
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker, or other licensed securities dealer, bank manager, solicitors, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China City Infrastructure Group Limited (the “Company”), you should at once hand this circular and accompanying form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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



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)

VERY SUBSTANTIAL DISPOSAL: DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF A SUBSIDIARY AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting of the Company to be held at Suite 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 8 July 2022 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the extraordinary general meeting is enclosed with this circular, which is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company.

Whether or not you are able to attend the extraordinary general meeting (the “EGM”), you are advised to read the notice and to complete and return the form of proxy, in accordance with the instructions printed thereon and return it to the Company’s branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time fixed for holding the extraordinary general meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the extraordinary general meeting or any adjournment thereof should you so wish.

PRECAUTIONARY MEASURES AND SPECIAL ARRANGEMENTS FOR THE EGM

Considering the outbreak of the COVID-19, certain measures will be implemented at the EGM with a view to addressing the risk to attendees of infection, including, without limitation:

- all attendees being required to (a) undergo body temperature screening; and (b) wear surgical masks prior to admission to the EGM venue
- attendees who are subject to health quarantine prescribed by the HKSAR Government not being admitted to the EGM venue
- all attendees being required to wear surgical masks throughout the EGM
- appropriate seating arrangement
- no distribution of corporate gift or refreshment

The Company reminds attendees that they should carefully consider the risks of attending the EGM, taking into account their own personal circumstances. Furthermore, the Company would like to remind Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising their voting rights and strongly recommends that Shareholders appoint the Chairman of the EGM as their proxy and submit their form of proxy as early as possible. Subject to the development of COVID-19, the Company may implement further changes and precautionary measures and may issue further announcement on such measures as appropriate.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	board of the Directors
“Company”	China City Infrastructure Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with the terms of the Sale and Purchase Agreement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Convertible Bonds”	the convertible bonds with outstanding principal amount of HK\$431,500,000 issued by the Company to the Purchaser
“Director(s)”	director(s) of the Company from time to time
“Disposal”	the disposal of the Sale Shares as contemplated under the Sale and Purchase Agreement
“EGM”	the extraordinary general meeting of the Company to be held and convened for the Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder
“Group”	the Company together with its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Subsidiary”	鳳珍企業有限公司 Mimiro Industrial Co. Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Target Company
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are not core connected persons of the Company and are third parties independent of the Company and its core connected persons in accordance with the Listing Rules

DEFINITIONS

“Latest Practicable Date”	17 June 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PRC”	the People’s Republic of China, which for the purpose of this circular only excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Subsidiary”	鳳珍實業發展(深圳)有限公司 (Fengzhen Industrial Development (Shenzhen) Co. Limited)*, a company established in the PRC and a wholly owned subsidiary of the Hong Kong Subsidiary
“Property”	the property owned by the Target Group in Shenzhen, the PRC
“Promissory Note”	the promissory note with outstanding principal amount of HK\$53,500,000 issued by the Company to the Purchaser
“Purchaser”	Sky Climber Development Limited, a company incorporated in the British Virgin Islands with limited liabilities
“Purchaser Promissory Note”	the 3-year promissory note in an aggregate principal amount of HK\$100,000,000 to be issued by the Purchaser to the Vendor (or as it may direct) to settle part of the consideration payable by the Purchaser under the Sale and Purchase Agreement
“Remaining Group”	the Group excluding the Target Group
“Sale and Purchase Agreement”	the conditional sale and purchase Agreement dated 25 April 2022 and entered into between the Purchaser and the Vendor in respect of the Disposal
“Sale Shares”	the entire issued share capital of the Target Company
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Precious Palace Enterprises Limited, a company incorporated in the British Virgin Islands with limited liabilities
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Green City Development Limited, being a wholly owned subsidiary of the Company
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

For the purpose of illustration only and unless otherwise stated, the translation of RMB into HK\$ in this circular is based on the approximate exchange rate of HK\$1.0 = RMB0.84. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate or at all.

** For identification purpose only*

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Li Chao Bo (*Chairman*)

Mr. Ji Jiaming

Mr. Ye Tianfang (*Chief Executive Officer*)

Non-executive Director:

Mr. Zhang Guiqing

Independent non-executive Directors:

Mr. Ng Chi Ho, Dennis

Mr. Kwok Kin Wa

Ms. Kwong Mei Wan, Cally

Registered office:

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

Suite 6208, 62nd Floor

Central Plaza

18 Harbour Road

Wanchai

Hong Kong

23 June 2022

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL DISPOSAL:

DISPOSAL OF ENTIRE ISSUED SHARE CAPITAL OF A SUBSIDIARY

INTRODUCTION

Reference is made to the announcement of the Company dated 25 April 2022, pursuant to which the Board announces that on 25 April 2022, the Vendor entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Shares for a total consideration of HK\$840,000,000, which constitutes a very substantial disposal on the part of the Company under Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further details of the Disposal; (ii) the valuation report of the properties; (iii) the unaudited pro forma financial information of the Remaining Group; and (iv) the notice of EGM and other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE DISPOSAL

On 25 April 2022 (after trading hours), the Vendor entered into the Sale and Purchase Agreement with the Purchaser pursuant to which the Vendor agreed to sell and the Purchaser agreed to acquire the Sale Shares for a total consideration of HK\$840,000,000.

Sale and Purchase Agreement

Date: 25 April 2022 (after trading hours)

Parties: (1) Vendor
(2) Purchaser

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings. As at the date of the Sale and Purchase Agreement, the Purchaser is the holder of the Convertible Bonds and the Promissory Note.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the ultimate beneficial owner of the Purchaser is Mr. Yang Zhixiong and the Purchaser and its ultimate beneficial owner are Independent Third Parties.

The Vendor is a wholly owned subsidiary of the Company incorporated in the British Virgin Islands and is principally engaged in investment holdings.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, there is, and in the past twelve months, (except for the Convertible Bonds and the Promissory Note), there has been, no material loan arrangement between (a) the Purchaser, any of its directors and legal representatives and/or any ultimate beneficial owner(s) of the Purchaser who can exert influence on the transaction; and (b) the Company, any connected person at the Company's level and/or any connected person of the Company's subsidiaries involved in the transaction.

Assets to be disposed

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares. The Sale Shares represent the entire issued share capital of the Target Company.

LETTER FROM THE BOARD

Consideration

The total consideration for the Disposal is HK\$840,000,000, which shall be payable by the Purchaser to the Vendor in the following manner (or in such other manner as may be agreed by the parties):

- (1) as to HK\$431,500,000 shall be paid by way of set off against the Convertible Bonds in the principal amount of HK\$431,500,000 held by the Purchaser on a dollar-to-dollar basis;
- (2) as to HK\$53,500,000 shall be paid by way of set off against the Promissory Note in the principal amount of HK\$53,500,000 held by the Purchaser on a dollar-to-dollar basis;
- (3) as to HK\$255,000,000 shall be paid by the Purchaser within 60 days from the date of passing the relevant resolution at the EGM by way of cashier order (or in such other manner as the parties thereto may agree);
- (4) as to HK\$100,000,000 shall be paid by the Purchaser by way of issue of the Purchaser Promissory Note in the principal amount of HK\$100,000,000 in favour of the Vendor.

The Purchaser undertakes that it will not enforce any terms of the Convertible Bonds and/or the Promissory Note before Completion, including but not limited to any conversion of the Convertible Bonds.

The consideration for the Disposal was determined with reference to the valuation of the Property and the financial position of the Target Company and arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement. The Directors (including the independent non-executive Directors) consider the terms of the Disposal (including but not limited to the consideration) to be fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The valuation of Property was arrived at with the adoption of market approach performed by an independent valuer, AP Appraisal Limited, based on the comparable transactions method. The comparable transactions method is based on prices realised in actual transactions and/or asking prices of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of value. According to the valuation, the fair value of the Property as at 31 December 2021 was approximately HKD956,097,000, which is also the book value of the Property.

LETTER FROM THE BOARD

Whilst part of the Consideration will be settled by the Purchaser Promissory Note upon Completion, it is noted that the Purchaser would have already settled substantial part of the consideration payable and the Purchaser Promissory Note represents a relatively small portion of the whole consideration. The Company understands that the settlement by the Purchaser Promissory Note was due to the internal funding arrangement of the Purchaser. As shown in Appendix II of the circular, the net asset value of the Target Group substantially exceeds the outstanding amount under the Purchaser Promissory Note and the Purchaser will become the owner of the Target Group upon Completion. In the unlikely event that the Purchaser has no other means to settle the Purchaser Promissory Note when it becomes due, the Purchaser can still mortgage the assets of the Target Group or dispose of the Target Group and the proceeds therefrom should be more than sufficient to cover and repay the Purchaser Promissory Note. As such, the Company considers that the credit risk is relatively low and the settlement of part of the consideration by the Purchaser Promissory Note is in the interest of the Company and its Shareholders as a whole.

Principal Terms of the Purchaser Promissory Note

Issuer:	The Purchaser
Principal amount:	HK\$100,000,000
Maturity Date:	The third anniversary of the date of issue of the Purchaser Promissory Note
Redemption:	<p>The Purchaser may at any time before the maturity date by written notices to relevant holder(s) of the Promissory Note, redeem the Purchaser Promissory Note (in whole or in part) at 100% to the principal amount of the part of the Promissory Note to be redeemed.</p> <p>Any amount of the Purchaser Promissory Note which remains outstanding on the maturity date shall be redeemed at 100% of its then outstanding principal amount.</p>
Interest:	The Purchaser Promissory Note shall bear interest at the rate of 3% per annum payable upon redemption or maturity.
Transferability:	The Purchaser Promissory Note may be transferrable to any transferee subject to prior written notice to the Purchaser.
Listing:	The Purchaser Promissory Note will not be listed on the Stock Exchange or any other stock exchange.

LETTER FROM THE BOARD

Conditions precedent

The Disposal is conditional upon the satisfaction of the following:

- (1) the passing of necessary resolution(s) by the Shareholders at the EGM approving the Sale and Purchase Agreement and the transactions contemplated thereunder;
- (2) all necessary consents and approvals to be obtained by the Vendor and the Company having been obtained;
- (3) all necessary consents and approvals to be obtained by the Purchaser having been obtained.

If the conditions are not fulfilled on or before 31 August 2022 (or such later date as the parties may agree), the Sale and Purchase Agreement shall cease and terminate and thereafter neither party to the Sale and Purchase Agreement shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof.

Completion

Completion is expected to take place within three Business Day after the fulfillment (or waiver) of the conditions (or such later date as the parties to the Sale and Purchase Agreement may agree) mentioned above.

Upon Completion, the Target Company will cease to be a subsidiary of the Company and the Company will cease to have interests in the Target Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Target Company is the legal and beneficial owner of the entire equity interests of the Hong Kong Subsidiary, which in turn holds the entire equity interests of the PRC Subsidiary. The PRC Subsidiary is the legal and beneficial owner of the Property. Upon Completion, the Target Company will cease to be a subsidiary of the Company and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

LETTER FROM THE BOARD

The PRC Subsidiary is currently holding the Property located in Shenzhen, the PRC. The Property comprises property complex in Shenzhen, the PRC with land area of approximately 14,971.1 square meters and construction gross floor area of approximately 36,875.72 square meters. The Property consists of two factories with total gross floor area of approximately 15,251.76 square meters, two staff houses with total gross floor area of 5,588.86 square meters, one commercial buildings with gross floor area of 12,248.64 square meters and a commercial and residential complex with gross floor area of approximately 3,786.46 square meters. The Property is the only significant assets of the Target Group.

The unaudited consolidated financial information of the Target Group for the year ended 31 December 2020 and 2021 and prepared in accordance with the accounting principles generally accepted in Hong Kong are as follows:

	For the year ended 31 December 2020 HK\$'000 (unaudited)	For the year ended 31 December 2021 HK\$'000 (unaudited)
Turnover	12,921	12,834
Net loss before taxation	(156,057)	(21,151)
Net loss after taxation	(112,518)	(16,332)
Net asset value	849,232	832,900

The net asset value of the Target Group was approximately HK\$535 million as at 31 December 2018. The fair value of the consideration for the acquisition as disclosed in the circular of the Company dated 21 June 2019 was approximately HK\$788 million. The increases in the net asset value of the Target Group from the two years were primarily due to the goodwill arising in the acquisition and also the changes in the fair value of investment property.

