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中國城市基礎設施集團有限公司
China City Infrastructure Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2349)

GRANT OF SHARE OPTIONS

The Board announces that on 22 January 2015, the Board resolved to grant 180,872,286 Share Options to certain Grantees to subscribe for a total of 180,872,286 Shares under the Share Option Scheme.

The grant of the 90,436,140 Share Options to Mr. Duan and the grant of the 54,261,684 Share Options to Ms. Wang will be subject to the approvals of the Independent Shareholders in the EGM in accordance with the requirements of the Listing Rules.

A circular containing, among other things, further details in respect of the grant of the Share Options to Mr. Duan and Ms. Wang together with a notice of the EGM will be despatched to the Shareholders as soon as possible in accordance with the requirements of the Listing Rules.

This announcement is made pursuant to Rule 17.06A of the Listing Rules.

The Board announces that on 22 January 2015, the Board resolved to grant 180,872,286 Share Options to the Grantees (subject to their acceptance and the payment of the consideration by each of the Grantees upon acceptance of the Share Options) to subscribe for a total of 180,872,286 Shares under the Share Option Scheme. Details of the Options granted are set out below:

Date of grant : 22 January 2015 (the “Date of Grant”)

Exercise price of Share Options granted : HK\$0.668 per Share (subject to adjustments, if any, pursuant to the Share Option Scheme and the Listing Rules) (being the highest of (i) the closing price of HK\$0.66 per Share as quoted in the Stock Exchange's daily quotation sheet on the Date of Grant; (ii) the average closing price of HK\$0.668 per Share as quoted in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of HK\$0.10 per Share)

Total number of Share Options granted : 180,872,286 Share Options (each Share Option shall entitle the holder of the Share Option to subscribe for one Share)

Exercise period of Share Options : Save and except for the Share Options granted to Mr. Duan and Ms. Wang, the Share Options can be exercisable during the exercise period from the Date of Grant to 21 January 2025 (both dates inclusive).

In respect of the Share Options granted to Mr. Duan and Ms. Wang, the Share Options can be exercisable upon obtaining Independent Shareholders' approval at the EGM to 21 January 2025 (both dates inclusive).

There is no specific performance target to be fulfilled before the Share Options can be exercised.

Among the Share Options granted above, 149,797,824 Share Options were granted to the Directors of the Company, details of which are as follows:

Name of Directors	Positions held with the Company	Number of Share Options granted
Mr. Duan	Chairman and Non-executive Director	90,436,140
Ms. Wang	Vice Chairman, Chief Executive Officer and Executive Director	54,261,684
Mr. Ren Qian	Executive Director	1,500,000
Mr. Zhou Kun	Non-executive Director	1,500,000
Mr. Chan Pok Hiu	Independent non-executive Director	700,000
Mr. Wong Chi Ming	Independent non-executive Director	700,000
Mr. Wang Jian	Independent non-executive Director	<u>700,000</u>
	Total:	<u><u>149,797,824</u></u>

Each grant of the Share Options to the Directors was approved by the independent non-executive directors of the Company pursuant to Rule 17.04(1) of the Listing Rules, provided that the grant of the Share Options to Mr. Duan and Ms. Wang shall be subject to the approval of the Independent Shareholders at the EGM in accordance with Chapter 17 of the Listing Rules.

Save as disclosed above, none of the other Grantees is a director, chief executive or substantial shareholder of the Company or any of their respective associates (as defined under the Listing Rules). All Grantees are Directors, senior management, employees and/or consultants of the Group.

GRANT OF OPTIONS TO MR. DUAN AND MS. WANG

Mr. Duan is the chairman and non-executive director of the Company and he is also the chairman and an executive director of China Water Affairs Group Limited, a company with its issued shares listed on the Main Board of the Stock Exchange (Stock Code: 855). To the best of the Directors' information and belief, China Water Affairs Group Limited together with its wholly owned subsidiaries hold 867,067,135 Shares as at the date of this announcement, representing approximately 42.41% of issued share capital of the Company. As at the date of this announcement, Mr. Duan is interested in (i) 4,207,928 Shares; and (ii) 67,057,263 Share Options (other than the 90,436,140 Share Options granted to Mr. Duan as disclosed in this announcement). Mr. Duan is also a substantial shareholder of China Water Affairs Group Limited.

