

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2021

KEY HIGHLIGHTS

- During Current Period, revenue was approximately HK\$41,009,000, while approximately HK\$30,176,000 was recorded for the same period in 2020. It is mainly due to an increase in revenue from property investment business during Current Period.
- Gross profit for the Current Period increased by approximately 81.5% to HK\$22,258,000 and gross profit margin increased by approximately 13.7 percentage points to approximately 54.3% as compared with the same period of 2020.
- The Group's investment properties recorded a fair value loss of approximately HK\$33,746,000.
- The Group's net loss for the period is approximately HK\$73,089,000, a net loss of approximately HK\$96,386,000 was recorded in the same period of 2020.
- As at 30 June 2021, the Group's total assets recorded approximately HK\$2,713,357,000.

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 2021 (the “Current Period”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3	41,009	30,176
Cost of sales		<u>(18,751)</u>	<u>(17,914)</u>
Gross profit		22,258	12,262
Fair value loss in respect of investment properties revaluation		(33,746)	(57,027)
Share of result of a joint venture		–	1,035
Other operating income		529	14,723
Other operating expenses		(26)	(44)
Selling and distribution expenses		(1,173)	(1,586)
Administrative expenses		(24,101)	(22,692)
Finance costs	4	<u>(45,267)</u>	<u>(57,377)</u>
Loss before tax		(81,526)	(110,706)
Income tax credit	5	<u>8,437</u>	<u>14,320</u>
Loss for the period	6	<u><u>(73,089)</u></u>	<u><u>(96,386)</u></u>
Attributable to:			
Owners of the Company		(73,089)	(93,734)
Non-controlling interests		<u>–</u>	<u>(2,652)</u>
		<u><u>(73,089)</u></u>	<u><u>(96,386)</u></u>
		<i>HK Cents</i>	<i>HK Cents</i>
Loss per share	8		
– Basic and diluted		<u><u>(2.34)</u></u>	<u><u>(3.00)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss for the period	(73,089)	(96,386)
Other comprehensive expense for the period:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operation	20,178	(37,265)
Share of translation reserve of a joint venture	<u> –</u>	<u> (62)</u>
Total comprehensive expense for the period (net of tax)	<u>(52,911)</u>	<u>(133,713)</u>
Total comprehensive expense attributable to:		
Owners of the Company	(52,911)	(131,722)
Non-controlling interests	<u> –</u>	<u> (1,991)</u>
	<u>(52,911)</u>	<u>(133,713)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June	31 December
		2021	2020
	<i>Notes</i>	HK\$'000	HK\$'000
		(unaudited)	(audited)
ASSETS			
Non-current assets			
Property, plant and equipment		8,637	8,510
Investment properties		2,142,169	2,146,429
Goodwill		151,598	151,598
Right-of-use assets		26,773	24,920
		<u>2,329,177</u>	<u>2,331,457</u>
Current assets			
Inventories		67	83
Inventory of properties		189,804	188,221
Trade and other receivables	9	70,534	67,605
Pledged bank deposit		99,203	95,238
Bank balances and cash		24,572	27,118
		<u>384,180</u>	<u>378,265</u>
TOTAL ASSETS		<u>2,713,357</u>	<u>2,709,722</u>
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital		312,828	312,828
Reserves		777,297	830,208
		<u>1,090,125</u>	<u>1,143,036</u>
Equity attributable to owners of the Company		1,090,125	1,143,036
Non-controlling interests		<u>–</u>	<u>–</u>
TOTAL EQUITY		<u>1,090,125</u>	<u>1,143,036</u>

		30 June	31 December
		2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		371,229	375,269
Borrowings – due after one year		458,824	457,428
Convertible notes – due after one year		404,762	393,802
Promissory note – due after one year		53,065	52,908
Deposits received for lease of properties		7,359	7,367
Lease liabilities – due after one year		7,564	2,803
		<u>1,302,803</u>	<u>1,289,577</u>
Current liabilities			
Trade and other payables	<i>10</i>	143,670	121,370
Contract liabilities		1,013	821
Deposits received for lease of properties		5,713	6,233
Tax payable		49,903	49,089
Borrowings – due within one year		113,253	89,583
Lease liabilities – due within one year		6,877	10,013
		<u>320,429</u>	<u>277,109</u>
TOTAL LIABILITIES		<u><u>1,623,232</u></u>	<u><u>1,566,686</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,713,357</u></u>	<u><u>2,709,722</u></u>
NET CURRENT ASSETS		<u><u>63,751</u></u>	<u><u>101,156</u></u>
TOTAL ASSETS LESS			
CURRENT LIABILITIES		<u><u>2,392,928</u></u>	<u><u>2,432,613</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 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 2020, 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:

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

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 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 And HKAS 28	Sale or Contribution of Assets between An Investor and its Associate or Joint Venture ³
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 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

