</u>
Other comprehensive income for the year	<u>(108,434)</u>	<u>39,189</u>
Total comprehensive expense for the year (net of tax)	<u><u>(222,650)</u></u>	<u><u>(127,922)</u></u>
Total comprehensive expense for the year attributable to owners of the Company		
– from continuing operations	(218,946)	(121,820)
– from discontinued operation	<u>(3,704)</u>	<u>(6,102)</u>
	<u><u>(222,650)</u></u>	<u><u>(127,922)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		2022	2021
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		4,483	5,874
Investment properties		1,121,364	2,131,707
Goodwill		–	151,598
Right-of-use assets		<u>16,821</u>	<u>22,628</u>
		<u>1,142,668</u>	<u>2,311,807</u>
Current assets			
Inventories		15	16
Inventory of properties		155,202	191,427
Trade and other receivables	10	24,438	56,877
Promissory note receivable		62,898	–
Pledged bank deposits		–	100,605
Bank balances and cash		<u>17,084</u>	<u>17,428</u>
		<u>259,637</u>	<u>366,353</u>
TOTAL ASSETS		<u>1,402,305</u>	<u>2,678,160</u>
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital		312,828	312,828
Reserves		<u>479,636</u>	<u>702,286</u>
		<u>792,464</u>	<u>1,015,114</u>

		2022	2021
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		119,607	364,810
Borrowings – due after one year		336,970	470,897
Deposits received for lease of properties		5,381	6,768
Lease liabilities – due after one year		1,420	3,974
		<u>463,378</u>	<u>846,449</u>
Current liabilities			
Trade and other payables	<i>11</i>	41,304	143,770
Contract liabilities		1,170	1,070
Deposits received for lease of properties		5,448	6,220
Tax payable		65,103	50,456
Borrowings – due within one year		30,682	142,622
Convertible note – due within one year		–	416,404
Promissory note – due within one year		–	53,229
Lease liabilities – due within one year		2,756	2,826
		<u>146,463</u>	<u>816,597</u>
TOTAL LIABILITIES		<u>609,841</u>	<u>1,663,046</u>
TOTAL EQUITY AND LIABILITIES		<u>1,402,305</u>	<u>2,678,160</u>
NET CURRENT ASSETS (LIABILITIES)		<u>113,174</u>	<u>(450,244)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,255,842</u>	<u>1,861,563</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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

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

2. Application of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

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

3. 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 continuing 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
- Property Management Business Segment, which engages in provision of property management and other related services in the PRC

The Group's discontinued operating segment is as follow:

- Hotel Business Segment, which engages in operation of a hotel in the PRC

An operating segment regarding the hotel business segment was discontinued, which are described in more detail in note 7.

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 2022

	Continuing Operations			Subtotal HK\$'000	Discontinued Operation	Total HK\$'000
	Property Development Business HK\$'000	Property Investment Business HK\$'000	Property Management Business HK\$'000		Hotel Business HK\$'000	
TOTAL REVENUE AND EXTERNAL SALES	10,592	36,754	18,247	65,593	-	65,593
RESULT						
Segment operating results	(1,987)	14,831	924	13,768	(6,963)	6,805
Fair value loss of investment properties	-	(3,936)	-	(3,936)	-	(3,936)
Gain on disposal of subsidiaries				711	-	711
Unallocated corporate income				1,161	-	1,161
Unallocated corporate expenses				(26,632)	-	(26,632)
Finance costs				(75,436)	-	(75,436)
Loss before tax				(90,364)	(6,963)	(97,327)
Income tax expense				(16,889)	-	(16,889)
Loss for the year				(107,253)	(6,963)	(114,216)

