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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 2020**

### **KEY HIGHLIGHTS**

- Revenue is approximately HK\$73,742,000 for the year, while approximately HK\$101,107,000 was recorded in 2019, decreased by approximately 27.1%.
- Revenue from property investment business is approximately HK\$30,521,000 for the Current Year, a decrease of approximately 15.1% compared with that of approximately HK\$35,970,000 in 2019.
- During Current Year, the Group incurred an one-off non-cash impairment loss on goodwill and inventory of properties of approximately HK\$40,000,000 and HK\$41,679,000 respectively.
- The Group's net loss for the year is approximately HK\$95,744,000, decreased by 46.3% compared with approximately HK\$178,239,000 recorded in the year of 2019.
- As at 31 December 2020, the Group's total assets amounted to approximately HK\$2,709,722,000, a decrease of approximately 26.2% from that of approximately HK\$3,672,640,000 as at 31 December 2019.

## ANNUAL RESULTS

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 2020 (the “Current Year”), together with the comparative figures for the previous financial year.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	73,742	101,107
Cost of sales		<u>(44,598)</u>	<u>(45,707)</u>
Gross profit		29,144	55,400
Fair value (loss) gain in respect of investment properties revaluation		(235,364)	2,085
Gain on disposal of subsidiaries		323,847	–
Gain on disposal of a joint venture		819	–
Share of result of a joint venture, net of dividend		503	731
Other operating income		43,032	31,447
Other operating expenses		(95,129)	(16,934)
Selling and distribution expenses		(3,410)	(5,358)
Administrative expenses		(68,267)	(65,605)
Finance costs	4	<u>(149,057)</u>	<u>(141,923)</u>
Loss before tax		(153,882)	(140,157)
Income tax credit (expenses)	5	<u>58,138</u>	<u>(38,082)</u>
<b>Loss for the year</b>	6	<u><b>(95,744)</b></u>	<u><b>(178,239)</b></u>
<b>Loss attributable to:</b>			
Owners of the Company		(85,341)	(175,938)
Non-controlling interests		<u>(10,403)</u>	<u>(2,301)</u>
		<u><b>(95,744)</b></u>	<u><b>(178,239)</b></u>
<b>Loss per share</b>	8	<i>HK cents</i>	<i>HK cents</i>
– Basic		<u><b>(2.73)</b></u>	<u><b>(5.66)</b></u>
– Diluted		<u><b>(2.73)</b></u>	<u><b>(5.66)</b></u>

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2020*

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Loss for the year</b>	<u>(95,744)</u>	<u>(178,239)</u>
<b>Other comprehensive income (expenses) for the year:</b>		
<i>Items that are reclassified or may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations	86,711	(19,089)
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>44</u>	<u>(33)</u>
Other comprehensive income (expenses) for the year	<u>109,723</u>	<u>(19,122)</u>
<b>Total comprehensive income (expenses) for the year (net of tax)</b>	<u><u>13,979</u></u>	<u><u>(197,361)</u></u>
<b>Total comprehensive income (expenses) attributable to:</b>		
Owners of the Company	24,591	(194,804)
Non-controlling interests	<u>(10,612)</u>	<u>(2,557)</u>
	<u><u>13,979</u></u>	<u><u>(197,361)</u></u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>NOTES</i>	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>8,510</b>	4,405
Investment properties		<b>2,146,429</b>	2,588,764
Goodwill		<b>151,598</b>	227,203
Interest in a joint venture		–	2,837
Right-of-use assets		<b>24,920</b>	42,077
		<u><b>2,331,457</b></u>	<u>2,865,286</u>
<b>Current assets</b>			
Inventories		<b>83</b>	92
Inventory of properties		<b>188,221</b>	385,146
Trade and other receivables	9	<b>67,605</b>	400,965
Pledged bank deposit		<b>95,238</b>	–
Bank balances and cash		<b>27,118</b>	21,151
		<u><b>378,265</b></u>	<u>807,354</u>
<b>TOTAL ASSETS</b>		<u><b>2,709,722</b></u>	<u>3,672,640</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital		<b>312,828</b>	312,828
Reserves		<b>830,208</b>	847,728
		<u><b>1,143,036</b></u>	<u>1,160,556</u>
Equity attributable to owners of the Company		<b>1,143,036</b>	1,160,556
Non-controlling interests		–	(5,734)
		<u><b>1,143,036</b></u>	<u>1,154,822</u>
<b>TOTAL EQUITY</b>		<u><b>1,143,036</b></u>	<u>1,154,822</u>

