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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)**

**(1) FRAMEWORK AGREEMENT RELATING TO A POSSIBLE  
ACQUISITION OF NOT LESS THAN FORTY PRC NATURAL GAS  
COMPANIES WITH HUARAN NATURAL GAS;**

**AND**

**(2) DISCLOSEABLE TRANSACTION:  
ACQUISITION OF 70% EQUITY INTERESTS IN  
FIVE PRC NATURAL GAS COMPANIES IN GUANGXI, THE PRC**

On 4 May 2015, the Purchaser, an indirectly wholly subsidiary of the Company, entered into the Framework Agreement with Huaran Natural Gas, pursuant to which the Group and Huaran Natural Gas will form strategic cooperation in relation to the development of the PRC pipelined natural gas market.

- (1) Pursuant to the Framework Agreement, Huaran Natural Gas owned not less than 45 target companies including Sichuan Province, Guangxi, Hunan Province, Hubei Province, Henan Province and Yunnan Province, etc (including the Five Target Companies to be acquired by the Group as mentioned below) principally engaged in natural gas related business with concession rights, which are subsidiaries of Huaran Natural Gas or its related companies (the “**Target Companies**”). Subject to the receipt of relevant consideration of the Acquisition Agreement, Huaran Natural Gas grants an exclusive right to the Purchaser as its exclusive cooperation partner and will not discuss with any other third parties in relation to any disposal of or cooperation with any of those Target Companies unless with the prior written consents of the Purchaser.
- (2) On 4 May 2015, the Purchaser entered into the Acquisition Agreement with the Vendors to acquire 70% equity interests in Five Target Companies in the PRC principally engaged in natural gas related business with concession rights for a total consideration of RMB94,502,800, which shall be settled in cash and by way to issue of the Convertible Notes to the Vendors (or their nominees).

The Five Target Companies are five companies established in Guangxi, the PRC and are respectively based in Bama County, Du'an County, Rongshui County, Xiangzhou County and Yongfu County of Guangxi, the PRC respectively. The principal activities of the Five Target Companies include five exclusive thirty-years natural gas pipeline distribution network construction rights 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.

## 1. FRAMEWORK AGREEMENT WITH HUARAN NATURAL GAS

On 4 May 2015, the Purchaser, an indirectly wholly subsidiary of the Company, entered into the Framework Agreement with Huaran Natural Gas, pursuant to which the Group and Huaran Natural Gas will form strategic cooperation in relation to the development of the PRC pipelined natural gas market.

Huaran Natural Gas is a company established in 2008 in Zigong City, Sichuan Province, the PRC and is principally engaged in development of the PRC pipelined natural gas business, including such as natural gas pipeline construction and operation of exclusive concession right. Huaran Natural Gas owned not less than 45 natural gas companies including Sichuan Province, Guangxi, Hunan Province, Hubei Province, Henan Province and Yunnan Province, etc. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Huaran Natural Gas and its ultimate beneficial owner(s) are Independent Third Parties.

Pursuant to the Framework Agreement, Huaran Natural Gas owned not less than 45 target companies including Sichuan Province, Guangxi Region, Hunan Province, Hubei Province, Henan Province and Yunnan Province, etc (including the Five Target Companies to be acquired by the Group as mentioned below) principally engaged in natural gas related business with concession rights, which are subsidiaries of Huaran Natural Gas or its related companies (the "**Target Companies**"). Subject to the receipt of relevant consideration of the Acquisition Agreement, Huaran Natural Gas grants an exclusive right to the Purchaser as its exclusive cooperation partner and will not discuss with any other third parties in relation to any disposal of or cooperation with any of those Target Companies unless with the prior written consents of the Purchaser.

The Framework Agreement is not legally binding on the parties in respect of the consummation of the possible acquisition of the Target Companies.

The Board wishes to emphasise that the Framework Agreement is not legally binding on the parties in respect of the consummation of the possible acquisition of the Target Companies. At the date of this announcement, no binding agreements in relation to the possible acquisition of the Target Companies (other than the Five Target Companies to be acquired by the Group as mentioned below) and the transactions contemplated

thereunder have been entered into and no transaction (other than the Five Target Companies to be acquired by the Group as mentioned below) has yet taken place in the part of the Company upon signing of the Framework Agreement. If the possible acquisition of the Target Companies contemplated under the Framework Agreement is materialised, it may constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules and the Company will comply with the relevant Listing Rules requirement. Shareholders and potential investors are urged to exercise caution when dealing in the securities of the Company.