REASONS FOR THE DISPOSAL

The Group is principally engaged in the property development and investment business, hotel business, property management business and infrastructure business.

LETTER FROM THE BOARD

Reference is made to the circular of the Company dated 21 June 2019 in relation to the acquisition of the Target Company by the Group. As disclosed in the circular, the Group had intention to redevelop the Property under redevelopment plan. However, the COVID-19 pandemic outbreak in the year of 2020 has inevitably delayed the approval process by the relevant authority. The disruption also caused delay in the implementation of the redevelopment plan and there is uncertainty in the future PRC property market. As such, the Company considers that it would be in the interests for the Group to realize its investments in the Target Group to focus on its other existing businesses.

Based on the net asset position of management accounts of the Target Group as at 31 December 2021, it is estimated that upon Completion, the Group will record a gain of approximately HK\$7,100,000 on the Disposal, which is calculated by the Consideration minus the net assets of the Target Group (including the goodwill of the Target Group) and release of accumulated translation reserve as at 31 December 2021. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company's auditors. After deducting the expenses relating to the Disposal (including the professional fee and administrative fees) and the set off against the Convertible Bonds and the Promissory Note, it is expected that there will be a net of proceed of approximately HK\$254,000,000 (excluding the repayment sums from the Purchaser Promissory Notes) attributable to the Disposal. The Company intends to use approximately HK\$230,000,000 of the net proceeds for repayment of debts and approximately HK\$24,000,000 for general working capital of the Group. The Company intends to use approximately HK\$230,000,000 of the net proceeds for repayment of debts and approximately HK\$24,000,000 for general working capital of the Group, of which approximately HK\$20,000,000 is for staff cost and approximately HK\$4,000,000 is for rental payments. The repayment sums from the Purchaser Promissory Note of approximately HK\$100,000,000 in aggregate will be applied towards the general working capital and business development of the Group. For general working capital, the Company intends to use approximately HK\$24,000,000 for staff cost, approximately HK\$4,000,000 for rental payments, approximately HK\$1,500,000 for professional fee and approximately HK\$2,500,000 for general administrative expenses. The remaining HK\$68,000,000 will be applied towards business development of the Group, of which approximately HK\$8,000,000 will be applied for the maintenance and renovation of the shopping mall located in Wuhan operating by a wholly owned subsidiary and approximately HK\$60,000,000 for seeking potential investment related to property development business or other infrastructure business. Due to uncertainty of the global economy, the Company will consider carefully for any investment in the property development business or other infrastructure business.

The Board is of the view that the Disposal provides a good opportunity for the Group to realize its investment in the Target Company and focus its resources to develop its other existing businesses with prospects.

LETTER FROM THE BOARD

Furthermore, since the Convertible Bonds and the Promissory Notes would be due in the year of 2022, the Disposal and the set off arrangement against the Convertible Bonds and the Promissory Notes will also allow the reduction of the overall gearing of the Group without incurring substantial cash outflow. The Disposal could help to reduce the Group's debt and reduce the finance cost, which will in turn improve the cashflow of the Group.

The business activity of the Target Group is classified under the property investment business segment because of the rental income generated by the Target Group. The remaining businesses of the Group upon the completion of the Disposal are property development business, property investment business, hotel business and property management business. These businesses except the property development business (which would depend upon the market circumstances as explained below) have provided stable income streams to the Company.

According to the audited consolidated financial results of the Company for the year ended 31 December 2021, the revenue of the Group and the revenue of property investment business segment were approximately HK\$75,085,000 and approximately HK\$39,658,000 for the year ended 31 December 2021 respectively. The unaudited revenue for the year ended 31 December 2021 of the Target Group was approximately HK\$12,834,000 which was approximately 17.1% of the total revenue of the Group and 32.4% of the revenue of the property investment business segment.

Upon the completion of the Disposal, the Group will continue to hold Future City Shopping Centre ("**Future City**") located in Wuhan in relation to the property investment business segment. The total leasable area of Future City is approximately 55,029 sq. m. and contributes approximately HK\$26,824,000 rental incomes to the Group for the year ended 31 December 2021.

In respect of the property development business of the Group, the Company will keep looking for appropriate potential property development project(s) which will benefit to the Company and Shareholders as a whole. However, due to uncertainty of the global economy, the resources of the Company and also the impact of the COVID-19 epidemic, the Company will consider carefully for any investment in the property development business which requires a significant amount of financial supporting, capital expenditure and time for completion.

Taking into consideration of the aforesaid, the Directors (including the independent non-executive Directors) consider that the terms of the Disposal are fair and reasonable and are on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

EGM

The EGM will be convened and held at Suite 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 8 July 2022 at 11:00 a.m. for the Shareholders to approve the Sale and Purchase Agreement and the transactions contemplated thereunder. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM if you so wish.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the transactions contemplated under the Sale and Purchase Agreement. As such, no Shareholder is required to abstain from voting under the Listing Rules at the EGM on the resolution(s) to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

RECOMMENDATION

The Board (including the independent non-executive Directors) is of the view that the terms and conditions of the Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

I. FINANCIAL INFORMATION OF THE GROUP

The consolidated financial statements of the Group, together with the accompanying notes, for each of the three years ended 31 December 2019, 2020 and 2021 are disclosed in the annual reports of the Company for the financial years ended 31 December 2019 (pages 62 to 164), 31 December 2020 (pages 59 to 154), and 31 December 2021 (pages 61 to 148), respectively, and are incorporated by reference into this circular.

The said annual reports of the Company are available on the Company's website at www.city-infrastructure.com and website of the Stock Exchange at www.hkexnews.hk through the links below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0515/2020051501931.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0430/2021043001005.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0513/2022051300512.pdf>

II. INDEBTEDNESS STATEMENT

As at the close of business on 30 April 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Group was as follows:

Borrowings

- (a.) the Group had unaudited outstanding secured interest bearing bank loans and other loan of approximately HK\$454.8 million;
- (b.) the Group had unaudited outstanding unsecured interest bearing other loan of approximately HK\$63.5 million;
- (c.) the Group had outstanding convertible notes in the principal amount of HK\$431,500,000 issued by the Company on 19 July 2019. The principal amount of HK\$431,500,000 is comprised of the carrying amount of the debt component of approximately HK\$424,279,000 as at 30 April 2022 and the effective interest payable of approximately HK\$36,033,000 for the period from 19 July 2019 to 30 April 2022;
- (d.) the Group had outstanding promissory note in the principal amount of HK\$53,500,000 issued by the Company on 19 July 2019. The principal amount of HK\$53,500,000 is comprised of the carrying amount of the debt component of approximately HK\$53,337,000 as at 30 April 2022 and the effective interest payable of approximately HK\$4,468,000 for the period from 19 July 2019 to 30 April 2022.

Lease liability

As at the close of business on 30 April 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group, as a lessee, had outstanding unpaid contractual lease liabilities of approximately HK\$5.9 million in relation to the remaining lease terms of rented premises, which are all unsecured and unguaranteed.

Save as aforesaid, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, lease liabilities or hire purchase commitments, liabilities under acceptances or acceptances credits, or any guarantees, or any other contingent liabilities outstanding at the close of business on 30 April 2022.

III. WORKING CAPITAL STATEMENT

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the financial resources presently available to the Group including the internally generated funds, the current available facilities and the effects of the Disposal, and in the absence of unforeseen circumstances, the Group has sufficient working capital for its normal business for at least the next twelve months from the date of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

IV. MATERIAL ADVERSE CHANGE

The Directors confirmed that there were no material adverse changes in the financial or trading position or prospects of the Group since 31 December 2021 (being the date to which the latest published audited consolidated financial statements of the Group had been made up) up to the Latest Practicable Date.

V. FINANCIAL AND TRADING PROSPECTS OF THE REMAINING GROUP

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.

Property Development Business

In respect of the property development business of the Group, the Company will keep looking for appropriate potential property development project(s) which will benefit to the Company and Shareholders as a whole. However, due to uncertainty of the global economy, the resources of the Company and also the impact of the COVID-19 epidemic, the Company will consider carefully for any investment in the property development business which requires a significant amount of financial supporting, capital expenditure and time for completion.

Property Investment Business

The Future City Shopping Centre (“**Future City**”) owned by the Remaining 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 55,362 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 2021, the occupancy rate of Future city was 95%. During the year ended 31 December 2021, the revenue arising from Future City was approximately HK\$26.8 million.

Hotel Business

The Remaining Group manages a business hotel (“**Future City Hotel**”) with around 231 rooms for the year ended 31 December 2021, 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 2021, the revenue arising from Future City Hotel was approximately HK\$10.8 million and the average occupancy rate was around 33%.

Property Management Business

The Remaining Group provides residents and tenants with safe, modern, comfortable and high quality property management services. The Property Management Business is operating by the Group’s wholly owned subsidiary for residential buildings, commercial buildings and Future City located in Wuhan. During the year ended 31 December 2021, the revenue from property management was approximately HK\$24.7 million.

Except for the Disposal, the Company does not have any plan to dispose/downsize the Company business operation and assets as at the Latest Practicable Date.

FINANCIAL INFORMATION OF THE TARGET GROUP

Set out below are the unaudited consolidated statements of financial position of Target Group as at 31 December 2019, 2020 and 2021 and the unaudited consolidated statements of profit or loss and other comprehensive income, unaudited consolidated statements of changes in equity and unaudited consolidated statements of cash flows of Target Group for the years ended 31 December 2019, 2020 and 2021, and certain explanatory notes (the “**Financial Information**”). The Financial Information has been presented on the basis set out in note 2 of the notes to the Financial Information and are prepared in accordance with the accounting policies adopted by the Company as shown in its annual report for the year ended 31 December 2021, and Rule 14.68(2)(a)(i) of the Listing Rules

The Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular in connection with the Disposal. The Company’s auditors, Confucius International CPA Limited (the “**reporting accountants**”), were engaged to review the Financial Information of Target Group set out on pages II-2 to II-7 of this appendix in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and with reference to Practice Note 750 “Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal” issued by the Hong Kong Institute of Certified Public Accountants.

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable the reporting accountants to obtain assurance that the reporting accountants would become aware of all significant matters that might be identified in an audit. Accordingly, the reporting accountants do not express an audit opinion.

Based on their review on the Financial Information of Target Group, nothing has come to their attention that causes them to believe that the Financial Information is not prepared, in all material respects, in accordance with the basis of preparation as set out in note 2 below.