		2020	2019
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liabilities		375,269	462,238
Borrowings – due after one year		457,428	612,076
Convertible note – due after one year		393,802	373,102
Promissory note – due after one year		52,908	357,385
Deposits received for lease of properties		7,367	11,780
Lease liabilities – due after one year		2,803	13,737
		<u>1,289,577</u>	<u>1,830,318</u>
<b>Current liabilities</b>			
Trade and other payables	10	121,370	169,234
Contract liabilities		821	158,495
Deposits received for lease of properties		6,233	–
Tax payable		49,089	71,592
Borrowings – due within one year		89,583	274,414
Lease liabilities – due within one year		10,013	13,765
		<u>277,109</u>	<u>687,500</u>
<b>TOTAL LIABILITIES</b>		<u><u>1,566,686</u></u>	<u><u>2,517,818</u></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>2,709,722</u></u>	<u><u>3,672,640</u></u>
<b>NET CURRENT ASSETS</b>		<u><u>101,156</u></u>	<u><u>119,854</u></u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>2,432,613</u></u>	<u><u>2,985,140</u></u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

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

### *Revised and Amendments to HKFRSs that are Mandatorily Effective for the Current Year*

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

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFR9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Revised Conceptual Framework	Revised Conceptual Framework for Financial Reporting

In addition, the Group has early applied the HKFRS 16 (Amendments) Covid-19-Related Rent Concession.

Except as described below, the application of the revised and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

*Impacts on early application of Amendment to HKFRS 16 Covid-19-Related Rent Concessions*

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment had no impact to the opening retained profits at 1 January 2020.

### ***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	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>4</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretations 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> *Effective for annual periods beginning on or after 1 January 2023.*

<sup>2</sup> *Effective for annual periods beginning on or after 1 January 2022.*

<sup>3</sup> *Effective date to be determined.*

<sup>4</sup> *Effective for annual periods beginning on or after 1 January 2021.*

The directors of the Company anticipate that the application of all the above new and amendments to HKFRSs will have no material impact on the 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 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 2020**

	<b>Property Development Business HK\$'000</b>	<b>Property Investment Business HK\$'000</b>	<b>Hotel Business HK\$'000</b>	<b>Property Management Business HK\$'000</b>	<b>Total HK\$'000</b>
<b>TOTAL REVENUE AND EXTERNAL SALES</b>	<u>16,765</u>	<u>30,521</u>	<u>7,913</u>	<u>18,543</u>	<u>73,742</u>
<b>RESULT</b>					
Segment operating results	<u>(3,334)</u>	<u>23,043</u>	<u>(3,816)</u>	<u>892</u>	<u>16,785</u>
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					<u>(149,057)</u>
Loss before tax					(153,882)
Income tax credit					<u>58,138</u>
Loss for the year					<u><u>(95,744)</u></u>

For the year ended 31 December 2019

	Property Development Business <i>HK\$'000</i>	Property Investment Business <i>HK\$'000</i>	Hotel Business <i>HK\$'000</i>	Property Management Business <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>TOTAL REVENUE AND EXTERNAL SALES</b>	<u>11,967</u>	<u>35,970</u>	<u>23,335</u>	<u>29,835</u>	<u>101,107</u>
<b>RESULT</b>					
Segment operating results	<u>(16,455)</u>	<u>11,279</u>	<u>786</u>	<u>10,545</u>	<u>6,155</u>
Fair value gain in respect of investment properties revaluation	–	2,085	–	–	2,085
Share of result of a joint venture					731
Unallocated corporate income					19,640
Unallocated corporate expenses					(26,845)
Finance costs					<u>(141,923)</u>
Loss before tax					(140,157)
Income tax expenses					<u>(38,082)</u>
Loss for the year					<u><u>(178,239)</u></u>

