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中國城市基礎設施集團有限公司

China City Infrastructure Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2349)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

KEY HIGHLIGHTS

- During Current Period, revenue was approximately HK\$38,060,000, while approximately HK\$41,009,000 was recorded for the same period in 2021. It is mainly due to a decrease in revenue from hotel business during Current Period.
- Gross profit for the Current Period decreased by approximately 10.6% to HK\$19,889,000 and gross profit margin decreased by approximately 2 percentage points to approximately 52.3% as compared with the same period of 2021.
- The Group's investment properties recorded a fair value loss of approximately HK\$12,048,000.
- The Group's net loss for the period is approximately HK\$58,455,000, a net loss of approximately HK\$73,089,000 was recorded in the same period of 2021.
- As at 30 June 2022, the Group's total assets recorded approximately HK\$2,485,003,000.

INTERIM RESULT

The board (the “Board”) of directors (the “Directors”) of China City Infrastructure Group Limited, (the “Company”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively refer to as the “Group”) for the six months ended 30 June 2022 (the “Current Period”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
	Notes	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	38,060	41,009
Cost of sales		<u>(18,171)</u>	<u>(18,751)</u>
Gross profit		19,889	22,258
Fair value loss in respect of investment properties revaluation		(12,048)	(33,746)
Allowance for expected credit losses of trade and other receivables		(39)	–
Other operating income		2,272	529
Other operating expenses		(609)	(26)
Selling and distribution expenses		(766)	(1,173)
Administrative expenses		(23,650)	(24,101)
Finance costs	4	<u>(46,516)</u>	<u>(45,267)</u>
Loss before tax		(61,467)	(81,526)
Income tax credit	5	<u>3,012</u>	<u>8,437</u>
Loss for the period attributable to owners of the Company	6	<u>(58,455)</u>	<u>(73,089)</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Loss per share			
– Basic and diluted	8	<u>(1.87)</u>	<u>(2.34)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	(58,455)	(73,089)
Other comprehensive expense for the period:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operation	<u>(58,815)</u>	<u>20,178</u>
Total comprehensive expense for the period (net of tax) attributable owners of the Company	<u><u>(117,270)</u></u>	<u><u>(52,911)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

		30 June 2022	31 December 2021
	<i>Notes</i>	HK\$'000 (unaudited)	HK\$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		5,494	5,874
Investment properties		1,132,941	2,131,707
Goodwill		151,598	151,598
Right-of-use assets		20,557	22,628
		<u>1,310,590</u>	<u>2,311,807</u>
Current assets			
Inventories		16	16
Inventory of properties		186,675	191,427
Trade and other receivables	9	48,827	56,877
Pledged bank deposit		–	100,605
Bank balances and cash		16,720	17,428
		<u>252,238</u>	<u>366,353</u>
Assets of disposal group classified as held for sale	11	<u>922,175</u>	<u>–</u>
		<u>1,174,413</u>	<u>366,353</u>
TOTAL ASSETS		<u>2,485,003</u>	<u>2,678,160</u>
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital		312,828	312,828
Reserves		585,016	702,286
		<u>897,844</u>	<u>1,015,114</u>
Equity attributable to owners of the Company		<u>897,844</u>	<u>1,015,114</u>

		30 June	31 December
		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		121,420	364,810
Borrowings – due after one year		310,111	470,897
Deposits received for lease of properties		4,885	6,768
Lease liabilities – due after one year		2,815	3,974
		439,231	846,449
Current liabilities			
Trade and other payables	<i>10</i>	114,898	143,770
Contract liabilities		1,146	1,070
Deposits received for lease of properties		6,025	6,220
Tax payable		49,317	50,456
Borrowings – due within one year		31,765	142,622
Convertible note – due within one year		428,371	416,404
Promissory note – due within one year		53,392	53,229
Lease liabilities – due within one year		2,688	2,826
		687,602	816,597
Liabilities of disposal group classified as held for sale	<i>11</i>	460,326	–
		1,147,928	816,597
TOTAL LIABILITIES		1,587,159	1,663,046
TOTAL EQUITY AND LIABILITIES		2,485,003	2,678,160
NET CURRENT ASSETS (LIABILITIES)		26,485	(450,244)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,337,075	1,861,563

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

China City Infrastructure Group Limited (the “Company”) is an exempted 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 address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

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 (the “Directors”) consider that Linkway Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, is a 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, hotel business and property management in the People’s Republic of China (the “PRC”).