For the year ended 31 December 2021

	Continuing Operations			Subtotal HK\$'000	Discontinued Operation	Total HK\$'000
	Property Development Business HK\$'000	Property Investment Business HK\$'000	Property Management Business HK\$'000		Hotel Business HK\$'000	
TOTAL REVENUE AND EXTERNAL SALES	-	39,658	24,673	64,331	10,754	75,085
RESULT						
Segment operating results	(1,014)	1,121	6,616	6,723	(7,848)	(1,125)
Fair value loss of investment properties revaluation	-	(76,495)	-	(76,495)	-	(76,495)
Gain on disposal of subsidiaries				5	-	5
Unallocated corporate income				4,069	-	4,069
Unallocated corporate expenses				(16,496)	-	(16,496)
Finance costs				(95,859)	(334)	(96,193)
Loss before tax				(178,053)	(8,182)	(186,235)
Income tax credit				19,124	-	19,124
Loss for the year				(158,929)	(8,182)	(167,111)

Segment operating results represents the profit earned by/(loss incurred) each segment without allocation of finance costs and central administration costs including staff costs, directors' emoluments and other expenses. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

4. Finance costs

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated)
Continuing operations		
Interest expense on bank loans and other borrowings	51,869	58,188
Effective interest expense on convertible notes	22,154	35,547
Effective interest on promissory note	1,146	1,925
Interest expense on lease liabilities	267	199
	<u>75,436</u>	<u>95,859</u>

5. Income tax expense (credit)

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated)
Continuing operations		
The tax expenses (credit) comprises:		
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax (“EIT”)	–	–
Land Appreciation Tax (“LAT”) in the PRC	–	–
Current tax expenses for the year	–	–
Under provision in prior years: LAT in the PRC	17,873	–
Deferred tax credit for the year	(984)	(19,124)
	<u>16,889</u>	<u>(19,124)</u>

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of a qualifying group entity will be taxed at 8.25% (2021: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2021: 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% (2021: 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.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. LAT in the PRC 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.

6. Loss for the year from continuing operations

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i> (Restated)
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Staff costs, including directors’ emoluments	22,169	22,740
Retirement benefits scheme contributions, including contributions for directors	<u>1,919</u>	<u>1,941</u>
Total staff costs	<u>24,088</u>	<u>24,681</u>
Auditor’s remuneration	780	900
Allowance for expected credit losses of trade and other receivables	5,530	2,261
Cost of inventory of properties sold	8,293	–
Depreciation of property, plant and equipment	183	450
Depreciation of right-of-use assets	3,012	3,221
Impairment loss on property, plant and equipment*	525	–
Impairment loss on right-of-use assets*	1,755	–
Impairment loss on inventory of properties*	2,234	–
Loss on disposal of property, plant and equipment*	2	4
Loss on write-off of property, plant and equipment	<u>606</u>	<u>–</u>
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gross rental income from investment properties	(36,754)	(39,658)
Less: direct operating expenses from investment properties that generated rental income during the year	<u>10,824</u>	<u>7,539</u>
	<u>(25,930)</u>	<u>(32,119)</u>

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

7. Discontinued operation

During the year ended 31 December 2022, the Directors of the Company resolved to cease the hotel business operation considering that it was not profitable and the cessation of hotel business could enable the Group to better utilise its resources in other business segments. The hotel business segment was thus classified as discontinued operation.

(a) Loss for the year from discontinued operation:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	–	10,754
Cost of sales	–	(12,612)
Allowance for expected credit losses of trade and other receivables	(372)	–
Other operating income	27	946
Other operating expenses	(572)	(50)
Administrative expenses	(6,046)	(6,776)
Selling and distribution expenses	–	(110)
	<hr/>	<hr/>
Loss from operations	(6,963)	(7,848)
Finance costs	–	(334)
	<hr/>	<hr/>
Loss before tax and for the year from discontinued operation	<u>(6,963)</u>	<u>(8,182)</u>
Attributable to:		
Owners of the Company	<u>(6,963)</u>	<u>(8,182)</u>

(b) Loss for the year from discontinued operation includes the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation of property, plant and equipment	–	1,128
Depreciation of right-of-use assets	–	5,704
Loss on write-off of property, plant and equipment	–	2,157
Allowance for expected credit losses of trade and other receivables	372	–
Staff costs	<u>136</u>	<u>5,634</u>

8. Dividends

The Directors of the Company do not recommend the payment of a dividend for the years ended 31 December 2022 and 2021.

