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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 2023

KEY HIGHLIGHTS

- Revenue from continuing operations is approximately HK\$51,780,000 for the year, while approximately HK\$65,593,000 was recorded in 2022, decreased by approximately 21.1%.
- The Group's net loss for the year is approximately HK\$111,332,000, decreased by approximately 2.5% compared with approximately HK\$114,216,000 recorded in the year of 2022.
- As at 31 December 2023, the Group's total assets amounted to approximately HK\$1,229,839,000, a decrease of approximately 12.3% from that of approximately HK\$1,402,305,000 as at 31 December 2022.
- As at 31 December 2023, the gearing ratio was approximately 50.5% compared with approximately 44.2% recorded in the year of 2022. The gearing ratio was measured by net debt (aggregated borrowings net of cash and cash equivalents) 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 2023 (the “Current Year”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

		2023	2022
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
CONTINUING OPERATIONS			
Revenue	3	51,780	65,593
Cost of sales		<u>(19,272)</u>	<u>(32,368)</u>
Gross profit		32,508	33,225
Fair value loss on investment properties		(33,111)	(3,936)
Gain on disposal of subsidiaries		–	711
Allowance for expected credit losses on trade and other receivables, net of reversal		(3,574)	(5,530)
Other operating income		2,234	4,606
Other operating expenses		(31,174)	(6,882)
Selling and distribution expenses		(694)	(738)
Administrative expenses		(29,798)	(36,384)
Finance costs	4	<u>(45,200)</u>	<u>(75,436)</u>
Loss before tax		(108,809)	(90,364)
Income tax expense	5	<u>(2,523)</u>	<u>(16,889)</u>
Loss for the year from continuing operations	6	(111,332)	(107,253)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	7	<u>–</u>	<u>(6,963)</u>
Loss for the year		<u><u>(111,332)</u></u>	<u><u>(114,216)</u></u>

	<i>NOTE</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company			
– from continuing operations		(111,332)	(107,253)
– from discontinued operation		<u>–</u>	<u>(6,963)</u>
		<u>(111,332)</u>	<u>(114,216)</u>
Loss per share	<i>9</i>	HK cents	HK cents
From continuing and discontinued operations			
– Basic		<u>(3.56)</u>	<u>(3.65)</u>
– Diluted		<u>(3.56)</u>	<u>(3.65)</u>
From continuing operations			
– Basic		<u>(3.56)</u>	<u>(3.43)</u>
– Diluted		<u>(3.56)</u>	<u>(3.43)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the year	<u>(111,332)</u>	<u>(114,216)</u>
Other comprehensive expense 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	(24,733)	(84,421)
Release of translation reserve upon disposal of subsidiaries	<u>–</u>	<u>(24,013)</u>
Other comprehensive expense for the year	<u>(24,733)</u>	<u>(108,434)</u>
Total comprehensive expense for the year (net of tax)	<u>(136,065)</u>	<u>(222,650)</u>
Total comprehensive expense for the year attributable to owners of the Company		
– from continuing operations	(136,065)	(218,946)
– from discontinued operation	<u>–</u>	<u>(3,704)</u>
	<u>(136,065)</u>	<u>(222,650)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>NOTE</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		4,089	4,483
Investment properties		1,051,648	1,121,364
Right-of-use assets		13,404	16,821
		<u>1,069,141</u>	<u>1,142,668</u>
Current assets			
Inventories		18	15
Inventory of properties		128,022	155,202
Trade and other receivables	<i>10</i>	20,092	24,438
Promissory note receivable		–	62,898
Cash and cash equivalents		12,566	17,084
		<u>160,698</u>	<u>259,637</u>
TOTAL ASSETS		<u><u>1,229,839</u></u>	<u><u>1,402,305</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to owners of the Company			
Share capital		312,828	312,828
Reserves		343,571	479,636
		<u><u>656,399</u></u>	<u><u>792,464</u></u>