Unaudited Consolidated Statement of Profit or Loss and Other Comprehensive Income*For the years ended 31 December 2019, 2020 and 2021*

	For the year ended		
	31 December		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	10,887	12,921	12,834
Profit (loss) before taxation	346,124	(156,057)	(21,151)
Profit (loss) after taxation	274,249	(112,518)	(16,332)
Profit (loss) attributable to owners of the Target Group	274,249	(112,518)	(16,332)
Total comprehensive income (expenses) attributable to owners of the Target Group	265,526	(71,515)	1,280

Unaudited Consolidated Statement of Financial Position*At 31 December 2019, 2020 and 2021*

	As at 31 December		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Assets			
Investment properties	<u>1,073,034</u>	<u>952,381</u>	<u>956,098</u>
	<u>1,073,034</u>	<u>952,381</u>	<u>956,098</u>
Current Assets			
Trade and other receivables	202,800	5,174	6,068
Amounts due from the Remaining Group	–	237,845	243,627
Tax recoverable	428	815	666
Bank balances and cash	<u>154</u>	<u>146</u>	<u>103</u>
	<u>203,382</u>	<u>243,980</u>	<u>250,464</u>
Current Liabilities			
Trade and other payables	5,860	24,904	34,672
Contract liabilities	–	1,298	–
Bank and other borrowings			
– due within one year	<u>11,236</u>	<u>11,905</u>	<u>18,293</u>
	<u>17,096</u>	<u>38,107</u>	<u>52,965</u>
Net Current Assets	<u>186,286</u>	<u>205,873</u>	<u>197,499</u>
Total Assets Less Current Liabilities	<u>1,259,320</u>	<u>1,158,254</u>	<u>1,153,597</u>

	As at 31 December		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current Liabilities			
Bank and other borrowings			
– due after one year	189,888	189,286	181,707
Deferred tax liabilities	268,258	238,095	239,024
Deposits received for lease of properties	<u>–</u>	<u>1,214</u>	<u>1,927</u>
	<u>458,146</u>	<u>428,595</u>	<u>422,658</u>
Net Assets	<u><u>801,174</u></u>	<u><u>729,659</u></u>	<u><u>730,939</u></u>
Capital and Reserves			
Share capital	390	390	390
Reserves	<u>800,784</u>	<u>729,269</u>	<u>730,549</u>
Equity attributable to owners of the Company	<u><u>801,174</u></u>	<u><u>729,659</u></u>	<u><u>730,939</u></u>

Unaudited Consolidated Statement of Changes in Equity*For the years ended 31 December 2019, 2020 and 2021*

	Share capital <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2019	<u>390</u>	<u>145</u>	<u>535,113</u>	<u>535,648</u>
Profit for the year	–	–	274,249	274,249
Translation exchange differences	<u>–</u>	<u>(8,723)</u>	<u>–</u>	<u>(8,723)</u>
At 31 December 2019	<u>390</u>	<u>(8,578)</u>	<u>809,362</u>	<u>801,174</u>
Loss for the year	–	–	(112,518)	(112,518)
Translation exchange differences	<u>–</u>	<u>41,003</u>	<u>–</u>	<u>41,003</u>
At 31 December 2020	<u>390</u>	<u>32,425</u>	<u>696,844</u>	<u>729,659</u>
Loss for the year	–	–	(16,332)	(16,332)
Translation exchange differences	<u>–</u>	<u>17,612</u>	<u>–</u>	<u>17,612</u>
At 31 December 2021	<u>390</u>	<u>50,037</u>	<u>680,512</u>	<u>730,939</u>

Unaudited Consolidated Statement of Cash Flows*For the years ended 31 December 2019, 2020 and 2021*

	For the year ended		
	31 December		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
OPERATING ACTIVITIES			
Profit (loss) before taxation	346,124	(156,057)	(21,151)
Adjustments for:			
Interest expenses	49,712	11,812	12,332
Interest income	(7)	(1)	(2)
Fair value (gain) loss in respect of investment properties	(282,235)	174,157	19,277
Waiver of shareholder's loan upon acquisition	(107,354)	–	–
Allowance for expected credit losses of trade receivables	–	152	846
	<u>–</u>	<u>152</u>	<u>846</u>
Operating cash flows before movements in working capital	6,240	30,063	11,302
Increase in trade and other receivables	(102,855)	(38,112)	(7,441)
Increase in trade and other payables	3,613	17,974	9,650
Increase in deposits received for lease of properties	–	1,146	704
Increase (decrease) in contract liabilities	–	1,225	(1,282)
	<u>–</u>	<u>1,225</u>	<u>(1,282)</u>
Cash (used in) from operation	(93,002)	12,296	12,933
Income tax refunded (paid)	494	(365)	147
	<u>494</u>	<u>(365)</u>	<u>147</u>
NET CASH (USED IN) FROM OPERATING ACTIVITIES	<u><u>(92,508)</u></u>	<u><u>11,931</u></u>	<u><u>13,080</u></u>

	For the year ended		
	31 December		
	2019	2020	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
INVESTING ACTIVITIES			
Interest received	<u>7</u>	<u>1</u>	<u>2</u>
NET CASH FROM INVESTING ACTIVITIES	<u>7</u>	<u>1</u>	<u>2</u>
FINANCING ACTIVITIES			
Interest paid	(49,712)	(11,812)	(12,332)
New borrowings raised	248,864	–	–
Repayment of borrowings	<u>(102,273)</u>	<u>(11,905)</u>	<u>(6,024)</u>
NET CASH FROM (USED IN) FINANCING ACTIVITIES	<u>96,879</u>	<u>(23,717)</u>	<u>(18,356)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT			
Effect of foreign exchange rate changes	(4,813)	11,777	5,231
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>589</u>	<u>154</u>	<u>146</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u>154</u>	<u>146</u>	<u>103</u>

NOTES TO THE FINANCIAL INFORMATION OF THE TARGET GROUP**1. GENERAL INFORMATION**

Precious Palace Enterprises Limited, a limited liability company incorporated in the British Virgin Islands. Precious Palace Enterprises Limited and its subsidiaries (together, the “**Target Group**”) principally engaged in property investment business in the PRC.

The Financial Information of Target Group is presented in Hong Kong Dollars (“**HK\$**”) and all values are rounded to the nearest thousand (**HK\$’000**) except when otherwise indicated.

2. BASIS OF PREPARATION

The Financial Information of Target Group has been prepared solely for the purpose of inclusion in the circular to be issued by the Company in connection with the Disposal Interest in accordance with Rule 14.68(2)(a)(i) of the Listing Rules and in accordance with the relevant accounting policies adopted by the Company as set out in its annual report for the year ended 31 December 2021, which conform with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. The Financial Information of the Target Group has been prepared under the historical cost convention.

The Financial Information of Target Group does not contain sufficient information to constitute a complete set of financial statements as defined in Hong Kong Accounting Standard 1 (Revised) “Presentation of Financial Statements” nor an complete condensed interim financial report as defined in Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants, and that it should be read in connection with the relevant published annual financial statements of the Company.

Set out below is the management discussion and analysis on the Remaining Group for the year ended 31 December 2019, 2020 and 2021. Upon Completion of the Disposal, the Company will no longer hold any interest in the Target Company, and the Target Company will no longer remain as a subsidiary company of the Company.

For the purpose of this circular and for illustration purpose only, the management discussion and analysis of the Remaining Group below is made with the exclusion of the Target Group.

There will be no change to the principal business of the Remaining Group as a result of the Disposal. Following the Disposal, the Remaining Group will continue to carry out its existing businesses. The management discussion and analysis of the Remaining Group for each of the years ended 31 December 2019 (“FY2019”), 31 December 2020 (“FY2020”) and 31 December 2021 (“FY2021”) respectively are set out below.

BUSINESS AND FINANCIAL REVIEW

Segmental information

The Remaining Group is principally engaged in the property development and investment business, hotel business and property management business. A summary of the revenues and operating results of each business segment of the Remaining Group for FY2019, FY2020 and FY2021 are as follows:

	Property Development Business HK\$'000	Property Investment Business HK\$'000	Hotel Business HK\$'000	Property Management Business HK\$'000	Total HK\$'000
FY2019					
Revenue	11,967	30,163	23,335	29,835	95,300
Segment operating results	(16,455)	9,432	786	10,545	4,308

For FY2019, revenue of the Remaining Group was approximately HK\$95.3 million, which was mainly derived from property investment business segment. The operating profit of the Remaining Group was approximately HK\$4.3 million.

	Property Development Business HK\$'000	Property Investment Business HK\$'000	Hotel Business HK\$'000	Property Management Business HK\$'000	Total HK\$'000
FY2020					
Revenue	16,765	17,600	7,913	18,543	60,821
Segment operating results	(3,334)	(7,030)	(3,816)	892	(13,288)

For FY2020, revenue of the Remaining Group was approximately HK\$60.8 million, which was mainly derived from property management business segment. The revenue is decreased by 36% compared with that of last year, which was mainly due to the decrease in hotel business segment. The operating loss of the Remaining Group was approximately HK\$13.3 million.

FY2021	Property Development Business HK\$'000	Property Investment Business HK\$'000	Hotel Business HK\$'000	Property Management Business HK\$'000	Total HK\$'000
Revenue	-	26,824	10,754	24,673	62,251
Segment operating results	(1,014)	(10,193)	(7,848)	6,616	(12,439)

For FY2021, revenue of the Remaining Group was approximately HK\$62.3 million, which was mainly derived from property investment business segment. There is no revenue generated from property development business segment. The operating loss of the Remaining Group was approximately HK\$12.4 million.

Property Development Business

During FY2019, the Remaining Group's revenue from property development business amounted to approximately HK\$12.0 million. Aggregate gross floor area sold for FY2019 was 786 square meters and average selling price was HK\$15,267 per square meter.

During FY2020, the Remaining Group's revenue from property development business amounted to approximately HK\$16.8 million. Aggregate gross floor area sold for FY2020 was 1,363 square meters and average selling price was HK\$12,326 per square meter.

During FY2021, the Remaining Group did not generate any revenue from property development business.

Property Investment Business

Wuhan Future City Commercial Property Management Company Limited was formed by the Remaining Group to operate the Future City Shopping Centre (“**Future City**”) owned by the Remaining 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. The total leasable area of Future City is approximately 55,362 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 2019, 2020 and 2021, the occupancy rate of Future city was over 94%, 92% and 95%, respectively.

Hangzhou Mei Lai Commercial Property Management Company Limited was formed by the Remaining 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. As at 30 November 2019 and 31 December 2020, the Group completed the disposal of 30% and 70% interest in Northern Sea Development Limited respectively, which held Hangzhou Mei Lai Commercial Property Management Limited. As at 31 December 2020, Mei Lai International Centre is no longer owned by the Remaining Group.

Hotel Business

The Remaining Group manages a business hotel (“**Future City Hotel**”) with around 281 rooms, 231 rooms and 231 rooms for FY2019, FY2020 and FY2021, respectively, 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.

The average occupancy rate was around 79%, 36% and 33% respectively for FY2019, FY2020 and FY2021. The decrease in the average occupancy rate was mainly due to the outbreak of COVID-19 in early 2020, the government of the People's Republic of China has continued to implement a variety of policies such as travel restrictions, required closure of business unites and practice of social distancing.

Property Management Business

The Remaining Group provides residents and tenants with safe, modern, comfortable and high quality property management services. During FY2019, FY2020 and FY2021, the revenue from property management was approximately HK\$29.8 million, HK\$18.5 million and HK\$24.7 million, respectively.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, the Remaining Group's total assets of HK\$2,524 million, net current assets of HK\$288 million and equity attributable to Shareholders of HK\$1,218 million.

As at 31 December 2019, current assets and current liabilities of the Remaining Group were HK\$959 million and HK\$671 million respectively. Accordingly, the Remaining Group's current ratio was 1.43.

As at 31 December 2020, the Remaining Group's total assets of HK\$1,955 million, net current assets of HK\$250 million and equity attributable to Shareholders of HK\$1,063 million. The decrease in equity attributable to Shareholders was approximately 12.7% when compared with that of last year, which was mainly due to a decrease in investment properties of the Remaining Group.

As at 31 December 2020, current assets and current liabilities of the Remaining Group were HK\$728 million and HK\$478 million respectively. Accordingly, the Remaining Group's current ratio was 1.52.

As at 31 December 2021, the Remaining Group's total assets of HK\$1,919 million, net current assets of HK\$177 million and equity attributable to Shareholders of HK\$957 million. The decrease in equity attributable to Shareholders was approximately 10.0% when compared with that of last year, which was mainly due to an increase in borrowings of the Remaining Group.

As at 31 December 2021, current assets and current liabilities of the Remaining Group were HK\$715 million and HK\$538 million respectively. Accordingly, the Remaining Group's current ratio was 1.33.

GEARING RATIO

As at 31 December 2019, 2020 and 2021, the gearing ratio of the Remaining Group were 34%, 19% and 30%, respectively. The gearing ratio was measured by net debt (aggregated borrowings net of bank balances and cash) over the equity attributable to owners of the Company.

CAPITAL COMMITMENTS

As at 31 December 2019, the Remaining Group had capital commitments in respect of its capital injection of a joint venture, contracted but not provided in the consolidated financial statement amounting to approximately RMB9,000,000, equivalent to approximately HK\$10,112,000.