Ms. Wang is the vice-chairman and Chief Executive Officer and an executive Director of the Company. As at the date of this announcement, Ms. Wang and her associates are interested in (i) 1,231,440 Shares; and (ii) 30,882,491 Share Options (other than the 54,261,684 Share Options granted to Ms. Wang as disclosed in this announcement).

As at the date of this announcement, the proposed grant of 90,436,140 Share Options to Mr. Duan would result in the securities issued and to be issued upon exercise of all Share Options already granted and to be granted to him in the 12-month period representing in aggregate over 1% of the relevant class of securities in issue.

As at the date of this announcement, the proposed grant of 54,261,684 Share Options to Ms. Wang would result in the securities issued and to be issued upon exercise of all Share Options already granted and to be granted to her in the 12-month period representing in aggregate over 1% of the relevant class of securities in issue.

Reasons for the grant of the Share Options to Mr. Duan and Ms. Wang

Mr. Duan is a non-executive Director and the chairman of the Company since 25 October 2010 and the 90,436,140 Share Options are proposed to be granted to him in recognition of his contribution to the growth of the Group in the past and as an incentive for his continuing commitment and contribution to the Group in the future.

Ms. Wang is the vice-chairman and Chief Executive Officer and an executive Director of the Company and joined the Group since 23 October 2009 and the 54,261,684 Share Options are proposed to be granted to her in recognition of her contribution to the growth of the Group in the past and as an incentive for her continuing commitment and contribution to the Group in the future.

The consideration payable on acceptance of the Share Options is HK\$1.00, which has been paid by Mr. Duan and Ms. Wang respectively in accordance with the terms of the Share Option Scheme.

INFORMATION ON SHARE OPTIONS GRANTED UNDER THE SHARE OPTION SCHEME

Assuming that the grant of the Share Options to Mr. Duan and the grant of the Share Options to Ms. Wang are approved by the Independent Shareholders at the EGM and that no Share Options granted under the Share Option Scheme are exercised from the date of this announcement up to the date of the EGM, the Company will have 303,512,040 Share Options outstanding immediately after the EGM, representing approximately 14.84% of the total issued share capital of the Company.

For illustration purpose only, the following table shows the changes in the shareholdings of Mr. Duan and Ms. Wang and their associates in the issued share capital of the Company upon exercise in full of all the Share Options and the Existing Options:

	As at the date of this announcement		Upon exercise of the Share Options by Mr. Duan and Ms. Wang in full		Upon exercise of the Share Options and the Existing Share Options in full	
	Number of Shares held	Approximate shareholding percentage	Number of Shares held	Approximate shareholding percentage	Number of Shares held	Approximate shareholding percentage
Mr. Duan (<i>Note 1</i>)	4,207,928	0.21%	161,701,331	7.07%	161,701,331	6.88%
China Water Affairs and its subsidiaries (<i>Note 2</i>)	867,067,135	42.41%	867,067,135	37.91%	867,067,135	36.93%
Ms. Wang (<i>Note 3</i>)	1,231,440	0.06%	86,375,615	3.77%	86,375,615	3.68%
Directors (<i>other than Mr. Duan and Ms. Wang</i>)	680,400	0.03%	680,400	0.03%	10,880,400	0.46%
Public Shareholders	<u>1,171,407,958</u>	<u>57.29%</u>	<u>1,171,407,958</u>	<u>51.22%</u>	<u>1,222,082,420</u>	<u>52.05%</u>
Total	<u>2,044,594,861</u>	<u>100.0%</u>	<u>2,287,232,439</u>	<u>100.0%</u>	<u>2,348,106,901</u>	<u>100.0%</u>

Notes:

1. Mr. Duan Chuan Liang is the Chairman and non-executive Director of the Company.
2. These Shares of the Company held by Sharp Profit Investments Limited (“Sharp Profit”) and Good Outlook Investments Limited (“Good Outlook”) which are wholly owned subsidiaries of China Water Affairs Group Limited (“China Water Affairs”). Therefore, China Water Affairs was deemed to be beneficially interested in the said Shares held by Sharp Profit and Good Outlook for the purposes of the SFO.
3. Ms. Wang is the Vice Chairman, Chief Executive Officer and executive Director of the Company.