9. Loss per share

(a) *From continuing and discontinued operations*

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share from continuing and discontinued operations	<u>(114,216)</u>	<u>(167,111)</u>
Number of shares		
Number of ordinary shares for the purpose of calculating basic and diluted loss per share	<u>3,128,278,542</u>	<u>3,128,278,542</u>

(b) From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to owners of the Company is based on the following:

	2022	2021
	HK\$'000	HK\$'000
Loss		
Loss for the year attributable to owners of the Company	(114,216)	(167,111)
Less: Loss for the year from discontinued operation	<u>6,963</u>	<u>8,182</u>
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	<u>(107,253)</u>	<u>(158,929)</u>

The denominators used are the same as those detailed above for both basic and diluted loss per share.

(c) From discontinued operation

Basic and diluted loss per share from the discontinued operation is HK0.22 cents (2021: HK0.26 cents) per share, based on the loss for the year from discontinued operation attributable to the owners of the Company of approximately HK\$6,963,000 (2021: approximately HK\$8,182,000) and the denominators used are the same as those detailed above for both basic and diluted loss per share.

For the years ended 31 December 2022 and 2021, the computation of diluted loss per share has not assumed for the conversion of the Company's outstanding convertible notes and share options since their exercise would result in a decrease in loss per share.

10. Trade and other receivables

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables		
– contracts with customers (<i>Note a</i>)	7,811	9,281
– property investment business	4,376	11,010
Less: accumulated allowance for expected credit losses	<u>(2,526)</u>	<u>(1,791)</u>
	<u>9,661</u>	<u>18,500</u>
Prepayments and deposits (<i>Note b</i>)	9,543	29,400
Other receivables	9,902	13,418
Less: accumulated allowance for expected credit losses	<u>(4,668)</u>	<u>(4,441)</u>
	<u>14,777</u>	<u>38,377</u>
	 <u><u>24,438</u></u>	 <u><u>56,877</u></u>

Notes:

- (a) As at 1 January 2021, trade receivables from contracts with customers amounted to approximately HK\$11,226,000.
- (b) Included in prepayments and deposits are an amount of approximately HK\$4,069,000 (2021: approximately HK\$5,412,000) for the repair and maintenance deposited with the government and an amount of approximately HK\$1,175,000 (2021: approximately HK\$2,724,000) for utility deposits. The remaining balance represents the prepayment for construction work and other prepaid expenses.

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

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	4,550	6,671
91 to 180 days	130	6,758
Over 180 days	4,981	5,071
	<u>9,661</u>	<u>18,500</u>

The Directors consider that the carrying amounts of trade and other receivables approximate their fair values.

The movement in the allowance for expected credit losses of trade and other receivables is as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	6,232	3,971
Allowances for expected credit losses	5,902	2,261
Derecognised on disposal of subsidiaries	(4,940)	–
	<u>7,194</u>	<u>6,232</u>

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 periods:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 90 days	1,319	580
91 to 180 days	14	–
Over 180 days	<u>11,208</u>	<u>6,680</u>
Trade payables	12,541	7,260
Interest payables	15,797	57,338
Accrued expenses and other tax payables	5,753	8,563
Other payables	<u>7,213</u>	<u>70,609</u>
	<u><u>41,304</u></u>	<u><u>143,770</u></u>

Trade payables principally comprise amounts outstanding for dismantling costs of hotel business, construction materials and construction work of inventory of properties 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.

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

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.

Result Summary

The consolidated revenue (including discontinued operation) of the Group decreased by approximately 12.6% from approximately HK\$75.1 million for the year ended 31 December 2021 to approximately HK\$65.6 million for the year ended 31 December 2022. The revenues from property development, property investment, and property management business were approximately HK\$10.6 million, HK\$36.8 million and HK\$18.2 million respectively.