As at 31 December 2020 and 2021, the Remaining Group had no significant capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2019, a subsidiary of the Remaining Group 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 thereon totalling approximately RMB615,000 (equivalent to approximately HK\$691,000) 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 2020 and 2021, the Remaining Group had no significant contingent liabilities.

CAPITAL STRUCTURE

For FY2019, FY2020 and FY2021, the Remaining Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may raise new debts, adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debts.

The Remaining Group's assets portfolio was mainly financed by its shareholders' funds and bank and other borrowings

	As at 31 December		
	2019 HK\$'000	2020 HK\$'000	2021 HK\$'000
Shareholders' funds			
of the Remaining Group	1,217,666	1,063,489	957,210
Bank and other borrowings			
of the Remaining Group	685,366	583,665	657,146
Bank and other borrowings			
of the Remaining Group			
denominated in:			
RMB	685,366	583,665	657,146

Based on the agreed scheduled repayment dates in the loan agreements and ignoring the effect of any repayment on demand clause, the Remaining Group's bank and other borrowings were repayable:

Within the first year	263,178	315,523	367,956
Within the second year	264,885	35,107	80,959
Within the third to fifth years	50,561	96,429	98,780
After the fifth year	<u>106,742</u>	<u>136,606</u>	<u>109,451</u>
	<u>685,366</u>	<u>583,665</u>	<u>657,146</u>
Interest rates of bank and			
other borrowings per annum	5.46% to 22%	3.48% to 8.00%	4.08% to 8.00%

MATERIAL ACQUISITIONS AND DISPOSALS**FY2019**

On 3 January 2019, Green City Development Limited, a wholly-owned subsidiary of the Group, entered into the conditional sale and purchase agreement with Sky Climber Development Limited, pursuant to which Green City Development Limited agreed to acquire an 100% equity interest in Precious Palace for an aggregate consideration of HK\$795,000,000, which will be satisfied by the issue of the convertible bonds in the principal amount of HK\$431,500,000 and the issue of the promissory note in the principal amount of HK\$363,500,000 by the Company to Sky Climber. The equity transfer was completed on 19 July 2019.

On 11 October 2019, China Water Property Investment Limited, a wholly-owned subsidiary of the Group entered into a sales and purchase agreement with Diamond Cosmos Limited to dispose of 30% equity interest in Northern Sea Development Limited at a total consideration of approximately HK\$100,000. The disposal was completed on 30 November 2019.

FY2020

On 15 December 2020, China Water Property Investment Limited, a wholly-owned subsidiary of the Group entered into a sales and purchase agreement with Fit Energy Holding Limited to dispose 70% issued share capital of Northern Sea Development Limited at the cash consideration of HK\$1,000,000. The disposal was completed on 31 December 2020.

FY2021

There is no material acquisition and disposal during FY2021.

FOREIGN CURRENCY MANAGEMENT

The monetary assets and liabilities as well as business transactions of the Remaining Group are mainly denominated in Renminbi. For FY2019, FY2020 and FY2021, the Remaining Group did not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYMENT AND REMUNERATION POLICY

The employees' remuneration is based on the employees' skill, knowledge and involvement in the Company's affairs and is determined by reference to the Company's performance, as well as remuneration benchmark in the industry and the prevailing market conditions.

The share option scheme of the Company is established for the eligible participants (including employees). No share options were granted during FY2019, FY2020 and FY2021.

The Remaining Group had approximately 224, 183 and 178 employees as at 31 December 2019, 2020 and 2021.

As at 31 December 2019, 2020 and 2021, the staff costs (including directors' emoluments) of the Remaining Group amounted to approximately HK\$34.1 million, HK\$36.1 million and HK\$29.6 million respectively.

SIGNIFICANT INVESTMENTS

For FY2019, FY2020 and FY2021, the Remaining Group had no significant investments.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the annual report of the Company for the year ended 31 December 2021, the Remaining Group had not held any other significant investments nor made any material acquisitions or disposals of subsidiaries or associated companies.

PLEDGE ON ASSETS

As at 31 December 2019, investment properties of HK\$333,338,000 and inventory of properties of HK\$127,286,000 were pledged by the Remaining Group to secure a bank loan granted to the Remaining Group.

As at 31 December 2020, investment properties of HK\$525,392,000, trade receivables from property investment business of HK\$2,381,000 and bank deposits of HK\$95,238,000 were pledged by the Remaining Group to secure a bank loan granted to the Remaining Group.

As at 31 December 2021, investment properties of HK\$519,462,000 and bank deposits of HK\$100,605,000 were pledged by the Remaining Group to secure a bank loan granted to the Remaining Group.

OUTLOOK AND FUTURE PLAN

The Remaining 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 Remaining Group.

The Remaining Group will continue to optimise our capital structure and business portfolio in order to continuously improve our financial position. The Remaining Group will strive to capture investment opportunities prudently and optimise the capital structure and business portfolio in a bid to maximise shareholders' interests.

The following is the unaudited pro forma financial information of the Remaining Group as if the Disposal had been completed for the sole purpose of inclusion in this circular, received from the Company's reporting accountants, Confucius International CPA Limited.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

INTRODUCTION

The unaudited pro forma financial information (the “**Unaudited Pro Forma Financial Information**”) presented below is prepared to illustrate (a) the financial position of the Remaining Group as if the Disposal had been completed on 31 December 2021; and (b) the results and cash flows of the Remaining Group for the year ended 31 December 2021 as if the Disposal had been completed on 1 January 2021. This Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and because of its hypothetical nature, it may not purport to represent the true picture of the financial position of the Remaining Group as at 31 December 2021 or at any future date had the Disposal been completed on 31 December 2021 or the results and cash flows of the Remaining Group for the year ended 31 December 2021 or for any future period had the Disposal been completed on 1 January 2021.

The Unaudited Pro Forma Financial Information is prepared based on the audited consolidated balance sheet, the audited consolidated statement of comprehensive income and the audited consolidated cash flow statement of the Group as at 31 December 2021 extracted from the audited consolidated financial information of the Group for the year ended 31 December 2021 as set out in the published annual report of the Company for the year ended 31 December 2021, and the financial information of the Target Company after giving effect to the pro forma adjustments described in the notes to the Unaudited Pro Forma Financial Information and is prepared in accordance with Rules 4.29 and 14.68(2)(a)(ii) of the Listing Rules.

I. Unaudited Pro Forma Consolidated Balance Sheet of the Remaining Group

	(Audited) The Group as at 31 December 2021 HK\$'000 Note 1	Pro forma adjustments			(Unaudited) Pro forma financial information of the Remaining Group HK\$'000
		HK\$'000 Note 3	HK\$'000 Note 3	HK\$'000 Note 4	
ASSETS					
Non-current assets					
Property, plant and equipment	5,874	–	–	–	5,874
Investment properties	2,131,707	(956,098)	–	–	1,175,609
Goodwill	151,598	(151,598)	–	–	–
Right-of-use assets	22,628	–	–	–	22,628
	<u>2,311,807</u>	<u>(1,107,696)</u>	<u>–</u>	<u>–</u>	<u>1,204,111</u>
Current assets					
Inventories	16	–	–	–	16
Inventory of properties	191,427	–	–	–	191,427
Trade and other receivables	56,877	(6,068)	–	–	50,809
Promissory note receivable	–	–	100,000	–	100,000
Pledged bank deposits	100,605	–	–	–	100,605
Bank balances and cash	17,428	(103)	255,000	–	272,325
	<u>366,353</u>	<u>(6,171)</u>	<u>355,000</u>	<u>–</u>	<u>715,182</u>
TOTAL ASSETS	<u><u>2,678,160</u></u>	<u><u>(1,113,867)</u></u>	<u><u>355,000</u></u>	<u><u>–</u></u>	<u><u>1,919,293</u></u>
EQUITY AND LIABILITIES					
EQUITY					
Equity attributable to owners of the Company					
Share capital	312,828	–	–	–	312,828
Reserves	702,286	(882,537)	824,633	–	644,382
	<u>1,015,114</u>	<u>(882,537)</u>	<u>824,633</u>	<u>–</u>	<u>957,210</u>

APPENDIX IV

UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP

	(Audited) The Group as at 31 December 2021 HK\$'000 Note 1	Pro forma adjustments			(Unaudited) Pro forma financial information of the Remaining Group HK\$'000
		HK\$'000 Note 3	HK\$'000 Note 3	HK\$'000 Note 4	
LIABILITIES					
Non-current liabilities					
Deferred tax liabilities	364,810	(239,024)	–	–	125,786
Borrowings					
– due after one year	470,897	(181,707)	–	–	289,190
Deposits received for lease of properties	6,768	(1,927)	–	–	4,841
Lease liabilities					
– due after one year	3,974	–	–	–	3,974
	<u>846,449</u>	<u>(422,658)</u>	<u>–</u>	<u>–</u>	<u>423,791</u>
Current liabilities					
Trade and other payables	143,770	(34,672)	–	–	109,098
Contract liabilities	1,070	–	–	–	1,070
Deposits received for lease of properties	6,220	–	–	–	6,220
Tax payable	50,456	666	–	–	51,122
Borrowings					
– due within one year	142,622	(18,293)	–	243,627	367,956
Amounts due to the Target Group	–	243,627	–	(243,627)	–
Convertible note					
– due within one year	416,404	–	(416,404)	–	–
Promissory note					
– due within one year	53,229	–	(53,229)	–	–
Lease liabilities					
– due within one year	2,826	–	–	–	2,826
	<u>816,597</u>	<u>191,328</u>	<u>(469,633)</u>	<u>–</u>	<u>538,292</u>
TOTAL LIABILITIES	<u>1,663,046</u>	<u>(231,330)</u>	<u>(469,633)</u>	<u>–</u>	<u>962,083</u>
TOTAL EQUITY AND LIABILITIES	<u>2,678,160</u>	<u>(1,113,867)</u>	<u>355,000</u>	<u>–</u>	<u>1,919,293</u>
NET (CURRENT LIABILITIES) ASSETS	<u>(450,244)</u>	<u>(197,499)</u>	<u>824,633</u>	<u>–</u>	<u>176,890</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>1,861,563</u>	<u>(1,305,195)</u>	<u>824,633</u>	<u>–</u>	<u>1,381,001</u>

II. Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Remaining Group

	(Audited)			(Unaudited)
	The Group for			Pro forma
	the year ended			financial
	31 December			information of
2021	Pro forma adjustments		the Remaining	
HK\$'000	HK\$'000	HK\$'000	Group	
Note 1	Note 2	Note 3	HK\$'000	
Revenue	75,085	(12,834)	–	62,251
Cost of sales	<u>(34,087)</u>	<u>1,172</u>	<u>–</u>	<u>(32,915)</u>
Gross profit	40,998	(11,662)	–	29,336
Fair value loss of investment properties	(76,495)	19,277	–	(57,218)
Gain on disposal of subsidiaries	5	–	7,100	7,105
Allowance for expected credit losses of trade and other receivables	(2,261)	846	–	(1,415)
Other operating income	8,805	(555)	–	8,250
Other operating expenses	(1,957)	–	–	(1,957)
Selling and distribution expenses	(2,442)	–	–	(2,442)
Administrative expenses	(56,695)	913	–	(55,782)
Finance costs	<u>(96,193)</u>	<u>12,332</u>	<u>–</u>	<u>(83,861)</u>
Loss before tax	(186,235)	21,151	7,100	(157,984)
Income tax credit	<u>19,124</u>	<u>(4,819)</u>	<u>–</u>	<u>14,305</u>
Loss attributable to the owner of the Company	<u>(167,111)</u>	<u>16,332</u>	<u>7,100</u>	<u>(143,679)</u>
Other comprehensive income (expenses) for the year:				
<i>Items that are reclassified or may be reclassified subsequently to profit or loss:</i>				
Release of translation reserve upon disposal of subsidiaries	–	–	(49,637)	(49,637)
Exchange differences arising on translation of foreign operations	<u>39,189</u>	<u>(17,612)</u>	<u>–</u>	<u>21,577</u>
Other comprehensive income (expenses) for the year	<u>39,189</u>	<u>(17,612)</u>	<u>(49,637)</u>	<u>(28,060)</u>
Total comprehensive expenses attributable to the owners of the Company	<u>(127,922)</u>	<u>(1,280)</u>	<u>(42,537)</u>	<u>(171,739)</u>