## **2. ACQUISITION OF 70% EQUITY INTERESTS IN FIVE PRC NATURAL GAS COMPANIES**

The Board is pleased to announce that on 4 May 2015 (after trading hours), the Purchaser, an indirectly wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendors to acquire the Equity Interests, representing an aggregate of 70% registered capital of the Five Target Companies, for a total consideration of RMB94,502,800. The principal terms of the Acquisition Agreement are set out below.

### **The Acquisition Agreement**

Date : 4 May 2015 (after trading hours)

Parties : (i) the Purchaser, an indirectly wholly-owned subsidiary of the Company; and

(ii) the Vendors, being two companies established in Guangxi, the PRC

The Vendors are two companies established in Guangxi, the PRC with limited liability and are principally engaged in natural gas pipeline and facilities investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and their ultimate beneficial owner(s) is Independent Third Party. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Huaran Natural Gas is the holding company of the Vendors.

### **Assets to be acquired and the Reorganisation**

Pursuant to the Acquisition Agreement, the Purchaser agreed to purchase and the Vendors agreed to sell the Equity Interests subject to and upon the terms and conditions of the Acquisition Agreement.

The Equity Interests comprise 70% registered capital of each of the Five Target Companies. As at the date of this announcement and prior to the entering into of the Acquisition Agreement, the Vendors hold 99% registered capital of Bama Target Company and Du'an Target Company. As at the date of this announcement and prior to the entering into of the Acquisition Agreement, as represented by the Vendors, the registered capital of Rongshui Target Company, Xiangzhou Target Company and Yongfu Target Company are held by the affiliates of the Vendors.

Pursuant to the terms of the Acquisition Agreement and as part of the Reorganisation, the Vendors shall procure the transfer of not less than 70% registered capital of each of Rongshui Target Company, Xiangzhou Target Company and Yongfu Target Company to the Vendors prior to the Completion. In the event that such Reorganisation could not complete on or before 31 August 2015 (or such later date as the parties to the Acquisition Agreement may agree), the Vendors shall fully refund the Deposit to the Purchaser.

### **Conditions Precedent**

Completion is subject to the following conditions having been fulfilled or waived (as the case may be):

1. the transfer of all the Equity Interests under the Acquisition Agreement having to be completed simultaneously;
2. all necessary consents and approvals required to be obtained on the part of the Vendors and the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained;
3. no event, fact or situation that will cause the breaches or the possible breaches of warranties or terms of the Acquisition Agreement by the Vendors;
4. the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Conversion Shares;
5. if necessary, the passing by the Shareholders of ordinary resolution(s) approving the Acquisition Agreement and the transactions contemplated thereunder, including but not limited to the issue of the Convertible Notes and the allotment and issue of the Conversion Shares;
6. the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the Agreement and the transactions contemplated under the Acquisition Agreement;
7. the Purchaser being satisfied with the results of the due diligence to be conducted on the assets, liabilities, operations and affairs of the Five Target Companies; and
8. the Reorganisation having completed in such a way to the satisfaction of the Purchaser.

None of the above conditions can be waived by the parties to the Acquisition Agreement. If the conditions are not fulfilled on or before 31 August 2015 (or such later date as the parties to the Acquisition Agreement may agree), the Acquisition Agreement shall cease and terminate and subject to the return of the Deposit by the Vendors to the Purchaser, thereafter neither party to the Acquisition Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches thereof.

## Consideration

The total consideration for the Acquisition is RMB94,502,800 and shall be settled by the Purchaser in the following manner (or such other manner as the parties thereto may agree):

- (i) as to the deposit (the “**Deposit**”) of a total of RMB23,625,700 shall be payable by the Purchaser to the Vendors within three working days following the signing of the Acquisition Agreement and relevant transfer documents;
- (ii) as to RMB33,075,980 shall be payable by the Purchaser to the Vendors within seven working days upon Completion;
- (iii) as to RMB24,570,728 shall be payable by the Purchaser to the Vendors within three working days after half year since the date of Completion; and
- (iv) as to the remaining balance of RMB13,230,392 (equivalent to HK\$16,747,331.64) shall be payable by the Purchaser to the Vendors by procurement of the Company to issue the Convertible Notes in favour of the Vendors (or their nominee(s)) within three working days after half year since the date of Completion.