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

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

³ 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 2021

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

For the six months ended 30 June 2020

	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	8,041	11,088	4,432	6,615	30,176
RESULT					
Segment operating results	2,021	11,204	(1,637)	(1,856)	9,732
Fair value loss in respect of investment properties revaluation	–	(57,027)	–	–	(57,027)
Share of result of a joint venture					1,035
Unallocated corporate income					3,929
Unallocated corporate expense					(10,998)
Finance costs					(57,377)
Loss before tax					(110,706)
Income tax credit					14,320
Loss for the period					(96,386)

4. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expense on bank loans, and other borrowings wholly repayable within five years	26,688	33,862
Effective interest expense on convertible notes	17,379	16,457
Imputed interest on promissory note	953	6,438
Lease finance cost	247	620
	<u>45,267</u>	<u>57,377</u>

5. INCOME TAX CREDIT

	Six months ended 30 June	
	2021	2020
	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”)	–	(661)
Current tax charge for the period	–	(661)
Deferred tax credit for the period	8,437	14,981
	<u>8,437</u>	<u>14,320</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% (2020: 8.25%), and profits above HK\$2 million will be taxed at 16.5% (2020: 16.5%). The profits of other group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% (2020: 16.5%).

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 2021 (six months ended 30 June 2020: 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	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	168	260
Depreciation of right-of-use assets	6,440	6,921
Gain on disposal of investment properties	–	1,501
Gross rental income from investment properties	(22,432)	(11,088)
Less: Direct operating expenses from investment properties that generate rental income	5,414	1,003
	(17,018)	(10,085)

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: 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\$73,089,000 (six months ended 30 June 2020: approximately HK\$93,734,000) and on the number of ordinary shares of 3,128,278,542 (six months ended 30 June 2020: 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 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Trade receivables		
– contracts with customers	10,420	11,226
– property investment business	15,222	15,674
Less: Allowance for credit losses	<u>(1,774)</u>	<u>(1,774)</u>
	<u>23,868</u>	<u>25,126</u>
Prepayments and deposits	26,286	29,908
Other receivables	22,577	14,768
Less: Allowance for credit losses	<u>(2,197)</u>	<u>(2,197)</u>
	<u>46,666</u>	<u>42,479</u>
	<u>70,534</u>	<u>67,605</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 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Within 90 days	17,448	19,655
91 to 180 days	29	1,420
Over 180 days	<u>6,391</u>	<u>4,051</u>
	<u><u>23,868</u></u>	<u><u>25,126</u></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 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Within 90 days	4,520	508
91 to 180 days	–	311
Over 180 days	<u>3,425</u>	<u>7,322</u>
Trade payables	7,945	8,141
Interest payables	33,705	37,235
Accrued expenses and other tax payable	14,097	9,441
Other payables	<u>87,923</u>	<u>66,553</u>
	<u><u>143,670</u></u>	<u><u>121,370</u></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.

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 2021 ("Current Period"), there was no revenue arising from property development business, as compared to that of approximately HK\$8.0 million for the corresponding period in 2020. Aggregate gross floor area (the "GFA") sold for the Current Period was nil (six months ended 30 June 2020: 684.63 square meters ("sq.m.)) and average selling price (the "ASP") for the Current Period was nil (six months ended 30 June 2020: HK\$11,685 per sq.m.).

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 2021, 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 2021, the occupancy rate of Future city was approximately 91% (30 June 2020: 94%).

Hangzhou Mei Lai Commercial Property Management Company Limited was formed by the Group 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 was 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 30 June 2021, the aggregate fair value of the Future City and Longgang Properties held by the Group was approximately HK\$2,142.2 million. During the Current Period, the rental income generated from the investment properties was approximately HK\$22.4 million (six months ended 30 June 2020: approximately HK\$11.1 million) and the average occupancy rate was around 93.1% (30 June 2020: 83.5%).

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.

During the Current Period, the revenue arising from Future City Hotel was approximately HK\$5.9 million (six months ended 30 June 2020: HK\$4.4 million) and the average occupancy rate is around 56% (six months ended 30 June 2020: 30%).

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\$12.7 million (six months ended 30 June 2020: approximately HK\$6.6 million).

FINANCIAL REVIEW

Revenue

Revenue of the Group for the Current Period increased to approximately HK\$41.0 million (six months ended 30 June 2020: approximately HK\$30.2 million). The increase was mainly due to an increase in revenue from property investment business of approximately HK\$11.3 million. During the six months ended 30 June 2020, the Group responded to Hubei Provincial People's Government and SASAC's requests to aid enterprises in this difficult time and implemented measures to reduce rents and burdens. The Group waived three months' rent for the tenants of Future City in Wuhan accordingly in the six months ended 30 June 2020.

Comparing the six months ended 30 June 2020 to the Current Period, revenue from property investment, hotel business and property management business increased from approximately HK\$11.1 million to approximately HK\$22.4 million, from approximately HK\$4.4 million to approximately HK\$5.9 million and from approximately HK\$6.6 million to approximately HK\$12.7 million respectively, whereas revenue from property development business decreased from approximately HK\$8.0 million to nil.

Cost of Sales

Cost of sales increased from approximately HK\$17.9 million for the six months ended 30 June 2020 to approximately HK\$18.8 million for the Current Period, primarily due to the increase in cost of the property investment business in the Current Period.