		2023	2022
	<i>NOTE</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		100,285	119,607
Borrowings – due after one year		314,594	336,970
Deposits received for lease of properties		4,720	5,381
Lease liabilities – due after one year		<u>–</u>	<u>1,420</u>
		419,599	463,378
Current liabilities			
Trade and other payables	<i>11</i>	33,527	41,304
Contract liabilities		1,240	1,170
Deposits received for lease of properties		6,809	5,448
Tax payable		81,175	65,103
Borrowings – due within one year		29,670	30,682
Lease liabilities – due within one year		<u>1,420</u>	<u>2,756</u>
		153,841	146,463
TOTAL LIABILITIES		<u>573,440</u>	<u>609,841</u>
TOTAL EQUITY AND LIABILITIES		<u>1,229,839</u>	<u>1,402,305</u>
NET CURRENT ASSETS		<u>6,857</u>	<u>113,174</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,075,998</u>	<u>1,255,842</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 ended 31 December 2022.

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 amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and 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.

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

¹ Effective date to be determined.

² Effective for annual periods beginning on or after 1 January 2024.

³ Effective for annual periods beginning on or after 1 January 2025.

The Directors of the Company anticipate that the application of these 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 was as follow:

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

During the year ended 31 December 2022, 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 2023

	Continuing Operations			Total HK\$'000
	Property Development Business HK\$'000	Property Investment Business HK\$'000	Property Management Business HK\$'000	
TOTAL REVENUE AND EXTERNAL SALES	–	36,405	15,375	51,780
RESULT				
Segment operating results	(815)	9,751	3,820	12,756
Fair value loss on investment properties	–	(33,111)	–	(33,111)
Impairment loss on inventory of properties	(24,767)	–	–	(24,767)
Unallocated corporate income				1,541
Unallocated corporate expenses				(20,028)
Finance costs				(45,200)
Loss before tax				(108,809)
Income tax expense				(2,523)
Loss for the year				(111,332)

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	247	14,831	924	16,002	(6,963)	9,039
Fair value loss on investment properties	–	(3,936)	–	(3,936)	–	(3,936)
Impairment loss on inventory of properties	(2,234)	–	–	(2,234)	–	(2,234)
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)

Segment operating results represents the profit earned (loss incurred) by 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Interest expense on bank loans and other borrowings	45,066	51,869
Effective interest expense on convertible notes	–	22,154
Effective interest on promissory note	–	1,146
Interest expense on lease liabilities	134	267
	<u>45,200</u>	<u>75,436</u>

5. Income tax expense

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Continuing operations		
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax (“EIT”)	–	–
Land Appreciation Tax (“LAT”) in the PRC	–	–
Current tax expenses for the year	<u>–</u>	<u>–</u>
Under-provision in prior years: LAT in the PRC	18,421	17,873
Deferred tax credit for the year	<u>(15,898)</u>	<u>(984)</u>
	<u>2,523</u>	<u>16,889</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% (2022: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2022: 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% (2022: 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year from continuing operations has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	15,492	22,169
Retirement benefits scheme contributions, including contributions for directors	<u>1,661</u>	<u>1,919</u>
Total staff costs	<u>17,153</u>	<u>24,088</u>
Auditor's remuneration	580	780
Allowance for expected credit losses on trade and other receivables, net of reversal	3,574	5,530
Cost of inventory of properties sold	–	8,293
Depreciation of property, plant and equipment	132	183
Depreciation of right-of-use assets	2,997	3,012
Impairment loss on property, plant and equipment*	–	525
Impairment loss on right-of-use assets*	–	1,755
Impairment loss on inventory of properties*	24,767	2,234
Loss on disposal of property, plant and equipment*	–	2
Loss on write-off of other receivables*	53	–
Loss on write-off of property, plant and equipment*	<u>155</u>	<u>606</u>
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Gross rental income from investment properties	(36,405)	(36,754)
Less: direct operating expenses from investment properties that generated rental income during the year	<u>10,985</u>	<u>10,824</u>
	<u>(25,420)</u>	<u>(25,930)</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 its other segments. The hotel business segment was thus classified as discontinued operation.