III. Unaudited Pro Forma Consolidated Statement of Cash Flows of the Remaining Group

	(Audited) The Group for the year ended 31 December 2021 HK\$'000 Note 1	Pro forma adjustments HK\$'000 Note 2 Note 3		(Unaudited) Pro forma financial information of the Remaining Group HK\$'000
OPERATING ACTIVITIES				
Loss before tax	(186,235)	21,151	–	(165,084)
Adjustments for:				
Interest expenses	96,193	(12,332)	–	83,861
Interest income	(96)	2	–	(94)
Depreciation of property, plant and equipment	1,578	–	–	1,578
Depreciation of right-of-use-assets	8,925	–	–	8,925
Allowance for expected credit losses of trade and other receivables	2,261	(846)	–	1,415
Loss on disposal of property, plant and equipment	4	–	–	4
Loss on written off of property, plant and equipment	2,157	–	–	2,157
Fair value loss of investment properties	76,495	(19,277)	–	57,218
Gain on disposal of subsidiaries	(5)	–	(7,100)	(7,105)
Gain on early termination of lease	(944)	–	–	(944)
Operating cash flows before movements in working capital	333	(11,302)	(7,100)	(18,069)
Decrease in inventories	66	–	–	66
Decrease in trade and other receivables	8,323	7,441	–	15,764
Decrease in trade and other payables	(14,556)	(9,650)	–	(24,206)
Decrease in deposits received for lease of properties	(605)	(704)	–	(1,309)
Increase in contract liabilities	246	1,282	–	1,528
Cash used in operations	(6,193)	(12,933)	(7,100)	(26,226)
Income tax refunded	1,351	(147)	–	1,204
NET CASH USED IN OPERATING ACTIVITIES	(4,842)	(13,080)	(7,100)	(25,022)

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL INFORMATION
OF THE REMAINING GROUP**

	(Audited) The Group for the year ended 31 December 2021 HK\$'000 Note 1	Pro forma adjustments HK\$'000 Note 2 Note 3		(Unaudited) Pro forma financial information of the Remaining Group HK\$'000
INVESTING ACTIVITIES				
Additions to investment properties	(10,230)	–	–	(10,230)
Net cash inflow on disposal of subsidiaries	9	–	255,000	255,009
Purchase of property, plant and equipment	(952)	–	–	(952)
Proceeds from disposal of property, plant and equipment	23	–	–	23
Placement of pledged bank deposits	(5,302)	–	–	(5,302)
Interest received	96	(2)	–	94
	<u>(16,356)</u>	<u>(2)</u>	<u>255,000</u>	<u>238,642</u>
NET CASH (USED IN) FROM INVESTING ACTIVITIES				
FINANCING ACTIVITIES				
Capital element of lease rentals paid	(11,265)	–	–	(11,265)
Interest element of lease rentals paid	(636)	–	–	(636)
Interest paid	(38,143)	12,332	–	(25,811)
New borrowings raised	165,938	–	–	165,938
Repayment of borrowings	(119,578)	6,024	–	(113,554)
	<u>(3,684)</u>	<u>18,356</u>	<u>–</u>	<u>14,672</u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES				
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS				
	(24,882)	5,274	247,900	228,292
Effect of foreign exchange rate changes	15,192	(5,231)	–	9,961
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>27,118</u>	<u>(146)</u>	<u>–</u>	<u>26,972</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	<u><u>17,428</u></u>	<u><u>(103)</u></u>	<u><u>247,900</u></u>	<u><u>265,225</u></u>

Notes to the Unaudited Pro Forma Financial Information of the Remaining Group

1. The amounts are extracted from the audited consolidated balance sheet, audited consolidated income statement, audited consolidated statement of comprehensive income and the audited consolidated cash flow statement of the Group as at 31 December 2021 as set out in the annual report of the Company for the year ended 31 December 2021, which is referred to in section 1 of Appendix I to this circular.
2. The following pro forma adjustments have been made to the unaudited pro forma consolidated profit and loss account and statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Group, assuming the Disposal had taken place on 1 January 2021.
3. The adjustments represent the exclusion of assets and liabilities of the Target Companies as at 31 December 2021, assuming the Disposal had concurrently taken place on 31 December 2021. The assets and liabilities of each of the Target Companies are extracted from the relevant unaudited consolidated statements of financial position as at 31 December 2019 set out in Appendix II to this circular. The adjustments represent the estimated gain on disposal assuming the Disposal had taken place on 31 December 2021 and is calculated as follows:

	<i>Notes</i>	<i>HK\$'000</i>
Consideration	<i>(i)</i>	840,000
Net assets of the Target group	<i>(ii)</i>	(730,939)
Goodwill of the Target Group		(151,598)
Release of accumulated translation reserve as at 31 December 2021	<i>(ii)</i>	<u>49,637</u>
Estimated gain on the Disposal	<i>(iii)</i>	<u><u>7,100</u></u>

Notes:

- (i) Pursuant to the Sale and Purchase Agreement, the total consideration for the Disposal is HK\$840,000,000, which shall be payable by the Purchaser to the Vendor in the following manner:
 - (a) as to HK\$431,500,000 shall be paid by way of set off against the Convertible Bonds in the principal amount of HK\$431,500,000 held by the Purchaser on a dollar-to-dollar basis;
 - (b) as to HK\$53,500,000 shall be paid by way of set off against the Promissory Note in the principal amount of HK\$53,500,000 held by the Purchaser on a dollar-to-dollar basis;

- (c) as to HK\$255,000,000 shall be paid by the Purchaser within 60 days from the date of passing the relevant resolution at the EGM by way of cashier order (or in such other manner as the parties thereto may agree);
 - (d) as to HK\$100,000,000 shall be paid by the Purchaser by way of issue of the Purchaser Promissory Note in the principal amount of HK\$100,000,000 in favour of the Vendor.
- (ii) The amount represents the carrying amount of net assets of the Target Group as at 31 December 2021, which is extracted from the unaudited combined balance sheet of the Target Group as at 31 December 2021. There is a release of accumulated translation reserve amounting to HK\$49,637,000 from the Target Group.
 - (iii) Actual gain/loss on disposal arising from the Disposal depends on actual amount of the carrying value of the Target Group on the completion date. Therefore, the actual gain/loss on disposal shall be different from the amount calculated in the above table.
 - (iv) The difference between the carrying value and the principal amount of the Convertible Bonds and Promissory Note as at 31 December 2021 is the effective interest payable for the period from 1 January 2022 to its due date 17 July 2022. It is expected that the carrying value of the Convertible Bonds and Promissory Note will be very close to/the same as its principal amount as at the Completion date.
- 4. The adjustment represents the reclassification of intercompany balance between the Target Group and the Remaining Group to borrowings upon the completion of the Disposal.
 - 5. The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated profit and loss account and the unaudited pro forma consolidated statement of cash flows of the Remaining Group.

**B. ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL
INFORMATION**

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountants, Confucius International CPA Limited, Certified Public Accountants, Hong Kong.

**天健國際會計師事務所有限公司**

Confucius International CPA Limited Certified Public Accountants

香港灣仔莊士敦道181號大有大廈15樓1501-08室
Rooms 1501-08, 15th Floor, Tai Yau Building,
181 Johnston Road, Wanchai, Hong Kong
電話 Tel: (852) 3103 6980
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Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China City Infrastructure Group Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2021, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2021 as set out on pages IV-1 to IV-8 of the circular issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Appendix IV of the circular issued by the Company.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the disposal of entire issued share capital of Precious Palace Enterprises Limited on the Group’s financial position as at 31 December 2021 as if the transaction had been taken place at 31 December 2021, and on the Group’s financial performance and cash flows for the year ended 31 December 2021 as if the transaction had been taken place at 1 January 2021. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s consolidated financial statements as included in the annual report for the year ended 31 December 2021, on which an audit report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of the pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 1 January 2021 and 31 December 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29 (1) of Chapter 4 of the Listing Rules.

Confucius International CPA Limited

Certified Public Accountants

Chan Lap Chi

Practicing Certificate Number P04084

Hong Kong, 23 June 2022

AP Appraisal Limited
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West Exchange Tower
322 Des Voeux Road Central
Sheung Wan, Hong Kong
T 852 2218 5180
www.apa.com.hk

23 May 2022

China City Infrastructure Group Limited
Suite 6208, 62/F, Central Plaza 18 Harbour Road
Wanchai, Hong Kong

Dear Sir or Madam,

RE: Property Valuation of Properties located in Longgang District, Shenzhen City, Guangdong Province, the People's Republic of China

We, AP Appraisal Limited, refer to the instructions from China City Infrastructure Group Limited (the “**Instructing Party**” or the “**Group**”) to conduct a valuation for captioned Properties (the “**Properties**”) located at Longgang District, Shenzhen City, Guangdong Province, the People's Republic of China. Details of which are set out in the attached valuation certificates. We confirm that we have carried our inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the Market Value of the Property as of 30 April 2022 (the “**Valuation Date**”) for circular purpose of the Hong Kong Stock Exchange (“**HKEx Circular**”) of the Instructing Party.

The properties are located in the Longgang District (“**Longgang**”). It is an industrial centre located at the centre of East Shenzhen. Longgang has a growing road network of more than 1,554.2 kilometres (km), including 133.8 km of expressways, 317.2 km of main roads, 212.3 km of sub-main roads, and 890.9 km of branch roads. Currently, there are six bus stations in Longgang, providing 342 inbound routes. Longgang is also crossed by four railways including the Xiamen-Shenzhen Railway, the Guangzhou-Shenzhen Railway, the Pinghu South-Yantian Port Railway and the Pinghu-Nantou Railway, and three Metro lines, Line 3, 5 and 10.

According to the local government, the economic growth of the district is expected to reach 3 percent in 2021. By 2025, the total economic output of Longgang will exceed RMB680 billion as the district grows into a global centre of high technology. By 2035, the total economic volume will be doubled compared to that of 2020. Longgang has a fully optimized business environment. It strictly implements policies and measures of tax and fee reduction, rent reduction and interest rate reduction.

Our valuation is prepared in accordance with the International Valuation Standards published by International Valuation Standards Council, the RICS Valuation – Professional Standard issued by the Royal Institution of Chartered Surveyors, and the Hong Kong Stock Exchange Listing Rule Chapter 5 and Practice Note 12.

Our valuation is our opinion of Market Value which is defined by the International Valuation Standards to mean “the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.”

According to the International Valuation Standard, the market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. When reliable, verifiable and relevant market information is available, the market approach is the preferred valuation approach. Therefore, market approach is adopted in the valuation as we found reliable, verifiable and relevant market information is available.

Unless otherwise stated, all property interests are valued by market approach – the Comparable Transactions Method, also known as the guideline transactions method, utilises information on transactions involving assets that are the same or similar to the subject asset to arrive at an indication of value. The Comparable Transactions Method is based on prices realized in actual transactions and/or asking prices of comparable properties. Comparable properties of similar size, character and location are analysed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of value. Physical condition, location and economic characteristics are important criteria to be analysed when comparing to the Property.

In the course of our valuation for the property interests in the PRC, we have been provided with extracts from title documents relating to such property interests. However, we have relied considerably on the information given by the Company’s PRC legal advisor China Commercial Law Firm, concerning the validity of the Company’s title to the property interests located in the PRC, and the opinion that the current use of the property is in line with the permitted use set out in the land use certificate. All legal documents provided by the Company have been used for reference only. No responsibility regarding legal title to the property interests is assumed in this valuation. We have not, however, searched the original documents to verify ownership or any amendment which did not appear on the copies handed to us.

Our valuation has been made on the assumption that the owner sells the property on the open markets without any benefit or burden of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which would serve to affect the values of the property interests.