During the Current Period, the Group's cost of sales comprises of those from property development segment of nil (six months ended 30 June 2020: HK\$5.1 million), property investment segment of approximately HK\$5.4 million (six months ended 30 June 2020: HK\$1.0 million), hotel business of approximately HK\$6.1 million (six months ended 30 June 2020: HK\$4.9 million) and property management segment of approximately HK\$7.2 million (six months ended 30 June 2020: HK\$6.8 million).

Gross Profit and Gross Profit Margin

The gross profit increased from HK\$12.3 million for the six months ended 30 June 2020 to approximately HK\$22.3 million for the Current Period. The Group had a gross profit margin of 54.3% for the Current Period, as compared to 40.6% for the corresponding six months in 2020. The increase in the gross profit margin was primarily attributable to the property management business, which suffered from a negative gross profit margin of 3% during the six months ended 30 June 2020, procured a positive gross margin of 43% during the Current Period.

Other Operating Income

Other operating income decreased to approximately HK\$0.5 million for the Current Period from approximately HK\$14.7 million for the corresponding six months in 2020. This decrease was primarily due to the decrease in interest income from loans to third party of approximately HK\$8.8 million, the decrease in exchange difference of approximately HK\$3.8 million and the decrease in gain on disposal of investment property of HK\$1.5 million during the Current Period.

Other Operating Expenses

Other operating expenses of the Group decreased from approximately HK\$44,000 for the six months ended 30 June 2020 to approximately HK\$26,000 for the Current Period.

Change in Fair Value of the Investment Properties

There was a net loss of approximately HK\$33.7 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\$57.0 million for the six months ended 30 June 2020.

Selling and Distribution Expenses

The selling and distribution expenses decreased to approximately HK\$1.2 million for the Current Period from approximately HK\$1.6 million for the corresponding six months in 2020, primarily due to the decrease in advertising and promotion, and commission expenses for property sales and property investment business.

Administrative Expenses

The administrative expenses comprises of staff cost of approximately HK\$11.9 million, depreciation of property, plant and equipment and right-of-use assets of approximately HK\$1.9 million, legal and professional fee of approximately HK\$1.0 million and entertainment and travelling expenses of approximately HK\$1.2 million. The administrative expenses increased to approximately HK\$24.1 million for the Current Period from approximately HK\$22.7 million for the corresponding six months in 2020, primarily due to the increase in administrative expenses related to property investment business in the Current Period.

Finance Costs

The finance costs decreased to approximately HK\$45.3 million for the Current Period from approximately HK\$57.4 million for the corresponding six months in 2020 due to the decrease in imputed interest on promissory note of approximately HK\$5.5 million and decrease in interest expenses on bank loans and other borrowings of approximately HK\$7.2 million.

Income Tax Credit

The income tax credit for the Current Period was approximately HK\$8.4 million (six months ended 30 June 2020: approximately HK\$14.3 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 2021 amounted to approximately HK\$73.1 million (six months ended 30 June 2020: approximately HK\$93.7 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 2021, total bank balances and cash (including pledged bank deposit) of the Group amounted to approximately HK\$123.8 million (31 December 2020: HK\$122.4 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2021, the Group's total debts included borrowings of approximately HK\$572.1 million (31 December 2020: HK\$547.0 million), liability component of convertible notes of approximately HK\$404.8 million (31 December 2020: HK\$393.8 million) and promissory notes of approximately HK\$53.1 million (31 December 2020: HK\$52.9 million). Amongst the borrowings, approximately HK\$113.3 million (31 December 2020: approximately HK\$89.6 million) was repayable within one year and approximately HK\$458.8 million (31 December 2020: approximately HK\$457.4 million) was repayable after one year. The convertible notes and promissory notes are due in July 2022.

At 30 June 2021, 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\$1,216.3 million (31 December 2020: HK\$1,367.1 million) were pledged as security for certain banking facilities granted to the Group.

Gearing and Current Ratios

The gearing ratio was 83.1% as at 30 June 2021 (31 December 2020: 76.2%). 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 1.20 (31 December 2020: 1.37).

OUTLOOK AND FUTURE PLAN

In second quarter of 2021, there are another round of COVID-19 cases around the world which stalled recovery of economy. It may take more time to allow the economy to return to normal, the Group will therefore stay cautious. It is expected that the economic outlook and operating environment will remain challenging throughout the year 2021.

Looking into the second half of 2021, the Company is committed to steady recovery and restoring stable business performance. 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

As at 30 June 2021 and 31 December 2020, the Group had no significant contingent liabilities and commitments.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the total number of employees stood at approximately 183 (30 June 2020: 215). Total staff costs for the Current Period was approximately HK\$15.1 million (six months ended 30 June 2020: approximately HK\$14.6 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 2020: 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 for Securities Transactions by Directors of Listed Issuers (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 2021, 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.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 2021 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
Ye Tianfang
Chief Executive Officer

Hong Kong, 31 August 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.