IMPLICATION UNDER THE LISTING RULES

The 90,436,140 Shares to be issued upon exercise in full of the 90,436,140 Shares Options granted to Mr. Duan as disclosed in this announcement represent approximately 4.42% of the total issued share capital of the Company as at the date of this announcement). The 54,261,684 Shares to be issued upon exercise in full of the 54,261,684 Shares Options granted to Ms. Wang as disclosed in this announcement represent approximately 2.65% of the total issued share capital of the Company as at the date of this announcement). The Shares falling to be issued upon exercise of the Existing Options and the Share Options will not exceed 30% of the issued share capital of the Company.

Pursuant to Rule 17.03(4) of the Listing Rules, as the total number of Shares issued and to be issued upon exercise of the Share Options to be granted to Mr. Duan (including both exercised and outstanding Share Options) in 12-month period exceeds 1% of the Shares in issue, such grant must be approved by Independent Shareholders in the general meeting with Mr. Duan and his associates (including China Water Affairs Group Limited and its subsidiaries) abstaining from voting.

In this regard, China Water Affairs Group Limited, Mr. Duan and their respective associates holding 871,275,063 Shares in total, or approximately 42.61% of the total issued Shares as at the date of this announcement, will abstain from voting at the EGM to be convened to approve the grant of the Share Options to Mr. Duan.

Pursuant to Rule 17.03(4) of the Listing Rules, as the total number of Shares issued and to be issued upon exercise of the Share Options to be granted to Ms. Wang (including both exercised and outstanding Share Options) in 12-month period exceeds 1% of the Shares in issue, such grant must be approved by Independent Shareholders in the general meeting with Ms. Wang and her associates abstaining from voting.

In this regard, Ms. Wang and her associates holding 1,231,440 Shares in total, or approximately 0.06% of the total issued Shares as at the date of this announcement, will abstain from voting at the EGM to be convened to approve the grant of the Share Options to Ms. Wang.

GENERAL

The Directors (including the independent non-executive Directors) consider that the terms of the Share Options are fair and reasonable. The Board believes the granting of the Share Options is an effective means to provide incentives and rewards to the Directors and employees of the Company and its subsidiaries for the long-term interests of the Company and to align their interests with those of the shareholders of the Company.

A circular containing, among other things, further details and terms in respect of the grant of the Share Options to Mr. Duan and Ms. Wang together with a notice of EGM will be despatched to the Shareholders as soon as possible.

DEFINITIONS

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

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	board of Directors
“Company”	China City Infrastructure Group Limited, a company incorporated in the Cayman Islands with limited liability and issued Shares of which are listed on the main board of the Stock Exchange
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Directors”	directors of the Company
“EGM”	the extraordinary general meeting to be convened and held by the Company to approve, inter alia, the grant of Share Options to Mr. Duan and the grant of Share Options to Ms. Wang respectively
“Existing Options”	the Share Options granted under the Share Option Scheme and/or the previous share option scheme and remain outstanding and subsisting as at the date of this announcement
“Grantees”	those eligible persons resolved by the Board as the grantees of the Share Options
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Shareholders”	(a) in respect of the grant of Share Options to Mr. Duan, those Shareholders other than Mr. Duan, China Water Affairs Group Limited and their respective associates; and (b) in respect of the grant of Share Options to Ms. Wang, those Shareholders other than Ms. Wang and her associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Duan”	Mr. Duan Chuan Liang, a non-executive Director and the Chairman of the Company

“Ms. Wang”	Ms. Wang Wenxia, an executive Director and the Vice Chairman and Chief Executive Officer of the Company
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Share Options”	the share options proposed to be granted under the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company adopted by resolution of the Shareholders on 18 June 2013
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

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

Hong Kong, 22 January 2015

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.