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

The condensed consolidated interim financial information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements.

In the current interim period, the Group has applied the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA for the first time:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
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

Except as described below, the application of these new and revised HKFRSs did not have any material impact on the Group’s condensed consolidated interim financial information.

New and amendments to HKFRSs and interpretations issued but not yet effective

HKFRS 17	Insurance Contracts and the related Amendments 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 HKAS 1	Classification of Liabilities as Current or Non-current and Related amendments to Hong Kong Interpretations 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 date to be determined.

The Group has not early adopted the new and amendments HKFRSs, which have been issued but are not yet effective for the current period. The Group has commenced an assessment of the related impact, but is not yet in a position to state whether any substantial changes to the Group’s accounting policies and presentation of the financial information will be resulted.

3. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of annual reports about 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 engages in development of property projects in the PRC
- Property Investment Business Segment engages in leasing of investment properties in the PRC
- Hotel Business Segment engages in operation of hotels in the PRC
- Property Management Business Segment 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 revenue and results by reportable segments.

For the six months ended 30 June 2022

	Property Development Business HK\$'000 (unaudited)	Property Investment Business HK\$'000 (unaudited)	Hotel Business HK\$'000 (unaudited)	Property Management Business HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
TOTAL REVENUE AND EXTERNAL SALES	<u>–</u>	<u>21,792</u>	<u>–</u>	<u>16,268</u>	<u>38,060</u>
RESULT					
Segment operating results	<u>(197)</u>	<u>1,167</u>	<u>(1,047)</u>	<u>4,452</u>	<u>4,375</u>
Fair value loss in respect of investment properties revaluation	–	(12,048)	–	–	(12,048)
Unallocated corporate income					122
Unallocated corporate expense					(7,400)
Finance costs					<u>(46,516)</u>
Loss before tax					(61,467)
Income tax credit					<u>3,012</u>
Loss for the period					<u><u>(58,455)</u></u>

For the six months ended 30 June 2021

	Property Development Business <i>HK\$'000</i> (unaudited)	Property Investment Business <i>HK\$'000</i> (unaudited)	Hotel Business <i>HK\$'000</i> (unaudited)	Property Management Business <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
TOTAL REVENUE AND EXTERNAL SALES	–	22,432	5,850	12,727	41,009
RESULT					
Segment operating results	(934)	6,889	(1,948)	3,127	7,134
Fair value loss in respect of investment properties revaluation	–	(33,746)	–	–	(33,746)
Unallocated corporate income					16
Unallocated corporate expense					(9,663)
Finance costs					(45,267)
Loss before tax					(81,526)
Income tax credit					8,437
Loss for the period					<u>(73,089)</u>

4. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense on bank loans, and other borrowings wholly repayable within five years	27,021	26,688
Effective interest expense on convertible notes	18,386	17,379
Imputed interest on promissory note	959	953
Interest expense on lease liabilities	150	247
	<u>46,516</u>	<u>45,267</u>

5. INCOME TAX CREDIT

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax (“EIT”)	–	–
PRC Land Appreciation Tax (“LAT”)	–	–
Current tax charge for the period	–	–
Deferred tax credit for the period	3,012	8,437
	<u>3,012</u>	<u>8,437</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% (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%).

The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements.

No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profit subject to Hong Kong Profits Tax during the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

The Group's PRC EIT is calculated based on the applicable tax rates on assessable profits, if applicable.