#### 4. Finance costs

	<b>2020</b> <b><i>HK\$'000</i></b>	<b>2019</b> <b><i>HK\$'000</i></b>
Interest expense on bank loans and other borrowings	<b>102,274</b>	117,442
Effective interest expense on convertible notes	<b>33,645</b>	16,742
Imputed interest on promissory note	<b>12,058</b>	5,936
Interest expense on lease liabilities	<b>1,080</b>	1,803
	<u><b>149,057</b></u>	<u>141,923</u>

## 5. Income tax credit (expenses)

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The tax credit (expenses) comprises:		
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax (“EIT”)	–	(842)
Land Appreciation Tax (“LAT”) in the PRC	<u>(1,444)</u>	<u>(1,670)</u>
Current tax expenses for the year	<b>(1,444)</b>	(2,512)
Deferred tax credit (expenses) for the year	<u><b>59,582</b></u>	<u>(35,570)</u>
	<u><b>58,138</b></u>	<u>(38,082)</u>

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% (2019: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2019: 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% (2019: 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.

## 6. Loss for the year

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Loss for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	35,360	32,359
Retirement benefits scheme contributions, including contributions for directors	<u>1,049</u>	<u>1,957</u>
Total staff costs	<u>36,409</u>	<u>34,316</u>
Auditor's remuneration	1,000	1,120
Cost of inventory of properties sold	9,890	4,535
Depreciation of property, plant and equipment	639	743
Gain on disposal of investment properties	(1,535)	–
Depreciation of right-of-use assets	14,085	14,117
Impairment loss of goodwill*	40,000	13,000
Impairment loss on right-of-use assets*	2,936	–
Impairment loss on inventory of properties*	41,679	–
Allowance for credit losses of trade receivables*	1,774	–
Allowance for credit losses of other receivables*	2,197	–
COVID-19-related rent concessions received	(9,103)	–
Loss on early redemption of promissory note*	<u>3,580</u>	<u>–</u>
	<b>2020</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rental income from investment properties	(30,521)	(35,970)
Less: Direct operating expenses from investment properties that generated rental income during the year	<u>3,397</u>	<u>5,736</u>
	<u>(27,124)</u>	<u>(30,234)</u>

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

## 7. Dividends

The directors do not recommend the payment of a dividend for the years ended 31 December 2020 and 2019.

## 8. 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\$85,341,000 (2019: approximately HK\$175,938,000) and on the number of ordinary shares of 3,128,278,542 (2019: weighted average number of ordinary shares of 3,105,845,666 shares) in issue during the year.

For the years ended 31 December 2020 and 2019, 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.

## 9. Trade and other receivables

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables		
– contracts with customers ( <i>note a</i> )	11,226	9,787
– property investment business	15,674	14,263
Less: Allowance for credit losses	<u>(1,774)</u>	<u>–</u>
	<u>25,126</u>	<u>24,050</u>
Prepayments and deposits ( <i>note b</i> )	29,908	42,616
Other receivables	14,768	334,299
Less: Allowance for credit losses	<u>(2,197)</u>	<u>–</u>
	<u>42,479</u>	<u>376,915</u>
	<u><b>67,605</b></u>	<u><b>400,965</b></u>

### notes:

- (a) As at 1 January 2019, trade receivables from contracts with customers amounted to approximately HK\$26,713,000.
- (b) Included in prepayments and deposits are an amount of approximately HK\$4,262,000 (2019: approximately HK\$8,555,000) for the repair and maintenance deposit deposited with the government and an amount of approximately HK\$3,858,000 (2019: approximately HK\$8,270,000) 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	19,655	24,050
91 to 180 days	1,420	–
Over 180 days	4,051	–
	<u>25,126</u>	<u>24,050</u>

