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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)

**DISCLOSEABLE TRANSACTION:
DEEMED DISPOSAL OF EQUITY INTERESTS IN A SUBSIDIARY**

On 23 June 2016, Shenzhen Zhongshui, Water Property Hubei and Jingyuhe entered into the Capital Increase Agreement with the Investor in relation to the increase in the registered capital of the Target Company from RMB28,333,333.33 to RMB41,000,000.00. Shenzhen Zhongshui and Water Property Hubei are wholly-owned subsidiaries of the Group. Immediately prior to the entering into of the Capital Increase Agreement, the Group holds approximately 70.59% equity interests of the Target Company.

The Target Company is a company established in Jiangsu Province, the PRC. The principal activity of the Target Company is property development. Upon completion of the Capital Increase as contemplated under the Capital Increase Agreement, the shareholdings of the Group in the Target Company will decrease from approximately 70.59% to 48.78% and the loss in control over the Target Company, the Target Company will cease to be a subsidiary of the Group, and will be an associate of the Group.

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

The Company announces that after arm's length negotiations, on 23 June 2016, Shenzhen Zhongshui, Water Property Hubei and Jingyuhe entered into the Capital Increase Agreement with the Investor in relation to the increase in the registered capital of the Target Company from RMB28,333,333.33 to RMB41,000,000.00. The principal terms of the Capital Increase Agreement are set out below.

THE CAPITAL INCREASE AGREEMENT

- Date** : 23 June 2016 (after trading hours)
- Parties** : (i) Shenzhen Zhongshui, a wholly-owned subsidiary of the Company
(ii) Water Property Hubei, a wholly-owned subsidiary of the Company
(iii) Jingyuhe
(iv) the Investor

As at the date of the Capital Increase Agreement, the Target Company is owned (i) as to approximately 56.47% by Shenzhen Zhongshui; (ii) as to approximately 14.12% by Water Property Hubei; and (iii) as to approximately 29.41% by Jingyuhe.

Jingyuhe is a company established in the PRC with limited liability and is principally engaged in interior design and construction. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for its interests in the Target Company, Jingyuhe and its ultimate beneficial owner(s) are Independent Third Parties.

The Investor is a company established in PRC with limited liability and is principally engaged in hotel management. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Investor and its ultimate beneficial owner(s) are Independent Third Parties.

Proposed Capital Increase

As at the date of the Capital Increase Agreement, the registered and paid-up capital of the Target Company is RMB28,333,333.33.

Pursuant to the Capital Increase Agreement, subject to the obtaining of all necessary consents and approvals, the parties agree to increase the registered capital of the Target Company from RMB28,333,333.33 to RMB41,000,000.00. Each of Shenzhen Zhongshui, Water Property Hubei and Jingyuhe will waive their preemptive rights and the Investor will invest the additional capital of RMB12,666,666.67 by way of cash in compliance with the relevant PRC legal and regulatory requirements.

Immediately after completion of the Capital Increase, the registered capital of the Target Company will become RMB41,000,000.00, of which (i) as representing approximately 39.02% will be owned by Shenzhen Zhongshui; (ii) as representing approximately 9.76% will be owned by Water Property Hubei; (iii) as representing approximately 20.33% will be owned by Jingyuhe; and (iv) as representing approximately 30.89% will be owned by the Investor.

The Capital Increase and the amount to be invested by the Investor are determined after arm's length negotiations with reference to the existing registered capital of the Target Company and the future business potential of the Target Company.

The Directors are of the view that the Capital Increase under the Capital Increase Agreement is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Deemed Disposal

Upon completion of the Capital Increase as contemplated under the Capital Increase Agreement, the shareholdings of the Group in the Target Company will decrease from approximately 70.59% to 48.78% and the loss in control over the Target Company, the Target Company will cease to be a subsidiary of the Group and its financial results will no longer be consolidated with those of the Group. Also, the Target Company will be an associate of the Group and the Group's investment in the Target Company will be reclassified from a subsidiary to interest in associate.

Condition Precedent

The Capital Increase Agreement is conditional upon the compliance with the Listing Rules on the part of the Company in respect of the Capital Increase, including but not limited to the publication of this announcement and if necessary, the independent Shareholders passing the necessary resolution(s) at a general meeting of the Company approving the Capital Increase Agreement and the transactions contemplated thereunder.

In the event that the condition cannot be fulfilled within 90 days from the date of the Capital Increase Agreement (or such later date as the parties thereto may agree in writing), the Capital Increase Agreement shall cease to be effective.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in Jiangsu Province, the PRC. The principal activity of the Target Company is property development.

The financial information of Target Company for the two financial years ended 31 December 2014 and 2015 are as follows:

The Target Company

	For the years ended	
	31 December	
	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>
Loss before taxation	739	922
Loss after taxation	739	922
Net asset value	24,432	23,510

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 Capital Increase Agreement represents an opportunity to increase the capital of the Target Company whilst at the same time reduces the capital commitment pressure of the Group to inject further capital of the Target Company. The Target Company will undertake a property development project and it is contemplated that the Group may bear a significant portion of capital commitment. With the Deemed Disposal, this will decrease the total capital commitment of the Group in the Target Company and will allow the Group to reallocate its resources for other business developments.

Taking into account of the above, the Directors, including the independent non-executive Directors, are of the view that the Capital Increase and the Deemed Disposal are in the interests of the Company and the terms of the Capital Increase 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 Deemed Disposal and the transactions contemplated thereunder are more than 5% but less than 25%, the transactions contemplated under the Capital Increase 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:

“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Capital Increase”	the proposed increase in the registered and paid-up capital of the Target Company as contemplated under the Capital Increase Agreement
“Capital Increase Agreement”	the agreement dated 23 June 2016 and entered into among Shenzhen Zhongshui, Water Property Hubei, Jingyuhe and the Investor in relation to the Capital Increase

“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
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Deemed Disposal”	the deemed disposal of equity interests of the Group in the Target Company as a result of the dilution under the Capital Increase
“Directors”	directors of the Company
“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 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
“Investor”	南京塞思福企業管理有限公司 (Nanjing Saisifu Corporate Management Co., Ltd.) [#] , a limited liability company established in the PRC
“Jingyuhe”	京豫和(北京)建築裝飾工程有限公司 (Jingyuhe (Beijing) Construction Decoration Engineering Co., Ltd.) [#] , a company established in the PRC and an existing shareholder of the Target Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Shenzhen Zhongshui”	深圳中水置業有限公司 (Shenzhen Zhongshui Property Company Limited) [#] , a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	江蘇河海置業有限公司 (Jiangsu Hohai Property Development Company Limited) [#] , a limited liability company established in the PRC
“Water Property Hubei”	水務地產湖北集團有限公司 (Water Property Hubei Group Limited) [#] , a limited liability company established in the PRC and a wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

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

Hong Kong, 23 June 2016

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

[#] *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.*