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 PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Staff costs, including directors' emoluments	12,975	15,124
Retirement benefits scheme contributions, including contributions for directors	710	968
Total staff costs	13,685	16,092
Depreciation of property, plant and equipment	180	168
Depreciation of right-of-use assets	1,512	6,440
Gross rental income from investment properties	(21,792)	(22,432)
Less: Direct operating expenses from investment properties that generate rental income	7,173	5,414
	(14,619)	(17,018)

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss attributable to owners of the Company of approximately HK\$58,455,000 (six months ended 30 June 2021: approximately HK\$73,089,000) and on the number of ordinary shares of 3,128,278,542 (six months ended 30 June 2021: 3,128,278,542) in issue during the period.

Diluted loss per share was not presented for both periods because the impact of the conversion of convertible notes and the exercise of share options was anti-dilutive.

9. TRADE AND OTHER RECEIVABLES

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

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Trade receivables		
– contracts with customers	1,697	9,281
– property investment business	8,119	11,010
Less: Accumulated allowance for credit expected losses	<u>(777)</u>	<u>(1,791)</u>
	<u>9,039</u>	<u>18,500</u>
Prepayments and deposits	24,940	29,400
Other receivables	19,189	13,418
Less: Accumulated allowance for expected credit losses	<u>(4,341)</u>	<u>(4,441)</u>
	<u>39,788</u>	<u>38,377</u>
	<u><u>48,827</u></u>	<u><u>56,877</u></u>

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:

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Within 90 days	1,892	6,671
91 to 180 days	6,322	6,758
Over 180 days	825	5,071
	<u>9,039</u>	<u>18,500</u>

The Directors consider that the carrying amount of trade and other receivables approximate to their fair value.

10. TRADE AND OTHER PAYABLES

An aging analysis of the Group's trade payables at the end of the reporting period based on invoice date is as follows:

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Within 90 days	3,121	580
Over 180 days	7,169	6,680
Trade payables	10,290	7,260
Interest payables	53,902	57,338
Accrued expenses and other tax payable	6,086	8,563
Other payables	44,620	70,609
	<u>114,898</u>	<u>143,770</u>

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

The Directors consider that the carrying amount of trade and other payables approximate to their fair value.

11. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 25 April 2022, Green City Development Limited (“Green City”), a wholly owned subsidiary of the Group, entered into a sale and purchase agreement with Sky Climber Development Limited as the purchaser, to dispose of the entire equity interests of Precious Palace Enterprises Limited (“Precious Palace”) held by Green City at the consideration of HK\$840,000,000. On 15 July 2022, the disposal has been completed. Details of the disposal were set out in the Company’s announcement dated 25 April 2022, 23 June 2022, 8 July 2022 and 15 July 2022.

As at 30 June 2022, the assets and liabilities of Precious Palace were classified as disposal group held for sale and are presented separately in the consolidated statement of financial position.

	As at 30 June 2022 HK\$’000 (unaudited)
Investment properties	911,765
Trade and other receivables	9,723
Bank balances and cash	<u>687</u>
Total assets classified as held for sale	<u>922,175</u>
Trade and other payables	37,527
Borrowings	192,941
Deposits received for lease of properties	1,859
Tax payable	58
Deferred tax liabilities	<u>227,941</u>
Total liabilities classified as held for sale	<u>460,326</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is engaged in property related business. 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 six months ended 30 June 2022 (the "Current Period") and 30 June 2021, there was no revenue arising from property development business.

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. The 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. As at 30 June 2022, the total leasable area of Future City is approximately 55,028 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 30 June 2022, the aggregate fair value of the Future City was approximately HK\$1,133 million. During the Current Period, the rental income generated from the Future City was approximately HK\$15.0 million (six months ended 30 June 2021: approximately HK\$16.1 million) and the average occupancy rate was around 91% (30 June 2021: 91%).

The Group completed the acquisition of the entire issued share capital of 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 30 June 2022, the aggregate fair value of the Longgang Properties held by the Group was approximately HK\$912 million. During the Current Period, the rental income generated from the Longgang Properties was approximately HK\$6.8 million (six months ended 30 June 2021: approximately HK\$6.3 million) and the average occupancy rate was around 94% (30 June 2021: 94%).