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

## 10. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 90 days	508	4,020
91 to 180 days	311	182
Over 180 days	7,322	41,564
Trade payables	8,141	45,766
Interest payables	37,235	56,842
Accrued expenses and other tax payables	9,441	8,928
Consideration payables ( <i>note a</i> )	–	2,515
Other payables ( <i>note b</i> )	66,553	55,183
	<u>121,370</u>	<u>169,234</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 consideration payable represents the amount payable for acquisition of additional interests in subsidiaries.
- (b) The other payables included approximately HK\$12,011,000 (2019: approximately HK\$6,913,000) 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 2020, the Group's revenue from property development business amounted to approximately HK\$16.8 million, representing an increase of approximately 40.0%, compared with approximately HK\$12.0 million in 2019. Aggregate gross floor area (the "GFA") sold for the year ended 31 December 2020 was 1,363 square meters ("sq.m."), representing an increase of 73.4% from 786 sq.m. in 2019. Average selling price (the "ASP") was HK\$12,326 (2019: HK\$15,267) 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 2020, the occupancy rate of Future city was over 92% (31 December 2019: 94%).

Hangzhou Mei Lai Commercial Property Management Company Limited was formed by the Group to prepare for the operation of the commercial part of Mei Lai International Centre in Yuhang district of Hangzhou. The commercial part has approximately 55,980.22 sq.m. with car park included. Mei Lai International Centre is located in new Central Business District in Yuhang district of Hangzhou and adjacent to the south station of Shanghai-Hangzhou High-Speed Railway and also the terminal of Hangzhou metro line No. 1, it is expected that Mei Lai International Centre can meet the increasing needs from residential and office customers nearby. During the year ended 31 December 2020, the Group completed the disposal of 70% interest in Northern Sea Development Limited for an aggregate consideration of approximately HK\$1.0 million, which indirectly held Mei Lai International Centre.



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 2020, the occupancy rate of Longgang Properties was over 95% (31 December 2019: 95%).

As at 31 December 2020, the aggregate fair value of the Future City and the Longgang Properties held by the Group was approximately HK\$2,146.4 million. During the year ended 31 December 2020, the rental income generated from the investment properties was approximately HK\$30.5 million (2019: approximately HK\$36.0 million) and the average occupancy rate was around 82.9% (31 December 2019: 84.4%).

### **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.

During the year ended 31 December 2020, the revenue arising from Future City Hotel was approximately HK\$7.9 million (2019: approximately HK\$23.3 million) and the average occupancy rate was around 36.6% (2019: 79.1%).

### **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 2020, the revenue from property management was approximately HK\$18.5 million (2019: approximately HK\$29.8 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 splendorous shopping mall and luxurious office apartments with planned GFA of 135,173 sq.m..

**Hangzhou City, Zhejiang**  
**Mei Lai International Centre**

Mei Lai International Centre is strategically located in Yuhang District, which is designated as part of the new Central Business Centre of Hangzhou City, delineated in the southern of intersection of Yingbin Road, Wengmei Road and Nanyuan Street. The integrated complex occupies a total site area of 16,448 sq.m. and is adjacent to the south station of Shanghai-Hangzhou High-Speed Railway and also the terminal of Hangzhou metro line No. 1. The total GFA is 114,610 sq.m. which comprised of commercial buildings and carpark of 55,980 sq.m. under investment property and commercial buildings for sale of 58,630 sq.m.. The development comprises of one grade-A office block with work loft setting, two high-rise premium apartment towers and a premier shopping centre and parking spaces. During the year ended 31 December 2020, the Group completed the disposal of 70% interest in Northern Sea Development Limited for an aggregate consideration of approximately HK\$1.0 million, which indirectly held Mei Lai International Centre.

**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 2020:

<b>Project</b>	<b>City</b>	<b>Equity Interest in the Project</b>	<b>Site Area sq.m.</b>	<b>Total GFA/ Planned GFA sq.m.</b>
<b>Completed Projects</b>				
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
<b>Subtotal</b>			<b>70,639</b>	<b>359,471</b>

## FINANCIAL REVIEW

### *Revenue*

Revenue of the Group for the year decreased to approximately HK\$73.7 million from approximately HK\$101.1 million, a decrease of 27.1% compared with that of last year. The revenue of property development increased from approximately HK\$12.0 million in 2019 to approximately HK\$16.8 million in 2020. The increase was mainly due to an increase in revenue from sales of properties, in which the total GFA recognised during the year was 1,363 sq.m., representing an increase of 73.4%, compared with the total GFA of 786 sq.m. recognised for the year ended 31 December 2019.