We have relied to a considerable extent on information given by the Instructing Party, in particular, but not limited to, planning approvals, development schemes and schedule, incurred and outstanding development costs, statutory notices, easements, tenancies, floor areas, gross floor areas, site area, construction cost, expected building completion date, etc. No on-site measurement has been taken. Dimensions, measurements and areas included in the valuation certificate are only approximations. We have taken every reasonable care both during inspecting the information provided to us and in making relevant enquiries. We have no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party, which is material to the valuation. We were also advised by the Instructing Party that no material facts have been omitted from the information provided to us. We do not commission site surveys and a site survey has not been provided to us.

We had committed a site visit in April 2022 by Mr. Paul Hung, a director of our firm who has over 10 years of experience in property valuation in the Greater China Region. We have assumed there are no encroachments by or on the property, and the Instructing Party should confirm this status by obtaining a current survey report and/or advice from a registered surveyor. If any encroachments are noted by the survey report, this valuation must not be relied upon before first consulting us to reassess any effect on the valuation.

We do not commission site investigations to determine the suitability of ground conditions and services, nor do we undertake environmental or geotechnical surveys. We have assumed that these aspects are satisfactory and also that the site is clear of underground mineral or other workings, methane gas or other noxious substances. In the case of property which may have redevelopment potential, we proceed on the basis that the site has load bearing capacity suitable for the anticipated form of redevelopment without the need for additional and expensive foundations or drainage systems (unless stated otherwise).

We have assumed that the site is free of elevated levels of contaminants. Our visual inspection is an inconclusive indicator of the actual condition of the site. We make no representation as to the actual environmental status of the Properties. If a test is undertaken at some time in the future to assess the degree, if any, of contamination of the site and this is found to be positive, this valuation must not be relied upon before first consulting us to reassess any effect on the valuation.

Unless otherwise noted, we have assumed that the improvements are free of Asbestos and Hazardous Materials, or should these materials be present then they do not pose significant risk to human health, nor require immediate removal. We assume the site is free of subsoil asbestos and have made no allowance in our valuation for site remediation works. Our visual inspection is an inconclusive indicator of the actual condition/presence of asbestos/hazardous materials within the property. We make no representation as to the actual status of the Properties. If a test is undertaken at some time in the future to assess the degree, if any, of the presence of any asbestos/hazardous materials on site and this is found to be positive, this valuation must not be relied upon before first consulting us to reassess any effect on the valuation.

The properties including the industrial property are the exiting/current market value as of the valuation date. The Demolition Compensation Agreement and the termination of the Demolition Compensation Agreement have not been considered during the calculation of the market value of the report.

No allowance has been made in our valuation neither for any charges, mortgages or amounts owing on the property interests nor for any expenses, government rent or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the property interests are free of encumbrances, restrictions and outgoings of onerous nature which could affect their values.

The monetary amounts are stated in Renminbi (RMB). We enclose herewith our valuation certificates.

We hereby certify that we have neither present nor prospective interests in the Instructing Party or the value reported.

Yours faithfully,
For and on behalf of
AP Appraisal Limited

Paul Hung
MRICS ASA
Director – Valuation & Advisory Services

Encl.

Note: Mr. Hung is a Registered Surveyor of Royal Institution of Chartered Surveyors. He has over 10 year's valuation experience in the Greater China Region

SUMMARY OF VALUES

No.	Property	Market Value as of 30 April 2022 RMB
1.	中國廣東省深圳市龍崗區龍崗鎮深惠路957號華江大樓全棟 (Whole Block, Hua Jiang Building, located at No. 957 Shenwei Road, Longgang Town, Longgang District, Shenzhen City, Guangdong Province, the PRC)	150,000,000
2.	中國廣東省深圳市龍崗區龍崗鎮愛聯村龍騰工業城之 三塊土地及四座樓宇 (3 parcels of land and 4 buildings at Longteng Industrial City, located at Ailian Village, Longgang Town, Longgang District, Shenzhen City, Guangdong Province, the PRC)	166,000,000
3.	中國廣東省深圳市龍崗區龍崗大道龍崗段6037號美洲大廈全棟 (Whole Block, Meizhou Building located at No. 6037 Longgang Main Road, Longgang Town, Longgang District, Shenzhen City, Guangdong Province, the PRC)	459,000,000
Total:		<u><u>775,000,000</u></u>

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 April 2022
1.	中國廣東省深圳市 龍崗區龍崗鎮 深惠路957號 華江大樓全棟 (Whole Block, Hua Jiang Building, located at No. 957 Shenwei Road, Longgang Town, Longgang District, Shenzhen City, Guangdong Province, the PRC)	Completed in July 2002, the 10- storey property is with total Gross Floor Area ("GFA") of 1,542.21 sq.m. from 1st to 3rd floor for commercial use, and a total Gross Floor Area ("GFA") of 2,244.25 sq.m. from 4th to 10th floor for residential use. The building is erected on a land parcel for commercial/residential use with a site area of approximately 1,120 sq.m. The land use rights of the site were granted to Fengzhen Industrial for commercial/residential use for a term of 70 years to be expired on 29 December 2062.	The 3,588.46 sq.m. of the property is subject to a tenancy for a term of 3 years commencing on 1 January 2021 and expiring on 31 December 2023 for commercial/residential purpose. The remaining 198 sq.m. of the property is subject to a tenancy for a term of 5 years commencing on 1 May 2018 and expiring on 30 April 2023 for commercial purpose.	RMB150,000,000 (RENMINBI ONE HUNDRED FIFTY MILLION ONLY) (100% interests attributable to Fengzhen Industrial: RMB150,000,000)

Notes:

1. Pursuant to 33 Real Estate Ownership Certificates, the registered owner of the property is 鳳珍實業發展(深圳)有限公司 (Fengzhen Industrial Development (Shenzhen) Co. Limited)* ("Fengzhen Industrial"). The land use rights of the land parcel with a total site area of approximately 1,120 sq.m. have been granted to Fengzhen Industrial for terms of 70 years expiring on 29 December 2062. The property is being held for investment purpose. Details of the certificates are as follows:

#	Unit	Certificate No.	GFA sq.m.	Date of registration
1.	101	Shen Fang Di Zi Di 6000085061	510.01	24 February 2003
2.	201	Shen Fang Di Zi Di 6000085058	512.12	24 February 2003
3.	301	Shen Fang Di Zi Di 6000085056	520.08	24 February 2003
4.	401	Shen Fang Di Zi Di 6000085054	88.67	25 February 2003
5.	402	Shen Fang Di Zi Di 6000085052	88.67	24 February 2003
6.	403	Shen Fang Di Zi Di 6000085048	66.29	24 February 2003
7.	405	Shen Fang Di Zi Di 6000085046	66.29	24 February 2003
8.	406	Shen Fang Di Zi Di 6000085044	73.1	24 February 2003
9.	407	Shen Fang Di Zi Di 6000085073	65.83	27 February 2003
10.	501	Shen Fang Di Zi Di 6000085023	88.67	26 February 2003
11.	502	Shen Fang Di Zi Di 6000085018	88.67	24 February 2003
12.	503	Shen Fang Di Zi Di 6000085017	66.29	24 February 2003
13.	505	Shen Fang Di Zi Di 6000085016	66.29	24 February 2003

#	Unit	Certificate No.	GFA sq.m.	Date of registration
14.	506	Shen Fang Di Zi Di 6000085864	73.1	10 March 2003
15.	507	Shen Fang Di Zi Di 6000085862	65.83	10 March 2003
16.	601	Shen Fang Di Zi Di 6000085863	88.67	10 March 2003
17.	602	Shen Fang Di Zi Di 6000085861	88.67	10 March 2003
18.	603	Shen Fang Di Zi Di 6000085860	66.29	10 March 2003
19.	605	Shen Fang Di Zi Di 6000085795	66.29	10 March 2003
20.	606	Shen Fang Di Zi Di 6000085796	73.1	10 March 2003
21.	607	Shen Fang Di Zi Di 6000085859	65.83	10 March 2003
22.	701	Shen Fang Di Zi Di 6000085857	88.67	10 March 2003
23.	702	Shen Fang Di Zi Di 6000085858	88.67	10 March 2003
24.	703	Shen Fang Di Zi Di 6000085856	66.29	10 March 2003
25.	705	Shen Fang Di Zi Di 6000085855	66.29	10 March 2003
26.	706	Shen Fang Di Zi Di 6000085854	73.1	10 March 2003
27.	707	Shen Fang Di Zi Di 6000085853	65.83	10 March 2003
28.	801	Shen Fang Di Zi Di 6000085850	88.67	10 March 2003
29.	802	Shen Fang Di Zi Di 6000085852	88.67	10 March 2003
30.	803	Shen Fang Di Zi Di 6000085797	66.29	10 March 2003
31.	805	Shen Fang Di Zi Di 6000085849	66.29	10 March 2003
32.	806	Shen Fang Di Zi Di 6000085851	73.1	10 March 2003
33.	807	Shen Fang Di Zi Di 6000085060	65.83	24 February 2003
Total:			<u><u>3,786.46</u></u>	

2. According to Business License No. 440307503310056 dated 26 January 2016, Fengzhen Industrial was established on 7 December 1992 as a limited liability company.
3. According to the Management of the Company, Property no. 1 & 3 & Shen Fang Di Zi Di 6000071263 (Real Estate Ownership Certificates No. 10142515) are currently subject to a mortgage in favour of Ping An Bank Company Limited. This valuation does not consider the amount of mortgages as of the Valuation Date.
4. In accordance with the circular of the Company dated 21 June 2019, the acquisition cost of the property is RMB133,000,000, with no other extra cost in relation to the acquisition. The acquisition was completed as of 19 July 2019.

5. In undertaking our valuation of the Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB40,000/sq.m. to RMB52,000/sq.m. for residential buildings. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an average price of RMB35,500/sq.m. for the Property. Markets comparables and the due adjustments are presented in table below.

No.	Name of property	Address	Comparable Transaction		Date of Completion	Transaction Date/ Asking Date	Gross Floor Area	Transaction Price	Adjustment Factors			Adjusted Rate	
			Storey	Nature					asking adjustment	Location	Age		
							sq.m.	RMB/ sq.m.				RMB/sq.m.	
1	Man Jing Hua Xi Yue Li Hua Ting	Longgang District	low level/32 levels	Residential	2013	Asking in April 2022	71.79	40,000	-10%	0%	-5%	34,200	
2	Xing He Shang Yu	Longgang District	middle level/17 levels	Residential	2017	Asking in April 2022	68.49	43,802	-10%	-10%	-10%	31,932	
3	Bao Li Shang Cheng	Longgang District	low level/32 levels	Residential	2012	Asking in April 2022	73.22	50,600	-10%	-10%	-10%	36,887	
4	Gong Yuan Da Di Phase 7	Longgang District	low level/32 levels	Residential	2009	Asking in April 2022	163.45	52,000	-10%	-10%	0%	42,120	
5	Yuan Yang Xin Gan Xian Phase 1	Longgang District	middle level/30 levels	Residential	2015	Asking in April 2022	50.23	40,000	-10%	0%	-10%	32,400	
6	Wan Ke Tian Yu	Longgang District	high level/40 levels	Residential	2013	Asking in April 2022	160	46,700	-10%	-10%	-5%	35,936	
								Adopted				45,517	35,500

6. In undertaking our valuation of the Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB40,000/sq.m. to RMB59,900/sq.m. for shops. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an average price of RMB45,500/sq.m. for the Property.