The overall gross profit (including discontinued operation) decreased by approximately 19.0% to approximately HK\$33.2 million in 2022 from approximately HK\$41.0 million in 2021, and the gross profit margin decreased to 50.7% in 2022 from 54.6% in 2021. The Group also had net fair value loss on revaluation of various investment properties amounting to approximately HK\$3.9 million for the year ended 31 December 2022.

The loss attributable to owners of the Company (including discontinued operation) was approximately HK\$114.2 million for the year ended 31 December 2022 (2021: HK\$167.1 million). Basic loss per share attributable to owners of the Company was HK3.65 cents (2021: HK5.34 cents). The Board does not propose any final dividend for the year ended 31 December 2022.

Business Review

The Property Development Business

During the year ended 31 December 2022, the Group's revenue from property development business amounted to approximately HK\$10.6 million, representing revenue generated from the sales of 32 car parks of Future Mansion located in Wuhan. There was no revenue from property development business for the year ended 31 December 2021.

The 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 parks 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 2022, the occupancy rate of Future City was 89.4% (31 December 2021: 95.0%).

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, held 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 sq.m.. 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 of 100% equity interests of Precious Palace. The Purchaser is the holder of (i) convertible bonds with outstanding principal amount of HK\$431 million issued by the Company to the Purchaser (the “Convertible Bonds”); and (ii) the promissory note with outstanding principal amount of HK\$53 million issued by the Company to the Purchaser (the “Promissory Note”). The Convertible Bonds and the Promissory Note were due in July 2022. On 25 April 2022, the Group entered into a sales and purchase agreement with the Purchaser to dispose of the entire issued share capital of Precious Palace at a total consideration of HK\$840 million. The disposal was completed on 15 July 2022. Details of the disposal were set out in the Company’s announcements dated 25 April 2022.

During the year ended 31 December 2022, the Group has transferred total gross floor area of Future Mansion’s car parks of 7,723.06 sq.m. from inventory of properties to investment properties. As at 31 December 2022, the fair value of the car parks is approximately HK\$19.1 million.

As at 31 December 2022, the aggregate fair value of the Future City and Future Mansion's car parks held by the Group was approximately HK\$1,121.4 million (31 December 2021: approximately HK\$1,175.6 million). During the year ended 31 December 2022, the rental income generated from the investment properties was approximately HK\$36.8 million (2021: approximately HK\$39.7 million).

The 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 2022, the revenue from property management was approximately HK\$18.2 million (2021: approximately HK\$24.7 million).

The PRC Hotel Business

The COVID-19 pandemic has affected the tourism industry and the hotel industry. The revenue has been significantly decreased since 2020. During the year ended 31 December 2022, the Group decided to cease the hotel business operation considering that it was not profitable and the cessation of hotel business could enable the Group to better utilise its resources in its other segments. The hotel business segment was thus classified as discontinued operation. Details of the discontinued operation are set out in Note 12 to the consolidated financial statements within the annual report.

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..

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 has been 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. On 25 April 2022, the Group entered into a sales and purchase agreement to dispose of the entire issued share capital of Precious Palace at a total consideration of HK\$840 million. The disposal was completed on 15 July 2022. Details of the disposal were set out in the Company's announcements dated 25 April 2022, 23 June 2022, 8 July 2022 and 15 July 2022.

The following table set forth an overview of the Group's property projects at 31 December 2022:

Project	City	Equity Interest in the Project	Site Area <i>sq.m.</i>	Total GFA/ Planned GFA <i>sq.m.</i>
Completed Projects				
Future City	Wuhan	100%	19,191	145,273
Future Mansion	Wuhan	100%	5,852	42,149
Zhongshui • Longyang Plaza	Wuhan	100%	<u>30,625</u>	<u>135,173</u>
Subtotal			<u><u>55,668</u></u>	<u><u>322,595</u></u>

Financial Review

Continuing Operations

Revenue

Revenue from continuing operations of the Group for the year ended 31 December 2022 (the "Current Year") increased to approximately HK\$65.6 million from approximately HK\$64.3 (as restated) million, an increase of approximately 2.0% compared with that of last year.