The revenue from property leasing, hotel business and property management business decreased from approximately HK\$36.0 million in 2019 to approximately HK\$30.5 million in 2020, from approximately HK\$23.3 million in 2019 to approximately HK\$7.9 million in 2020 and from approximately HK\$29.8 million in 2019 to approximately HK\$18.5 million in 2020 respectively.

### *Cost of Sales*

The cost of sales decreased from approximately HK\$45.7 million in 2019 to approximately HK\$44.6 million in 2020, where the cost of properties sold comprises of development costs, land costs and borrowing costs. The decrease in cost of sales was primarily due to the decrease in cost of hotel business.

During the year, the Group's cost of sales included cost of sale in respect of property investment and hotel business segment of approximately HK\$3.4 million and HK\$15.9 million respectively, a decrease of approximately HK\$2.3 million and approximately HK\$3.2 million compared with that of 2019 respectively, and of property development business and property management business of approximately HK\$10.4 million and HK\$14.8 million respectively, an increase of approximate HK\$4.4 million and approximately HK\$0.1 million with that of 2019 .

### *Gross Profit and Gross Profit Margin*

The gross profit decreased by approximately HK\$26.3 million from approximately HK\$55.4 million in 2019 to approximately HK\$29.1 million in 2020, which was mainly due to a decrease in gross profit from property management business (2020: HK\$3.7 million; 2019: HK\$15.1 million). The Group has a gross profit margin of 39.5% in 2020, as compared to that of 54.8% in 2019. The decrease of gross profit margin was mainly due to a decrease of property management business.

### *Other Operating Income*

Other operating income increased to approximately HK\$43.0 million in 2020 from approximately HK\$31.4 million in 2019. The increase was primarily due to a combined effect of an increase in interest income of approximately HK\$16.1 million, a gain on disposal of investment properties of approximately HK\$1.5 million, COVID-19-related rent concessions received of approximately HK\$9.1 million and a decrease in exchange difference of approximately HK\$15.9 million.

### *Other Operating Expenses*

Other operating expenses increased to approximately HK\$95.1 million in 2020 from approximately HK\$16.9 million in 2019. The increase was primarily due to an increase of 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 respectively.

### *Change in Fair Value of the Investment Properties*

There was a net loss of approximately HK\$235.4 million in 2020 (2019: gain of HK\$2.1 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 37.0% to approximately HK\$3.4 million in 2020 from approximately HK\$5.4 million in 2019, primarily due to a decrease in advertising and promotion, and commission expenses for properties sales and property investment business.

### *Administrative Expenses*

The administrative expenses increased by 4.1% to approximately HK\$68.3 million in 2020 from approximately HK\$65.6 million in 2019.

### *Finance Costs*

The finance costs increased to approximately HK\$149.1 million in 2020 from that of approximately HK\$141.9 million in 2019. The increase was primarily due to a combined effect of an increase in interest expenses on convertible notes and promissory note of approximately HK\$23.0 million and a decrease of finance cost on borrowings of approximately HK\$15.2 million.

### *Income Tax Credit (Expenses)*

The Group recorded income tax credit of approximately HK\$58.1 million during the year (2019: income tax expenses of HK\$38.1 million). The increase in income tax credit was primarily attributable to an increase in deferred tax credit resulting from an increase 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\$175.9 million in 2019 to that of approximately HK\$85.3 million in 2020.

### *Liquidity, Financial and Capital Resources*

#### *Cash Position*

As at 31 December 2020, total bank balances and cash (including pledged bank deposit) of the Group amounted to approximately HK\$122.4 million (31 December 2019: approximately HK\$21.2 million), representing an increase of HK\$101.2 million as compared to that as at 31 December 2019.