On 15 July 2022, completion of the disposal of the entire issued share capital of Precious Palace for a total consideration of HK\$840,000,000 has taken place. The fair value of the Longgang Properties as at 30 June 2022 was included in the assets of disposal group classified as held for sale as at 30 June 2022. Details of the aforesaid disposal were set out in the Company’s announcement dated 25 April 2022, 23 June 2022, 8 July 2022 and 15 July 2022.

The PRC Hotel Business

Wuhan Future City Hotel Management Company Limited, an indirectly wholly owned subsidiary of the Group, manages a business hotel (“Future City Hotel”) with around 231 rooms, which is featured as one of the largest all suite business hotels in terms 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 a team of hospitality professionals was recruited to deliver personalised services to customers. Future City Hotel has suspended its operation since January 2022 due to the impact of the COVID-19 pandemic.

During the Current Period, there was no revenue generated from Future City Hotel (six months ended 30 June 2021: HK\$5.9 million) and the average occupancy rate is around 56% during the six months ended 30 June 2021.

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 Current Period, the revenue generated from property management was approximately HK\$16.3 million (six months ended 30 June 2021: approximately HK\$12.7 million).

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Current Period decreased to approximately HK\$38.1 million (six months ended 30 June 2021: approximately HK\$41.0 million). The decrease was mainly due to the reduction in revenue from hotel business of approximately HK\$5.9 million. During the period, the business of Future City Hotel has been suspended due to the impact of the COVID-19 pandemic.

Comparing the six months ended 30 June 2021 to the Current Period, revenue from property management business increased from approximately HK\$12.7 million to approximately HK\$16.3 million, whereas revenue from property investment business and hotel business decreased from approximately HK\$22.4 million to approximately HK\$21.8 million and from approximately HK\$5.9 million to nil respectively.

Cost of Sales

Cost of sales decreased from approximately HK\$18.8 million for the six months ended 30 June 2021 to approximately HK\$18.2 million for the Current Period, primarily due to the decrease in cost of the hotel business in the Current Period.

During the Current Period, the Group's cost of sales comprises of those from property investment segment of approximately HK\$7.2 million (six months ended 30 June 2021: HK\$5.4 million), hotel business of nil (six months ended 30 June 2021: HK\$6.1 million) and property management business of approximately HK\$11.0 million (six months ended 30 June 2021: HK\$7.2 million).

Gross Profit and Gross Profit Margin

Gross profit decreased from HK\$22.3 million for the six months ended 30 June 2021 to approximately HK\$19.9 million for the Current Period. The Group had a gross profit margin of 52.3% for the Current Period, as compared to 54.3% for the corresponding six months in 2021. The decrease in the gross profit margin was primarily attributable to the decrease for that of the property management business.

Other Operating Income

Other operating income increased to approximately HK\$2.3 million for the Current Period from approximately HK\$0.5 million for the corresponding six months in 2021.

Other Operating Expenses

Other operating expenses increased from approximately HK\$26,000 for the six months ended 30 June 2021 to approximately HK\$0.6 million for the Current Period.

Change in Fair Value of the Investment Properties

There was a net loss of approximately HK\$12.0 million for the Current Period arising from change in fair value of the investment property portfolio in the PRC held by the Group comparing to that of a net loss of approximately HK\$33.7 million for the six months ended 30 June 2021.

Selling and Distribution Expenses

The selling and distribution expenses decreased to approximately HK\$0.8 million for the Current Period from approximately HK\$1.2 million for the corresponding six months in 2021, primarily due to the decrease in advertising and promotion, and commission expenses for property investment business.

Administrative Expenses

The administrative expenses comprises of staff cost of approximately HK\$10.2 million, depreciation of property, plant and equipment and right-of-use assets of approximately HK\$1.7 million, legal and professional fee of approximately HK\$1.0 million and entertainment and travelling expenses of approximately HK\$1.0 million. The administrative expenses decreased to approximately HK\$23.7 million for the Current Period from approximately HK\$24.1 million for the corresponding six months in 2021, primarily due to the decrease in administrative expenses related to hotel business in the Current Period.