The revenue from property development, property investment and property management business increased from Nil for the year ended 31 December 2021 to approximately HK\$10.6 million for the Current Year, decreased from approximately HK\$39.7 million for the year ended 31 December 2021 to approximately HK\$36.8 million for the Current Year and decreased from approximately HK\$24.7 million for the year ended 31 December 2021 to approximately HK\$18.2 million for the Current Year, respectively.

Cost of Sales

The cost of sales from continuing operations increased from approximately HK\$21.5 million (as restated) for the year ended 31 December 2021 to approximately HK\$32.4 million for the Current Year.

For the Current Year, the Group's cost of sales from continuing operations included cost of sale in respect of property development business of approximately HK\$8.3 million, an increase of approximately HK\$8.3 million as there was no sales revenue generated for the year end 31 December 2021, property management business of approximately HK\$14.7 million, an increase of approximately HK\$1.5 million compared with that of the year ended 31 December 2021, and property investment business of approximately HK\$9.7 million, an increase of approximately HK\$1.1 million with that of the year ended 31 December 2021.

Gross Profit and Gross Profit Margin

The gross profit from continuing operations decreased by approximately HK\$9.6 million from approximately HK\$42.9 million (as restated) for the year ended 31 December 2021 to approximately HK\$33.2 million for the Current Year, which was mainly due to a decrease in gross profit from property investment business (2022: HK\$27.5 million; 2021: HK\$32.1 million) and property management business (2022: HK\$3.4 million; 2021: HK\$10.7 million). The Group has an overall gross profit margin from continuing operations of 50.7% for the Current Year, as compared to that of 66.6% (as restated) for the year ended 31 December 2021. The decrease of gross profit margin was mainly attributable to the decrease of property management business.

Other Operating Income

Other operating income from continuing operations decreased to approximately HK\$4.6 million for the Current Year from approximately HK\$7.9 million (as restated) for the year ended 31 December 2021. The decrease was primarily due to the waiver of director salaries payable of approximately HK\$3.9 million during the year ended 31 December 2021.

Other Operating Expenses

Other operating expenses from continuing operations increased to approximately HK\$6.9 million for the Current Year from approximately HK\$1.9 million (as restated) for the year ended 31 December 2021. The increase was primarily due to the impairment loss of inventory of properties, right-of-use assets and property, plant and equipment of approximately HK\$2.2 million, HK\$1.8 million and HK\$0.5 million respectively made in the Current Year.

Change in Fair Value of the Investment Properties

There was a loss of approximately HK\$3.9 million recorded in the Current Year (2021: HK\$76.5 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 from continuing operations decreased by approximately 68.4% to approximately HK\$0.7 million for the Current Year from approximately HK\$2.3 million (as restated) for the year ended 31 December 2021, primarily due to a decrease in advertising and promotion and commission expenses for property investment business.

Administrative Expenses

The administrative expenses from continuing operations decreased by approximately 27.1% to approximately HK\$36.4 million for the Current Year from approximately HK\$49.9 million (as restated) for the year ended 31 December 2021, primarily due to the decrease in legal and professional fee and staff costs.

Finance Costs

The finance costs from continuing operations decreased to approximately HK\$75.4 million for the Current Year from that of approximately HK\$95.9 million (as restated) for the year ended 31 December 2021. The decrease was primarily due to the decrease in effective interest expenses on convertible note of approximately HK\$13.4 million.