No.	Name of property	Comparable Transaction				Transaction Date/Asking Date	Gross Floor Area	Adjustment Factors*			Adjusted Rate
		Address	Storey	Nature				Transaction Price	Asking adjustment	Location	
						sq.m.	RMB/sq.m.			RMB/sq.m.	
1	Longgang Zhong Xin Cheng Wan Xiang Tian Cheng Xiao Qu Men Kou Wang Pu, Sheng Long Hua Yuan Phase 2	Longgang – Longgang Zhong Xin Cheng Long Cheng Da Dao Yu Sheng Long Lu Jiao Hui Chu	1 level	Shop	Asking in April 2022	31	58,008	-10%	0%	52,207	
2	Longgang Zhong Xin Cheng Wan Ke Kai Fa Shang Yi Shou Shang Pu, Long Cheng Yuan Dian Guang Chang	Longgang, Longgang Zhong Xin Cheng Shenzhen Shi Longgang Qu Long Cheng Jie Dao De Zheng Lu No.4	1 level	Shop	Asking in April 2022	350	40,000	-10%	10%	39,600	
3	Ya Ting Ming Yuan	Longgang – Longgang Zhong Xin Cheng	2 level	Shop	Asking in April 2022	62	48,333	-10%	-5%	41,325	
4	Tian Jian Hua Yuan Phase 3	Longgang – Longgang Zhong Xin Cheng	1 level	Shop	Asking in April 2022	67	59,871	-10%	0%	53,884	
5	Xin Ya Zhou Hua Yuan	Longgang – Longgang Zhong Xin Cheng	1 level	Shop	Asking in April 2022	35	46,928	-10%	0%	42,235	
6	Jin Di Kai Xuan Guang Chang	Longgang – Longgang Zhong Xin Cheng Longgang Da Dao Yu Long Cheng Da Dao Jiao Hui Chu	1 level	Shop	Asking in April 2022	153	52,762	-10%	0%	47,486	
7	Yuan Yang Xin Gan Xian Rong Yu Hua Yuan	Longgang – Longgang Zhong Xin Cheng Yin Wei Lu Yu Long Fu Lu Jiao Cha Kou Xi Bei 100 meters	1 level	Shop	Asking in April 2022	115	41,754	-10%	10%	43,403	
		Adopted					45,850			45,500	

7. The property is located in the area with steady and reasonable supply and demand information, occupancy rates, trends in property yield, sales prices, and rental rates.

8. Details of the current rental information are as follows:

Period	Area (sq.m.)	Monthly Rent (RMB)
1/1/2022 to 31/12/2022	3,786.46	303,748
1/1/2023 to 31/12/2023	3,786.46	316,344
1/1/2024 to 30/06/2024	198	51,840

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 April 2022
2.	中國廣東省深圳市龍崗區龍崗鎮愛聯村龍騰工業城之三塊土地及四座樓宇 (3 parcels of land and 4 buildings at Longteng Industrial City, located at Ailian Village, Longgang Town, Longgang District, Shenzhen City, Guangdong Province, the PRC)	Completed in October 1999, the property is an industrial building with a total Gross Floor Area (“GFA”) of 20,840.62 sq.m. erected on a land parcel for industrial use with a site area of approximately 11,880.8 sq.m.	The property is subject to a tenancy for a term of 2 years commencing on 1 February 2021 and expiring on 31 January 2023 for industrial purpose.	RMB166,000,000 (RENMINBI ONE HUNDRED SIXTY-SIX MILLION ONLY) (100% interests attributable to Fengzhen Industrial: RMB166,000,000)
		Advised by the Management of the Company, the plot ratio for such land parcel has been increased to 6.6 times since February 2019. Details can be found in Note 5 of this certificate.		
		The land use rights of the site were granted to Fengzhen Industrial for industrial use for a term of 50 years to be expired on 9 May 2041.		

Notes:

- Pursuant to the 3 Real Estate Ownership Certificates No. 10142517, 10142515 & 10087353 (Shen Fang Di Zi Di 6000071261、6000071263 及 6000071355), dated 19 August 2002, the registered owner of the Property is Fengzhen Industrial. The land use rights of the real property with a total site area of 11,880.8 sq.m. have been granted to Fengzhen Industrial for three terms with expiry date on 9 May 2041 and the building ownership rights of the real property with a total GFA of approximately 20,840.62 sq.m. are legally owned by Fengzhen Industrial for industrial warehouse purpose. The property is being held for investment purpose.
- According to Business License No. 440307503310056 dated 26 January 2016, Fengzhen Industrial was established on 7 December 1992 as a limited liability company.
- In undertaking our valuation of the Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB4,690/sq.m. to RMB12,500/sq.m. for industrial buildings. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an average price of RMB8,000/sq.m. for the Property. Markets comparables and the due adjustments are presented in table below.

APPENDIX V

VALUATION REPORT OF THE PROPERTIES

No.	Name of property	Address	Comparable Transaction		Transaction Date/ Asking Date	Expiry date	Gross Floor Area <i>sq.m.</i>	Adjustment Factors*			Adjusted Rate <i>RMB/sq.m.</i>
			Storey	Nature				Transaction Price <i>RMB/sq.m.</i>	Asking adjustment	Quantum/Size	
1	Bao Long Gong Ye Yuan	Bao Long Gong Ye Yuan (Bao Long Yi Lu) – Shenzhen Shi Longgang Qu	multi-level	Industrial	Asking in April 2022	2050	6,000	11,700	-10%	-5%	10,004
2	Bao Chang Li Gong Ye Yuan	Bao Chang Li Gong Ye Yuan – Shenzhen Shi Longgang Qu	multi-level	Industrial	Asking in April 2022	2050	6,000	12,500	-10%	-5%	10,688
3	Longgang Ping Di	Longgang Ping Di	multi-level	Industrial	Asking in Feb 2022	2054	160,000	4,688	-10%	-5%	4,008
4	Xin Sha Gong Ye Cheng	Longgang Ping Hu	multi-level	Industrial	Asking in Mar 2022	2070	400	8,750	-10%	-5%	7,481
Adopted								9,409			8,000

4. In accordance with the circular of the Company dated 21 June 2019, the acquisition cost of the property is RMB195,000,000, with no other extra cost in relation to the acquisition. The acquisition was completed as of 19 July 2019.
5. The property is located in the area with steady and reasonable supply and demand information, occupancy rates, trends in property yield, sales prices, and rental rates.
6. According to the Management of the Company, Property no. 1 & 3 & Shen Fang Di Zi Di 6000071263 (Real Estate Ownership Certificates No. 10142515) are currently subject to a mortgage in favour of Ping An Bank Company Limited. This valuation does not consider the amount of mortgages as of the Valuation Date.
7. According to the Management of the Company, Real Estate Ownership Certificates No. 10142517 & 10087353 (Shen Fang Di Zi Di 6000071261 & 6000071355) are currently subject to a mortgage in favour of 深圳市大馬化典當行有限公司 (Shenzhen Shi Da Ma Hua Dian Dang Hang Limited*) for an aggregate amount of RMB60,000,000.
8. The increase in plot ratio is made reference to reply letter issued by Shenzhen Shi Longgang Qu City Update as of 26 February 2019, with reference number Shen Long Cheng Geng Han (2019) No.158.
9. Details of the current rental information are as follows:

Period	Area <i>(sq.m.)</i>	Monthly Rent <i>(RMB)</i>
1/7/2021 to 31/1/2023	20,840	250,080

VALUATION CERTIFICATE

No.	Property	Description and tenure	Details of occupancy	Market Value as of 30 April 2022
3.	中國廣東省深圳市龍崗區 龍崗大道龍崗段6037號美 洲大廈全棟 (Whole Block, Meizhou Building located at No. 6037 Longgang Main Road, Longgang Town, Longgang District, Shenzhen City, Guangdong Province, the PRC)	Completed in May 1998, the property is an office building with a total Gross Floor Area (“GFA”) of 12,248.64 sq.m. erected on a land parcel for commercial use with a site area of approximately 1,970.2 sq.m. The land use rights of the site were granted to Fengzhen Industrial for commercial use for a term of 40 years to be expired on 10 December 2036.	The 9784.64 sq.m. of the property is subject to a tenancy for a term of 6 years commencing on 1 January 2018 and expiring on 30 June 2024 for commercial purpose. The 426.00 sq.m. of the property is subject to a tenancy for a term of 8 years commencing on 1 January 2019 and expiring on 30 June 2024 for commercial purpose.	RMB459,000,000 (RENMINBI FOUR HUNDRED AND FIFTY-NINE MILLION ONLY) (100% interests attributable to Fengzhen Industrial: RMB459,000,000)

Notes:

- Pursuant to the Real Estate Ownership Certificate No. 1948383 (Shen Fang Di Zi Di 6000453930), dated 7 December 2010, the land use rights of the land parcel with a total site area of approximately 1,970.2 sq.m. have been granted to Fengzhen Industrial for terms of 40 years expiring on 10 December 2036. The property is being held for investment purpose.
- Pursuant to the Real Estate Ownership Certificate, the registered owner of the Property is Fengzhen Industrial.
- According to Business License No. 440307503310056 dated 26 January 2016, Fengzhen Industrial was established on 7 December 1992 as a limited liability company.
- In accordance with the circular of the Company dated 21 June 2019, the acquisition cost of the property is RMB374,000,000, with no other extra cost in relation to the acquisition. The acquisition was completed as of 19 July 2019.
- According to the Management of the Company, Property no. 1 & 3 & Shen Fang Di Zi Di 6000071263 (Real Estate Ownership Certificates No. 10142515) are currently subject to a mortgage in favour of Ping An Bank Company Limited. This valuation does not consider the amount of mortgages as of the Valuation Date.
- In undertaking our valuation of the Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB37,200/sq.m. to 52,200/sq.m. for commercial buildings. The unit price assumed by us is consistent with the said prices. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an average price of RMB34,000/sq.m. for the Property.

APPENDIX V

VALUATION REPORT OF THE PROPERTIES

No.	Name of property	Address	Comparable Transaction		Date of Completion	Transaction Date/Asking Date	Gross Floor Area sq.m.	Transaction Price RMB/sq.m.	Adjustment Factors*				Adjusted Rate RMB/sq.m.
			Storey	Nature					Asking adjustment	Environment	Location	Age	
1	Wan Ke Shi Dai Guang Chang Phase 1	Wan Ke Shi Dai Guang Chang Phase 1 (Wan Ke Shi Dai Guang Chang) Longgang Longgang Zhong Xin Cheng	low level (total 46 levels)	Commercial	2017	Asking in April 2022	69.25	38,267	-10%	0%	0%	-5%	32,718
2	Zhong Liang Xiang Yun Guang Chang	Zhong Liang Xiang Yun Guang Chang Longgang Longgang Zhong Xin Cheng	high level (total 30 levels)	Commercial	2017	Asking in April 2022	89.76	52,200	-10%	-5%	-10%	-5%	38,160
3	Jin Di Long Cheng Zhong Yang	Jin Di Long Cheng Zhong Yang (Jin Di Kai Xuan Guang Chang) Longgang Longgang Zhong Xin Cheng	high level (total 33 levels)	Commercial	2018	Asking in April 2022	48	37,500	-10%	0%	0%	-5%	32,063
4	Jin Di Long Cheng Zhong Yang	Jin Di Long Cheng Zhong Yang (Jin Di Kai Xuan Guang Chang) Longgang Longgang Zhong Xin Cheng	middle level (total 19 levels)	Commercial	2018	Asking in April 2022	43	37,209	-10%	0%	0%	-5%	31,814
5	Wan Ke V Yu	Wan Ke Shi Dai Guang Chang Phase 1 (Wan Ke Shi Dai Guang Chang) Longgang Longgang Zhong Xin Cheng	low level (total 46 levels)	Commercial	2017	Asking in April 2022	44.41	45,035	-10%	0%	0%	-5%	38,505
6	Wan Ke Shi Dai Phase 1	Wan Ke Shi Dai Guang Chang Phase 1 (Wan Ke Shi Dai Guang Chang)	high level (total 46 levels)	Commercial	2017	Asking in April 2022	66	37,576	-10%	0%	0%	-5%	32,127
								Adopted	41,298				34,000

7. In undertaking our valuation of the Property, we have made reference to various sales transactions of similar developments which have characteristics comparable to the Property. The prices of those comparables are about RMB41,800/sq.m. to 59,900/sq.m. for shops. The unit price assumed by us is consistent with the said prices. Due adjustments to the unit prices of those comparables have been made to reflect factors including but not limited to time, location, size, accessibility, building management, building age and building quality in arriving at the key assumptions. In our valuation, we have assumed an average price of RMB45,500/sq.m. for the Property.