(a) Loss for the year from discontinued operation:

	2022 <i>HK\$'000</i>
Allowance for expected credit losses on trade and other receivables	(372)
Other operating income	27
Other operating expenses	(572)
Administrative expenses	<u>(6,046)</u>
Loss before tax and for the year from discontinued operation	<u><u>(6,963)</u></u>
Attributable to:	
Owners of the Company	<u><u>(6,963)</u></u>

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

	2022 <i>HK\$'000</i>
Allowance for expected credit losses on trade and other receivables	372
Staff costs	<u><u>136</u></u>

8. Dividends

The Directors of the Company do not recommend the payment of a dividend for the years ended 31 December 2023 and 2022.

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:

	2023 <i>HK\$'000</i>	2022 <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>(111,332)</u>	<u>(114,216)</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company	(111,332)	(114,216)
Less: Loss for the year from discontinued operation	<u>–</u>	<u>6,963</u>
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	<u>(111,332)</u>	<u>(107,253)</u>

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

(c) ***From discontinued operation***

For the year ended 31 December 2022, basic and diluted loss per share from the discontinued operation is HK0.22 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 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 2023 and 2022, the computation of diluted loss per share has not assumed for the conversion of the Company's outstanding share options since their exercise would result in a decrease in loss per share.

10. Trade and other receivables

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
– contracts with customers (<i>Note a</i>)	8,932	7,811
– property investment business	6,825	4,376
Less: accumulated allowance for expected credit losses	<u>(6,453)</u>	<u>(2,526)</u>
	<u>9,304</u>	<u>9,661</u>
Prepayments and deposits (<i>Note b</i>)	8,875	9,543
Other receivables	6,228	9,902
Less: accumulated allowance for expected credit losses	<u>(4,315)</u>	<u>(4,668)</u>
	<u>10,788</u>	<u>14,777</u>
	<u>20,092</u>	<u>24,438</u>

Notes:

- (a) As at 1 January 2022, trade receivables from contracts with customers amounted to approximately HK\$9,281,000.
- (b) Included in prepayments and deposits are an amount of approximately HK\$3,935,000 (2022: approximately HK\$4,069,000) for the repair and maintenance deposit deposited with the government and an amount of approximately HK\$1,249,000 (2022: approximately HK\$1,175,000) for utility deposits.

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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	2,173	4,550
91 to 180 days	676	130
Over 180 days	6,455	4,981
	<u>9,304</u>	<u>9,661</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 on trade receivables is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	2,526	1,791
Allowances for expected credit losses	3,927	5,675
Derecognised on disposal of subsidiaries	–	(4,940)
At end of the year	<u>6,453</u>	<u>2,526</u>

The movement in the allowance for expected credit losses on other receivables is as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	4,668	4,441
(Reversal) allowances for expected credit losses	(353)	227
At end of the year	<u>4,315</u>	<u>4,668</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:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 90 days	218	1,319
91 to 180 days	19	14
Over 180 days	<u>10,691</u>	<u>11,208</u>
Trade payables	10,928	12,541
Interest payables	6,750	15,797
Accrued expenses and other tax payables	2,540	5,753
Other payables	<u>13,309</u>	<u>7,213</u>
	<u><u>33,527</u></u>	<u><u>41,304</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 with 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 conditions 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 21.1% from approximately HK\$65.6 million for the year ended 31 December 2022 to approximately HK\$51.8 million for the year ended 31 December 2023. The revenue from property investment and property management business was approximately HK\$36.4 million and HK\$15.4 million respectively.

The overall gross profit (including discontinued operation) decreased by 2.2% to approximately HK\$32.5 million in 2023 from approximately HK\$33.2 million in 2022, and the gross profit margin increased to 62.8% in 2023 from 50.7% in 2022. The Group also had net fair value loss on revaluation of various investment properties of approximately HK\$33.1 million for the year ended 31 December 2023 (2022: approximately HK\$3.9 million).