#### *Borrowings and Charges on the Group's Assets*

At 31 December 2020, 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\$547.0 million (31 December 2019: approximately HK\$886.5 million), liability component of convertible note of approximately HK\$393.8 million (31 December 2019: approximately HK\$373.1 million) and promissory note of approximately HK\$52.9 million (31 December 2019: 357.4 million). Amongst the borrowings, approximately HK\$89.6 million (31 December 2019: approximately HK\$274.4 million) will be repayable within one year and approximately HK\$457.4 million (31 December 2019: approximately HK\$612.1 million) will be repayable after one year. The convertible note and promissory note are due in July 2022.

At 31 December 2020, certain inventory of properties together with relevant land use rights, certain investment properties, trade receivables and bank deposit with an aggregate amounts of approximately HK\$1,367.1 million (2019: HK\$1,255.0 million) were pledged as security for certain banking facilities granted to the Group.

### *Gearing Ratio*

The gearing ratio was 76.2% as at 31 December 2020 (31 December 2019: 137.5%). 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 a decrease in promissory note and borrowings of approximately HK\$304.5 million and HK\$339.5 million respectively. The current ratio (current assets divided by current liabilities) was 1.37 (31 December 2019: 1.17).

## **OUTLOOK AND FUTURE PLAN**

Since the outbreak of COVID-19 in early 2020, the government of the People's Republic of China has continued to implement a variety of measures to contain the spread of COVID-19, including travel restrictions, quarantine advisories, required closure of business units, practice of social distancing, etc. In the first half of 2020, the Group has provided some rent concession measures to certain tenants to ease their financial burden during these difficult times.

Looking into 2021, the Company is committed to steady recovery and restoring stable business performance. The effects of the novel coronavirus pandemic is expected to ease off gradually in 2021, with the growing momentum of the SinoUS trade friction coming to halt, and the global economy is back on its track. In response of the above, the Company will be actively seeking business opportunities to maintain its competitiveness in the market and create values to the shareholders. Also, the management will continue to monitor the development of the COVID-19 pandemic and its impact on the operations and results of the Group. The Company will also keep its shareholders updated and informed by way of announcements as and when appropriate.

## **CONTINGENT LIABILITIES AND COMMITMENTS**

- (a) As at 31 December 2020, the Group had no capital commitments, contracted but not provided in the consolidated financial statements (31 December 2019: RMB9,000,000, equivalent to approximately HK\$10,112,000 in respect of its capital injection of a joint venture).
- (b) As at 31 December 2019, a subsidiary was exposed to litigations in relation to joint and several guarantees provided to certain financial institutions and independent third parties regarding loans and the interest granted to certain independent third parties. The guarantees will be released after the full repayment of the loan and interest thereon. As at 31 December 2019, the Group had settled approximately RMB9,400,000 (equivalent to approximately HK\$10,562,000) for the guarantees provided. As at 31 December 2020, the Group had no significant contingent liabilities because the above-mentioned subsidiary has been disposed during the year.

## **DISPOSALS**

On 15 December 2020, the Group entered into a sales and purchase agreement with Fit Energy Holdings Limited to dispose of 70% equity interest in Northern Sea Development Limited and its subsidiaries at a total consideration of approximately HK\$1.0 million. The disposal was completed on 31 December 2020.

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 2020, the total number of employees stood at approximately 183. Total staff costs for the year was approximately HK\$36.4 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 2020 (2019: 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 2020.

## **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 2020.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

During the year ended 31 December 2020, 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 should be given. Although the ad-hoc meetings of the Board had convened when the circumstances required, which has given the sufficient notice to all directors and 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. During the year ended 31 December 2020, 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 2020.

## **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 HLM 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 2020 as set out in this announcement have been agreed by the Group's auditor, HLM CPA Limited ("HLM") to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM 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](http://www.hkexnews.hk)) and the Company ([www.city-infrastructure.com](http://www.city-infrastructure.com)) in due course.

By order of the Board  
**China City Infrastructure Group Limited**  
**Ye Tianfang**  
*Chief Executive Officer*

Hong Kong, 30 March 2021

\* *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.*