Finance Costs

The finance costs increased to approximately HK\$46.5 million for the Current Period from approximately HK\$45.3 million for the corresponding six months in 2021 due to the increase in effective interest expense on convertible notes of approximately HK\$1.0 million.

Income Tax Credit

The income tax credit for the Current Period was approximately HK\$3.0 million (six months ended 30 June 2021: approximately HK\$8.4 million). The amount was primarily attributable to the deferred tax credit arising from fair value loss in respect of investment properties revaluation during the Current Period.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company for the six months ended 30 June 2022 amounted to approximately HK\$58.5 million (six months ended 30 June 2021: approximately HK\$73.1 million). The decrease was mainly attributable to the decrease in fair value loss in respect of investment properties during the Current Period.

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2022, total bank balances and cash (including pledged bank deposit) of the Group amounted to approximately HK\$16.7 million (31 December 2021: HK\$118.0 million). The decrease was mainly attributable to the withdrawal of the pledged bank deposit during the Current Period.

Borrowings and Charges on the Group's Assets

As at 30 June 2022, the Group's total debts included borrowings of approximately HK\$341.9 million (31 December 2021: HK\$613.5 million), liability component of convertible notes of approximately HK\$428.4 million (31 December 2021: HK\$416.4 million) and promissory notes of approximately HK\$53.4 million (31 December 2021: HK\$53.2 million). Amongst the borrowings, approximately HK\$31.7 million (31 December 2021: approximately HK\$142.6 million) was repayable within one year and approximately HK\$310.1 million (31 December 2021: approximately HK\$470.9 million) was repayable after one year. The convertible notes and promissory notes are due in July 2022.

At 30 June 2022, certain inventory of properties together with relevant land use rights and certain investment properties, trade receivables and bank deposit with an aggregate amounts of approximately HK\$1,264.0 million (31 December 2021: 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 89.9% as at 30 June 2022 (31 December 2021: 95.1%). The gearing ratio was measured by net debt (aggregated borrowings, convertible notes and promissory notes net of bank balances and cash and pledged bank deposit) over the equity attributable to owners of the Company. The current ratio (current assets divided by current liabilities) was 102% (31 December 2021: 45%).

OUTLOOK AND FUTURE PLAN

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

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

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

CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2022 and 31 December 2021, the Group had no significant contingent liabilities and commitments.

EVENT AFTER THE REPORTING PERIOD

On 15 July 2022, completion of the disposal of the entire issued share capital of Precious Palace for a total consideration of HK\$840,000,000 has taken place and Precious Palace has ceased to be a subsidiary of the Group thereafter. Details of the aforesaid disposal were set out in the Company's announcement dated 25 April 2022, 23 June 2022, 8 July 2022 and 15 July 2022.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the total number of employees stood at approximately 178 (30 June 2021: 183). Total staff costs for the Current Period was approximately HK\$13.7 million (six months ended 30 June 2021: approximately HK\$16.1 million). The Group offers its workforce comprehensive remuneration and employees' benefits packages.

INTERIM DIVIDEND

The Board resolved that the Company would not declare the payment of an interim dividend for the Current Period (six months ended 30 June 2021: Nil).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

During the Current Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's ordinary shares.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code set out in Appendix 10 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 of the Company.

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 Current Period.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

During the six months ended 30 June 2022, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) (previously known as Code on Corporate Governance Practices) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised 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 were convened when the circumstances required, sufficient notices were given for the meetings to all directors pursuant to the articles of association of the Company.

(2) 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.

(3) 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 the Articles, at each annual general meeting, one third of the Directors shall retire from office by rotation provided that notwithstanding anything therein, the chairman of the Board (the “Chairman”) 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 roles of the chairman provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the Chairman should not be subject to retirement by rotation.

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

AUDIT COMMITTEE

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

The audit committee has reviewed the unaudited condensed consolidated financial results of the Group for the Current Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is required to be published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.city-infrastructure.com. The 2022 interim report of the Company will be dispatched to the shareholders and will be available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 31 August 2022

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.