The loss attributable to owners of the Company (including discontinued operation) was approximately HK\$111.3 million for the year ended 31 December 2023 (2022: approximately HK\$114.2 million). Basic loss per share attributable to owners of the Company was HK3.56 cents (2022: HK3.65 cents). The Board does not propose any final dividend for the year ended 31 December 2023.

Business Review

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 carparks 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 2023, the occupancy rate of Future City was 88.6% (31 December 2022: 89.4%).

During the year ended 31 December 2023, the Group has total gross floor area of Future Mansion’s carparks of 7,723.06 sq.m.. As at 31 December 2023, the fair value of the carparks was appropriately HK\$17.6 million.

As at 31 December 2023, the aggregate fair value of the Future City and Future Mansion’s carparks held by the Group was approximately HK\$1,051.6 million (31 December 2022: approximately HK\$1,121.4 million). During the year ended 31 December 2023, the rental income generated from the investment properties was approximately HK\$36.4 million (2022: approximately HK\$36.8 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 2023, the revenue from property management was approximately HK\$15.4 million (2022: approximately HK\$18.2 million).

Group Projects

Wuhan City, Hubei

Future City

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..

The following table set forth an overview of the Group's property projects at 31 December 2023:

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>
Total			<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 2023 (the "Current Year") decreased to approximately HK\$51.8 million from approximately HK\$65.6 million, a decrease of approximately 21.0% compared with that of last year.

The revenue from property development, property investment and property management business decreased from approximately HK\$10.6 million for the year ended 31 December 2022 to Nil for the Current Year, decreased from approximately HK\$36.8 million for the year ended 31 December 2022 to approximately HK\$36.4 million for the Current Year and decreased from approximately HK\$18.2 million for the year ended 31 December 2022 to approximately HK\$15.4 million for the Current Year, respectively.

Cost of Sales

The cost of sales from continuing operations decrease from approximately HK\$32.4 million for the year ended 31 December 2022 to approximately HK\$19.3 million for the Current Year.

For the Current Year, the Group's cost of sales from continuing operations included, property management business of approximately HK\$8.3 million, a decrease of approximately HK\$5.0 million compared with that of the year ended 31 December 2022, property investment business of approximately HK\$11.0 million, a decrease of approximately HK\$0.2 million with that of the year ended 31 December 2022. 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\$8.3 million for the year ended 31 December 2022.

Gross Profit and Gross Profit Margin

The gross profit from continuing operations decreased by approximately HK\$0.7 million from approximately HK\$33.2 million for the year ended 31 December 2022 to approximately HK\$32.5 million for the Current Year, which was mainly due to a decrease in gross profit from property development business (2023: Nil; 2022: HK\$2.3 million). There was an increase in the gross profit of property investment business (2023: HK\$28.2 million; 2022: HK\$27.5 million) and property management business (2023: HK\$4.3 million; 2022: HK\$3.4 million). The Group has an overall gross profit margin from continuing operations of 62.8% for the Current Year, as compared to that of 50.7% for the year ended 31 December 2022. The increase of gross profit margin was mainly attributable to the increase of property management business.

Other Operating Income

Other operating income from continuing operations decreased to approximately HK\$2.2 million for the Current Year from approximately HK\$4.6 million for the year ended 31 December 2022. The decrease was primarily due to the decrease in government grants and compensation income of approximately HK\$2.6 million during the year ended 31 December 2022.

Other Operating Expenses

Other operating expenses from continuing operations increased to approximately HK\$31.2 million for the Current Year from approximately HK\$6.9 million for the year ended 31 December 2022. The increase was primarily due to the increase in impairment loss on inventory of properties of approximately HK\$22.5 million.

