

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

China City Infrastructure Group Limited

中國城市基礎設施集團有限公司

(formerly known as China Water Property Group Limited)

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2349)

DISCLOSEABLE TRANSACTION: ACQUISITION OF 70% EQUITY INTERESTS IN TWO PRC NATURAL GAS COMPANIES IN HUNAN PROVINCE, THE PRC

On 31 December 2014, the Purchaser entered into the Acquisition Agreement with the Vendor to acquire the Sale Capital for a consideration of RMB63,000,000.

The Target Companies are two companies established in Hunan Province, the PRC and are based in Yongxing and Rucheng counties, Chenzhou city, Hunan Province, the PRC. The principal activities of the Target Companies include operating of two exclusive natural gas pipeline distribution network construction rights and exclusive thirty-years natural gas pipeline network and piped-natural gas sales and distribution operating rights projects.

As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Acquisition and the transactions contemplated thereunder are more than 5% but less than 25%, the transactions contemplated under the Acquisition Agreement constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

Reference is made to the announcement of the Company dated 12 November 2014 in relation to, among others, the entering into of the non-binding framework agreement between the Purchaser and Mr. Yu relating to a proposed cooperation in natural gas projects in Hunan Province, the PRC.

The Company is pleased to announce that after arm's length negotiations, on 31 December 2014, the Purchaser entered into an agreement with the Vendor in relation to the Acquisition.

ACQUISITION OF 70% EQUITY INTERESTS IN TWO PRC NATURAL GAS COMPANIES

The Board is pleased to announce that on 31 December 2014, the Purchaser entered into the Acquisition Agreement with the Vendor to acquire the Sale Capital, representing an aggregate of 70% registered capital of the Target Companies, for a consideration of RMB63,000,000. The principal terms of the Acquisition Agreement are set out below.

THE ACQUISITION AGREEMENT

Date : 31 December 2014

Parties : (i) the Purchaser, an indirect wholly owned subsidiary of the Company; and
(ii) the Vendor, an Independent Third Party.

The Vendor is a company established in the PRC with limited liability and is principally engaged in investment holdings. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner(s) is Independent Third Party. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Yu and his family members are the ultimate beneficial owners of the Vendor.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser agreed to purchase and the Vendor agreed to sell the Sale Capital subject to and upon the terms of the Acquisition Agreement.

The Sale Capital comprises 70% registered capital of each of the Target Companies. As at the date of this announcement and prior to the entering into of the Acquisition Agreement, Mr. Yu and his family members are the beneficial owners of the entire registered capital of the Target Companies. Pursuant to the terms of the Acquisition Agreement, Mr. Yu and his family members shall within half month from the date of the Acquisition Agreement (or such longer period as the parties thereto may agree) transfer not less than 70% registered capital of each of the Target Companies to the Vendor. In the event that such reorganisation could not complete within the stipulated period, the Vendor shall fully refund the Deposit paid to the Purchaser.

Consideration

The parties to the Acquisition Agreement agree that the value of the Sale Capital shall be RMB131,600,000. Having taken into consideration of the bank loans owed by the Target Companies of RMB98,000,000, which shall be continued to be borne by the Target Companies after completion of the Acquisition, the consideration payable by the Purchaser to the Vendor shall be RMB63,000,000.

Within one week after the signing and effective date of the Acquisition Agreement, the Purchaser shall pay the Vendor a sum of RMB20,000,000 as deposit (the “**Deposit**”), the remaining balance of the consideration shall be settled within one week after completion of the relevant registration of the transfer of the Sale Capital.

The Vendor shall procure completion of registration of the transfer of Sale Capital from the Vendor to the Purchaser with relevant authority within one month (or such longer period as the parties thereto may agree) from the date of the Acquisition Agreement. In the event that the registration of the transfer of the Sale Capital from the Vendor to the Purchaser would not complete within the stipulated period, the Vendor shall fully refund the Deposit to the Purchaser.

The consideration was determined after arm’s length negotiations with reference to, among others, the preliminary valuation of the tangible assets and land use rights of the Target Companies and the future business potential of the Target Companies.

The Vendor shall be responsible for all liabilities of the Target Companies (other than the bank loans) immediately prior to the signing of the Acquisition Agreement and shall be responsible for completion of the remaining construction works of the natural gas projects.

The Directors are of the view that the consideration payable by the Purchaser under the Acquisition Agreement is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Effective Date

The Acquisition Agreement shall be effective from the date of the Acquisition Agreement subject to compliance with relevant laws and regulations.