APPENDIX V

VALUATION REPORT OF THE PROPERTIES

No.	Name of property	Address	Comparable Transaction		Transaction Date/ Asking Date	Gross Floor Area	Transaction Price	Adjustment Factors*			Adjusted Rate	
			Storey	Nature				Asking adjustment	Environment	Location		
						sq.m.	RMB/ sq.m.				RMB/sq.m.	
1	Longgang Zhong Xin Cheng Wan Xiang Tian Cheng Xiao Qu Men Kou Wang Pu, Sheng Long Hua Yuan Phase 2	Longgang - Longgang Zhong Xin Cheng Long Cheng Da Dao Yu Sheng Long Lu Jiao Hui Chu	1 level	Shop	Asking in April 2022	31	58,008	-10%	0%	0%	52,207	
2	Longgang Zhong Xin Cheng Wan Ke Kai Fa Shang Yi Shou Shang Pu, Long Cheng Yuan Dian Guang Chang	Longgang, Longgang Zhong Xin Cheng Shenzhen Shi Longgang Qu Long Cheng Jie Dao De Zheng Lu No.4	1 level	Shop	Asking in April 2022	350	40,000	-10%	0%	10%	39,600	
3	Ya Ting Ming Yuan	Longgang - Longgang Zhong Xin Cheng	2 levels	Shop	Asking in April 2022	62	48,333	-10%	0%	-5%	41,325	
4	Tian Jian Hua Yuan Phase 3	Longgang - Longgang Zhong Xin Cheng	1 level	Shop	Asking in April 2022	67	59,871	-10%	0%	0%	53,884	
5	Xin Ya Zhou Hua Yuan	Longgang - Longgang Zhong Xin Cheng	1 level	Shop	Asking in April 2022	35	46,928	-10%	0%	0%	42,235	
6	Jin Di Kai Xuan Guang Chang	Longgang - Longgang Zhong Xin Cheng Longgang Da Dao Yu Long Cheng Da Dao Jiao Hui Chu	1 level	Shop	Asking in April 2022	153	52,762	-10%	0%	0%	47,486	
7	Yuan Yang Xin Gan Xian Rong Yu Hua Yuan	Longgang - Longgang Zhong Xin Cheng Yin Wei Lu Yu Long Fu Lu Jiao Cha Kou Xi Bei 100 meters	1 level	Shop	Asking in April 2022	115	41,754	-10%	5%	10%	43,403	
							Adopted	49,665				45,500

8. The property is located in the area with steady and reasonable supply and demand information, occupancy rates, trends in property yield, sales prices, and rental rates.

9. Details of the current rental information are as follows:

Period	Area (sq.m.)	Monthly Rent (RMB)
1/7/2021 to 30/6/2022	10,216.64	355,637.00
1/7/2022 to 30/6/2023	10,216.64	407,813.00
1/7/2023 to 30/6/2024	10,216.64	459,989.00

* For identification purpose only

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particular given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date is as follows:

Authorised	<i>HK\$</i>
5,000,000,000 Shares	500,000,000
 Issued and to be issued, fully paid or credited as fully paid	
3,128,278,542 Shares in issue as at the Latest Practicable Date	312,827,854
	Conversion share to be allotted and issue upon full conversion of the convertible note with principal amount of HK\$431,500,000 issued on 19 July
<u>863,000,000</u> 2019	<u>86,300,000</u>
<u><u>3,991,278,542</u></u> Shares	<u><u>399,127,854</u></u>

As at the Latest Practicable Date, save and except for 28,445,948 outstanding share options entitling the holders thereof to subscribe for 28,445,948 Shares and the convertible notes with principal amount of HK\$431,500,000 entitling the holder(s) thereof to convert the same into 863,000,000 Shares, the Company has no other securities convertible or exchangeable into Shares. Upon Completion, the Convertible Notes will be set off against part of the Consideration.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in Shares, underlying shares and debentures

As at the Latest Practicable Date, save as disclosed below, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were otherwise required to notify the Company and the Stock Exchange pursuant to the Model Code.

(i) Long positions in Shares

Name of Director	Capacity	Notes	Number of underlying shares	Approximate percentage of shareholding
Mr. Li Chao Bo	Beneficial owner	(1)	728,912,000	23.30%
Mr. Ji Jiaming	Beneficial owner	(2)	100,000,000	3.20%

Notes:

- (1) Mr. Li Chao Bo is the sole beneficial owner of Linkway Investment Holdings Limited which in turn owns 728,912,000 shares of the Company. Mr. Li Chao Bo was appointed as the Chairman and an Executive Director of the Company with effect from 31 March 2016, and as the chief executive office of the Company from 31 May 2018 to 17 December 2019.
- (2) Mr. Ji Jiaming holds 50% of Double Joy Developments Limited and is a director of Double Joy Developments Limited, with in turn owns 100,000,000 shares of the Company.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in shares, underlying shares or debentures of the Company and its associated corporations as recorded in the register required to be maintained under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders' and other persons' interests in Shares and underlying shares

So far as is known to the Directors, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

(i) Long positions in the Shares

Name of substantial Shareholder	Notes	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
Linkway Investment Holdings Limited ("LIHL")	(1)	Beneficial owner and interest of controlled corporation	728,912,000	23.30%
Good Outlook Investments Limited	(2)	Beneficial owner and interest of controlled corporation	215,683,681	6.89%
China Financial International Investments Limited ("CFIIL")	(3)	Beneficial owner	698,079,429	22.32%
China Financial International Investments and Managements Limited	(4)	Investment manager	290,079,429	9.27%
Capital Focus Asset Management Limited	(4)	Investment manager	290,079,429	9.27%
Fu Lam Wu	(5)	Beneficial owner	200,000,000	6.39%

(ii) Long positions in the underlying shares at the Latest Practicable Date:

Name of substantial Shareholder	Notes	Capacity/Nature of interest	Number of ordinary shares	Approximate percentage of shareholding
Sky Climber Development Limited	(6)	Beneficial owner	863,000,000	27.59%

Notes:

- (1) These Shares were held by LIHL. Mr. Li Chao Bo (“**Mr. Li**”) is the sole beneficial owner of LIHL. Therefore, Mr. Li has beneficially interested in the said Shares.
- (2) The company is a company incorporated in the British Virgin Island with limited liability.
- (3) These Shares were held by CFIL (Stock Code: 721). Therefore, CFIL have beneficially interested in the said Shares.
- (4) These Shares were held by CFIL. China Financial International Investments and Managements Limited (“**CFIIM**”) is 51% owned by Capital Focus Asset Management Limited (“**Capital Focus**”) and 29% by owned CFIL. Accordingly, for the purposes of the SFO, CFIIM and Capital Focus are deemed to have the same interests in the Company as CFIL, being in the capacity of investment manager of CFIL.
- (5) She is an independent third party.
- (6) Convertible notes in the principal amount of HK\$431,500,000 carrying the rights to subscribe for Shares at conversion price of HK\$0.50 per share was issued by the Company to Sky Climber Development Limited (“**Sky Climber**”) on 19 July 2019. Mr. Yang Zhixiong (“**Mr. Yang**”) is the sole beneficial owner of Sky Climber. Therefore, Mr. Yang has beneficially interested in the said Shares. If the conversion rights attached to the convertible notes had been fully exercised, 863,000,000 Shares would be issued at the conversion price of HK\$0.50 per share. Upon Completion, the Convertible notes will be set off against part of the Consideration.

Save as disclosed above, the Company has not been notified by any persons or corporations, other than the Directors or chief executives of the Company, who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO as at the Latest Practicable Date.

4. MATERIAL LITIGATION

As at the Latest Practicable Date, so far as known to the Directors, there was no litigation, arbitration or claim of material importance in which any member of the Group is engaged or pending or threatened against any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contract or management agreement, proposed or otherwise with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation other than statutory compensation).

6. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years immediately preceding the date of this circular and are or may be material:

- (i) the sale and purchase agreement dated 15 December 2020 entered into between China Water Property Investment Limited as vendor and Fit Energy Holding Limited as the purchaser in relation to the disposal of 70% issued share capital of Northern Sea Development Limited at the cash consideration of HK\$1,000,000; and
- (ii) the Sale and Purchase Agreement.

7. INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, no contract or arrangement of significance in relation to the Group's business to which the Group or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

None of the Directors has any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Group or any of its subsidiaries during the period since 31 December 2021, the date to which the latest published audited financial statements of the Group were made up, up to and including the Latest Practicable Date.

8. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having made all reasonable enquiries, none of the Directors and their respective associates were considered to have any interest in business which competed or were likely, either directly or indirectly, with the business of the Group.

9. EXPERTS

The following are the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualification
Confucius International CPA Limited	Certified public accountants
AP Appraisal Limited	Independent valuer

As at the Latest Practicable Date, each of the above experts did not have any interests, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

As at the Latest Practicable Date, each of the above experts was not interested beneficially or non-beneficially in any Shares in any member of the Group or any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or report and/or reference to its name in the form and context in which it respectively appears.

10. MISCELLANEOUS

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company in Hong Kong is at Suite 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.
- (c) The company secretary of the Company is Mr. Chan Hoi Yin Anthony who is a member of the Hong Kong Institute of Certified Public Accountants.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

11. DOCUMENTS FOR INSPECTION

Copies of the following documents will be published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.city-infrastructure.com) for a period of 14 days from the date of this circular:

- (a) the Sale and Purchase Agreement;
- (b) the written consents referred to in the paragraph headed "Experts" in this Appendix;
- (c) the annual reports of the Company for the three financial years ended 31 December 2019, 2020 and 31 December 2021;
- (d) the report on the unaudited pro forma financial information of the Group as set out in Appendix IV to this circular;
- (e) the valuation report issued by independent valuer in respect of the Properties as set out in Appendix V to this circular; and
- (f) this circular.

NOTICE OF EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**Meeting**”) of China City Infrastructure Group Limited (the “**Company**”) will be held at Suite 6208, 62nd Floor, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Friday, 8 July 2022 at 11:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution of the Company:

ORDINARY RESOLUTION

“THAT

- (a) the conditional sale and purchase agreement dated 25 April 2022 (the “**Sale and Purchase Agreement**”) entered into between Sky Climber Development Limited as the purchaser (the “**Purchaser**”) and Green City Development Limited as vendor (the “**Vendor**”) in relation to, among other things, the sale and purchase of the 50,000 shares in the issued share capital of Precious Palace Enterprises Limited (the “**Target Company**”), which represents the entire issued share capital of the Target Company and the transactions contemplated thereunder be and are ratified, confirmed and approved and any directors of the Company (the “**Directors**”) be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and give effect to the Sale and Purchase Agreement and the transactions contemplated thereunder; and
- (b) any Director be and is hereby authorised for and on behalf of the Company to execute all such other documents, instruments and agreements (whether under common seal or not) and to do all such acts or things deemed by him/her/them to be incidental to, ancillary to or in connection with the matters contemplated in the Sale and Purchase Agreement and the transactions contemplated thereunder as he/she/they may in his/her/their absolute discretion consider necessary, desirable or expedient to give effect to the Sale and Purchase Agreement and the implementation of all transactions contemplated thereunder and to agree with such variation, amendment or waiver as, in the opinion of the Directors, in the interests of the Company and its shareholders as a whole.”

By order of the Board

China City Infrastructure Group Limited

Li Chao Bo

Chairman and Chief Executive Officer

Hong Kong, 23 June 2022

NOTICE OF EGM

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of

business in Hong Kong:
Suite 6208, 62nd Floor
Central Plaza
18 Harbour Road
Wanchai
Hong Kong

Notes:

1. Any member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and, in the event of a poll, vote in his/her stead. A proxy needs not be a member of the Company.
2. In order to be valid, the form of proxy must be duly lodged at the Company's branch registrar in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.
3. For the purpose of determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Thursday, 30 June 2022 to Friday, 8 July 2022 (both dates inclusive) during which period no transfer of shares of the Company will be effected. In order to qualify for the entitlement to attend and vote at the meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Wednesday, 29 June 2022.
4. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the above meeting or any adjournment thereof, should he so wish, and in such event, the form of proxy shall be deemed to be revoked.