Change in Fair Value of the Investment Properties

There was a loss of approximately HK\$33.1 million recorded in the Current Year (2022: HK\$3.9 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 slightly decreased by approximately 6.8% to approximately HK\$0.69 million for the Current Year from approximately HK\$0.74 million for the year ended 31 December 2022, 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 18.1% to approximately HK\$29.8 million for the Current Year from approximately HK\$36.4 million for the year ended 31 December 2022, 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\$45.2 million for the Current Year from that of approximately HK\$75.4 million for the year ended 31 December 2022. The decrease was primarily due to a combined effect of a decrease of finance cost on borrowings of approximately HK\$6.8 million, a decrease of effective interest expenses on convertible note of approximately HK\$22.2 million and a decrease in interest expenses on promissory note of approximately HK\$1.1 million.

Income Tax Expense

The Group recorded income tax expenses from continuing operations of approximately HK\$2.5 million for the Current Year (2022: income tax expenses of approximately HK\$16.9 million). The decrease in income tax expenses was primarily attributable to the increase in deferred tax credit resulting from the increase in the fair value loss on investment properties.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company decreased from approximately HK\$114.2 million for the year ended 31 December 2022 to that of approximately HK\$111.3 million for the Current Year.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2023, total cash and cash equivalents of the Group amounted to approximately HK\$12.6 million (31 December 2022: approximately HK\$17.1 million), representing a decreased of approximately HK\$4.5 million as compared to that as at 31 December 2022.

Borrowings and Charges on the Group's Assets

At 31 December 2023, the Group's total borrowings included bank loans and other loans amounted to approximately HK\$344.3 million (31 December 2022: approximately HK\$367.7 million). Amongst the borrowings, approximately HK\$29.7 million (31 December 2022: approximately HK\$30.7 million) is repayable within one year and approximately HK\$314.6 million (31 December 2022: approximately HK\$337.0 million) is repayable after one year.

At 31 December 2023, certain investment properties with an aggregate amounts of approximately HK\$471.1 million (2022: approximately HK\$487.5 million) were pledged as security for certain banking facilities granted to the Group.

Gearing and Current Ratios

The gearing ratio was approximately 50.5% as at 31 December 2023 (31 December 2022: approximately 44.2%). The gearing ratio was measured by net debt (aggregated borrowings net of cash and cash equivalents) over the equity attributable to owners of the Company. The increase in gearing ratio was mainly due to the net loss incurred during the Current Year. The current ratio (current assets divided by current liabilities) was 1.04 (31 December 2022: 1.77).

CONTINGENT LIABILITIES AND COMMITMENTS

- (a) As at 31 December 2023 and 2022, the Group had no significant contingent liabilities.
- (b) As at 31 December 2023 and 2022, the Group had no capital commitments, contracted but not provided in the consolidated financial statements.

ACQUISITIONS AND DISPOSALS

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 2023, the total number of employees stood at approximately 119. Total staff costs for the year was approximately HK\$17.2 million. The Group offers its workforce comprehensive remuneration and employees' benefits packages.

OUTLOOK AND FUTURE PLAN

Looking ahead to 2024, the global political situation is experiencing a high degree of unrest, the business environment remains complicated and grim. China's economy is struggling for recovery amid external instability and uncertainties as well as internal challenges. The Chinese Government set the general principle for the economic work in 2024: adhere to the principle of "striving progress while ensuring stability, promoting stability with progress, and insisting construction before destruction". It is undisputed that the China's economy will achieve growth in long run. The Group will continue to pay close attention to the domestic and international political and economic developments, as well as changes in market trends, respond flexibly and make prudent decisions. The management is actively looking for the potential projects which is compatible with the Group's principal activities including infrastructure related business.

FINAL DIVIDEND

The Board resolved that the Company would not declare the payment of a dividend for the year ended 31 December 2023 (2022: 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 2023.

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 C3 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 2023.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2023, 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 C1 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 2023, 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 2023.

The Group's annual results for the year ended 31 December 2023 have been reviewed by the audit committee, which was of the opinion that the preparation of such annual results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

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 2023 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, 27 March 2024

* *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.