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 Five Target Companies and the future business potential of the Five Target Companies.

Pursuant to the Agreement, if any of the conditions precedent are not fulfilled or Completion does not take place, the Agreement shall cease and terminate and the Vendors shall forthwith refund the Deposit in full to the Purchaser.

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.

## Principal Terms of the Convertible Notes

Principal amount: HK\$16,747,331.64

Interest rate: The Convertible Notes shall not carry any interest.

Maturity date: Unless previously redeemed, repurchased and cancelled or converted, any outstanding Convertible Notes shall be redeemed at 100% of its principal amount on the Maturity Date.

The “**Maturity Date**” shall be the second anniversary of the date of issue of the Convertible Notes.

- Ranking:** The Convertible Notes constitute general and unsecured obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company.
- Conversion:** The holder of the Convertible Notes will have the right to convert the whole or part of the principal amount of the Convertible Notes into Conversion Shares from the date of the issue of the Convertible Notes to the Maturity Date.
- Conversion Price:** The Conversion Price is initially HK\$1.2 per Conversion Share, subject to adjustment for, among other matters, subdivision or consolidation of Shares. The initial Conversion Price represents:
- (i) a premium of approximately 50% over the closing price of HK\$0.8 per Share as quoted on the Stock Exchange on 4 May 2015, being the date of the Acquisition Agreement; and
  - (ii) a premium of approximately 69.49% over the average of the closing prices of HK\$0.708 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 4 May 2015.
- Voting:** The holder(s) of the Convertible Notes will not be entitled to attend or vote at any general meeting of the Company by reason only of it being the holder(s) of the Convertible Notes.
- Transfer:** With the prior written notification to the Company, the Convertible Notes may be transferable provided that any transfer or assignment of the Convertible Notes made to any connected person of the Company (as defined under the Listing Rules) shall be subject to compliance with the applicable Listing Rules.

Based on the initial Conversion Price of HK\$1.2 per Conversion Share, a maximum number of 13,956,109 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Notes in full, which represent: (i) approximately 0.683% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 0.678% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Notes in full.

The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares.

## **Mandate to issue the Conversion Shares**

The Conversion Shares will be allotted and issued pursuant to the General Mandate granted to the Directors by resolution of the Shareholders passed at the AGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Accordingly, the allotment and issue of the Conversion Shares is not subject to the approval of the Shareholders.

Under the General Mandate, the Company is authorised to issue up to 371,744,572 Shares under the General Mandate. Up to the date of this announcement, 185,872,000 Share has been issued under the General Mandate, representing approximately 50.0% of the General Mandate. The maximum of 13,956,109 Conversion Shares to be allotted and issued will utilise approximately 3.75% of the General Mandate.

## **Application for listing of Conversion Shares**

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Conversion Shares.

## **Completion**

Completion will take place on the date of completion of registration of the transfer of Equity Interests with relevant authorities.

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

## **INFORMATION OF THE FIVE TARGET COMPANIES**

The Five Target Companies are five companies established in Guangxi, the PRC and are respectively based in Bama County, Du'an County, Rongshui County, Xiangzhou County and Yongfu County of Guangxi, the PRC respectively. The principal activities of the Five Target Companies include five exclusive thirty-years natural gas pipeline distribution network construction rights and piped-natural gas sales and distribution operating rights projects for residential, industrial and commercial use.

To the Directors' knowledge and information, the Five Target Companies have entered into contracts with relevant local government authorities to construct and operate natural gas pipelines, and sales and distribution of natural gas for residential, industrial and commercial use. The population coverage of the Five Target Companies is over 2 million.

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

### Five Target Companies

	For the year ended 31 December	
	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>
Turnover	826	6,463
(Loss)/Profit before taxation	(388)	386
(Loss)/Profit after taxation	(388)	386
Total asset value	52,035	75,437

### REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTION

The Company is an investment holding company and the Group is dedicated to the infrastructure businesses, with primitive focus on infrastructure projects relating to environmental protection, clean energy, and urbanisation in PRC, including such as natural gas pipeline construction and operation of concession right, solid waste treatment and waste to energy, etc. The Group is also engaged in property related businesses.