Completion

Completion will take place on the date of completion of registration of the transfer of Sale Capital with relevant authority.

After Completion, the Target Companies will become indirect and non-wholly owned subsidiaries of the Company.

INFORMATION OF THE TARGET COMPANIES

The Target Companies are two companies established in Hunan Province, the PRC and are based in Yongxing and Rucheng counties, Chenzhou city, Hunan Province, the PRC. The Target Companies are in the course of development and expansion. The principal activities of the Target Companies include operating of two exclusive natural gas pipeline distribution network construction rights and exclusive thirty-years natural gas pipeline network and piped-natural gas sales and distribution operating rights projects.

To the Directors’ knowledge and information, the Target Companies have obtained approvals to construct and operate natural gas pipelines and sales and distribution of natural gas.

The unaudited combined financial information of Target Companies for the two years ended 31 December 2012 and 2013 and for the ten months ended 31 October 2014 are as follows:

Target Companies

	For the year ended 31 December		For the ten months ended
	2012	2013	31 October 2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	5,170	4,873	6,330
Loss before taxation	2,421	6,128	4,987
Loss after taxation	2,421	6,128	4,987
Net asset value	11,517	53,753	88,766

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTION

The Group is principally engaged in the businesses of property investment, property development, hotel business and property management. As disclosed in previous announcements, in order to further develop and expand the business scope of the Group, and as a natural diversification of existing businesses of the Group, the Group intends to develop its infrastructure business.

The Directors consider that the entering into of the Acquisition Agreement represents an opportunity for the Group to participate in the PRC natural gas related infrastructure market. The Acquisition will allow the Group with access to the natural gas market, one of the key markets in the infrastructure businesses in the PRC. The Acquisition is in line with the Group's current business strategy. Furthermore, the Acquisition will allow the Group to form cooperation relationship with the Vendor in Hunan Province, the PRC.

The Company is optimistic on the prospects of the natural gas industry in the PRC and the business prospect of the Target Companies. The Directors consider that the entering into of the Acquisition Agreement and the transactions contemplated thereunder represent an opportunity for the Group to develop its natural gas business division among infrastructure business and to diversify its revenue stream. It is expected that there will be significant room for the Target Companies' future business development. Taking into account of the above, the Directors are of the view that the Acquisition is in the interests of the Company and the terms of the Acquisition Agreement are fair and reasonable and on normal commercial terms and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATION

As the applicable percentage ratios as calculated under Rule 14.06 of the Listing Rules in respect of the Acquisition and the transactions contemplated thereunder are more than 5% but less than 25%, the transactions contemplated under the Acquisition Agreement constitute a discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Capital under the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 31 December 2014 and entered into between the Purchaser and the Vendor in relation to the Acquisition
“Board”	the board of Directors
“Company”	China City Infrastructure Group Limited (formerly known as “China Water Property Group Limited”), a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the Stock Exchange
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company from time to time
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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 connected persons of the Company and are third parties independent of the Company and its connected persons in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Yu”	Mr. Yu Zeming, an Independent Third Party
“PRC”	the People’s Republic of China
“Purchaser”	深圳中水置業有限公司 (Shenzhen Zhongshui Property Company Limited) [#] , a limited liability company established in the PRC and an indirect wholly owned subsidiary of the Company
“Sale Capital”	70% of the entire registered capital of each of the Target Companies
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company

“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	together 永興中天燃氣有限公司 (Yongxing Zhongtian Gas Company Limited) [#] , a limited liability company established in the PRC and 汝城中天燃氣有限公司 (Rucheng Zhongtian Gas Company Limited) [#] , a limited liability company established in the PRC
“Vendor”	湖南中天華億投資有限公司 (Hunan Zhongtian Huayi Investment Company Limited) [#] , a limited liability company established in the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

The English translation of Chinese names or words in this announcement, where indicated, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

By order of the Board
China City Infrastructure Group Limited
Wang Wenxia
Vice Chairman and Chief Executive Officer

Hong Kong, 31 December 2014

As at the date of this announcement, the Board comprises Ms. Wang Wenxia (Vice Chairman and Chief Executive Officer) and Mr. Ren Qian as executive Directors; Mr. Duan Chuan Liang (Chairman) and Mr. Zhou Kun as non-executive Directors; and Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian as independent non-executive Directors.