Income Tax (Expense)/Credit

The Group recorded income tax expense from continuing operations of approximately HK\$16.9 million for the Current Year (2021: income tax credit of approximately HK\$19.1 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 decreased from approximately HK\$167.1 million for the year ended 31 December 2021 to that of approximately HK\$114.2 million for the Current Year.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2022, total bank balances and cash of the Group amounted to approximately HK\$17.1 million (31 December 2021: approximately HK\$17.4 million), representing a decreased of approximately HK\$0.3 million as compared to that as at 31 December 2021. All of the pledged bank deposit has been uplifted for the Current Year (31 December 2021: approximately HK\$100.6 million), representing a decreased of approximately HK\$100.6 million compared to that as at 31 December 2021.

Borrowings and Charges on the Group's Assets

At 31 December 2022, 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\$367.7 million (31 December 2021: approximately HK\$613.5 million), no liability component of convertible note and promissory note (31 December 2021: approximately HK\$416.4 million and HK\$53.2 million respectively). Amongst the borrowings, approximately HK\$30.7 million (31 December 2021: approximately HK\$142.6 million) is repayable within one year and approximately HK\$337.0 million (31 December 2021: approximately HK\$470.9 million) is repayable after one year.

At 31 December 2022, certain investment properties and bank deposit with an aggregate amounts of approximately HK\$342.7 million (2021: approximately HK\$1,576.2 million) were pledged as security for certain banking facilities granted to the Group.

Gearing and Current Ratios

The gearing ratio was approximately 44.2% as at 31 December 2022 (31 December 2021: approximately 95.1%). 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 decrease in gearing ratio was mainly due to an decrease in convertible note, promissory note and borrowings of approximately HK\$416.4 million, HK\$53.2 million and HK\$245.9 million respectively. The current ratio (current assets divided by current liabilities) was 1.77 (31 December 2021: 0.45).

OUTLOOK AND FUTURE PLAN

Looking into 2023, the Company is committed to steady recovery and restoring stable business performance. In light of China's easing of its COVID-19 restrictions, the effects of the novel coronavirus pandemic is expected to ease off gradually in 2023. The Company will be actively seeking business opportunities to maintain its competitiveness in the market and create values to the shareholders. The management is actively looking for the potential projects which is compatible with the Group's principal activities including infrastructure related business.

CONTINGENT LIABILITIES AND COMMITMENTS

- (a) As at 31 December 2022 and 2021, the Group had no significant contingent liabilities.
- (b) As at 31 December 2022 and 2021, the Group had no capital commitments, contracted but not provided in the consolidated financial statements.

ACQUISITIONS AND DISPOSALS

On 25 April 2022, the Group entered into a sale and purchase agreement with Sky Climber Development Limited to dispose of 100% equity interest in Precious Palace Enterprises Limited and its subsidiaries at a total consideration of approximately HK\$840 million. The disposal was completed on 15 July 2022.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the total number of employees stood at approximately 141. Total staff costs for the year was approximately HK\$24.2 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 2022 (2021: 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 2022.

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 (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 2022.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2022, 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.2.1

Under this code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, Mr. Li Chao Bo is acting as both the chairman of the Board (the “Chairman”) and the Chief Executive Officer (the “CEO”). The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person can facilitate the execution of the Group’s business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of two executive Directors, one non-executive Director and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

(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. During the year ended 31 December 2022, the audit committee comprised 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 audited consolidated results and the risk management and internal control system of the Group for the year ended 31 December 2022.

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.

SCOPE OF WORK OF CONFUCIUS INTERNATIONAL CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, Confucius International CPA Limited ("Confucius") to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Confucius in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Confucius on this announcement.

PUBLICATION OF THE ANNUAL REPORT

The annual report of the Company containing all the financial and other related information of the Company required by the Listing Rules will be published on the website of each of the Stock Exchange (www.hkexnews.hk) and the Company (www.city-infrastructure.com) in due course.

By order of the Board
China City Infrastructure Group Limited
Li Chao Bo
Chairman

Hong Kong, 30 March 2023

* *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 and Chief Executive Officer) and Mr. Ji Jiaming 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.