The Directors consider that the entering into of the Acquisition Agreement represents an opportunity for the Group to increase its market shares in the PRC natural gas related infrastructure market. The Acquisition will allow the Group with access to the natural gas market in Guangxi, where a growing demand in natural gas usage is expected and is benefit from an expected stable and sufficient supply of natural gas from both Sino Myanmar gas pipeline and Second West East Gas pipeline. 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 Vendors and Huaran Natural Gas in the PRC.

The Company is optimistic on the prospects of the natural gas industry in the PRC and the business prospect of the Five 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 and to diversify its revenue stream. It is expected that there will be significant room for the Five Target Companies' future business development. Taking into account of the above, the Directors, including the independent non-executive 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 Equity Interests under the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 4 May 2015 and entered into between the Purchaser and the Vendors in relation to the Acquisition
“AGM”	the annual general meeting of the Company held on 10 June 2014
“Bama Target Company”	廣西巴馬國立燃氣有限公司 (Guangxi Bama Guoli Gas Company Limited) <sup>#</sup> , a limited liability company established in the PRC
“Board”	the board of Directors
“Company”	China City Infrastructure Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the Stock Exchange
“Completion”	completion of the Acquisition Agreement
“Conversion Price”	the conversion price per Conversion Share and initially at HK\$1.2 per Conversion Share
“Conversion Shares”	the Shares to be allotted and issued upon conversion of the Convertible Notes
“Convertible Notes”	the two-year zero coupon unlisted convertible notes with principal amount of HK\$16,747,331.64 to be issued by the Company pursuant to the terms of the Acquisition Agreement
“core connected persons”	has the meaning ascribed to it under the Listing Rules
“Directors”	directors of the Company
“Du’an Target Company”	廣西都安國立燃氣有限公司 (Guangxi Du’an Guoli Gas Company Limited) <sup>#</sup> , a limited liability company established in the PRC
“Equity Interests”	70% of the entire registered capital of each of the Five Target Companies
“Five Target Companies”	together with Bama Target Company, Du’an Target Company, Rongshui Target Company, Xiangzhou Target Company and Yongfu Target Company
“Framework Agreement”	the non-legally binding Framework Agreement dated 4 May 2015 between the Purchaser and Huaran Natural Gas

“General Mandate”	the mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“Guangxi”	Guangxi Zhuang Autonomous Region, the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huaran Natural Gas”	自貢市華燃天然氣有限責任公司 (Zigong City Huaran Natural Gas Co., Ltd.) <sup>#</sup> , a limited liability company established in 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 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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Purchaser”	深圳中水置業有限公司 (Shenzhen Zhongshui Property Company Limited) <sup>#</sup> , a limited liability company established in the PRC and an indirectly wholly owned subsidiary of the Company
“Reorganisation”	the reorganisation involving the transfer of not less than 70% registered capital of each of Rongshui Target Company, Xiangzhou Target Company and Yongfu Target Company to the Vendors
“Rongshui Target Company”	融水亞能天然氣實業發展有限公司 (Rongshui Yaneng Natural Gas Enterprise Development Company Limited) <sup>#</sup> , a limited liability company established in the PRC
“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
“Vendors”	廣西國立燃氣投資有限公司 (Guangxi Guoli Gas Investment Company Limited) <sup>#</sup> , a limited liability company established in the PRC and 廣西國立燃氣股份有限公司 (Guangxi Guoli Gas Share Company Limited) <sup>#</sup> , a limited liability company established in the PRC

“Xiangzhou Target Company”	象州縣森眾燃氣有限公司 (Xiangzhou County Senzhong Gas Company Limited) <sup>#</sup> , a limited liability company established in the PRC
“Yongfu Target Company”	廣西澳生能源開發有限公司 (Guangxi Aosheng Energy Development Company Limited) <sup>#</sup> , 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.

<sup>#</sup> *the English translations 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, 4 May 2015

*As at the date of this announcement, the Directors of the Company are 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.*