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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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

KEY HIGHLIGHTS

– During Current Period, revenue from continuing operations is approximately HK$221,111,000, while approximately HK$217,084,000 was recorded for the same period in 2017. It is mainly due to an increase in revenue from property investment business during Current Period.

– Revenue from property development business is approximately HK$164,600,000 for the Current Period, a decrease of approximately 12% compared with the revenue of the same business of approximately HK$188,100,000 in the same period of 2017.

– The Group's investment properties recorded a fair value loss of approximately HK$49,031,000.

– During Current Period, the Group incurred one-off non-cash impairment loss on goodwill of property development business approximately HK$12,000,000.

– The Group's net loss for the period is approximately HK$82,968,000, a net loss of approximately HK$173,655,000 was recorded in the same period of 2017.

– As at 30 June 2018, the Group's total assets recorded approximately HK$3,845,798,000.

INTERIM RESULT

The board (the "Board") of directors (the "Directors") of China City Infrastructure Group Limited, (the "Company") is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively refer to as the "Group") for the six months ended 30 June 2018 (the "Current Period").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
			(Restated)
CONTINUING OPERATIONS			
Revenue	*3*	**221,111**	217,084
Cost of sales		**(130,861)**	(179,592)
Gross profit		**90,250**	37,492
Fair value loss in respect of investment properties revaluation		**(49,031)**	(54,278)
Impairment loss on goodwill		**(12,000)**	–
Share of result of a joint venture		**(229)**	–
Other operating income		**325**	3,418
Other operating expenses		**(674)**	(95)
Selling and distribution expenses		**(11,966)**	(32,507)
Administrative expenses		**(53,282)**	(45,759)
Finance costs	*4*	**(45,380)**	(78,914)
Loss before tax		**(81,987)**	(170,643)
Income tax (expenses) credit	*5*	**(981)**	730
Loss for the period from continuing operations	*6*	**(82,968)**	(169,913)
DISCONTINUED OPERATION			
Loss for the period from discontinued operation	*7*	**–**	(3,742)
Loss for the period		**(82,968)**	(173,655)

	Notes	Six months ended 30 June 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited) (Restated)
Attributable to:			
Owners of the Company			
– Loss from continuing operations		**(81,769)**	(168,868)
– Loss from discontinued operation		**–**	(2,925)
		(81,769)	(171,793)
Non-controlling interests			
– Loss from continuing operations		**(1,199)**	(1,045)
– Loss from discontinued operation		**–**	(817)
		(82,968)	(173,655)
Loss per share	*9*	***HK Cents***	*HK Cents* (Restated)
From continuing and discontinued operations			
Basic and diluted		**(2.65)**	(7.19)
From continuing operations			
Basic and diluted		**(2.65)**	(7.07)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(82,968)**	(173,655)
Other comprehensive expense for the period:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translating of foreign operation	**(18,696)**	19,333
Share of translation reserve of a joint venture	**(79)**	–
Total comprehensive expense for the period (net of tax)	**(101,743)**	(154,322)
Total comprehensive expense attributable to:		
Owners of the Company	**(100,785)**	(152,757)
Non-controlling interests	**(958)**	(1,565)
	(101,743)	(154,322)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**12,458**	18,231
Investment properties		**2,053,571**	2,100,000
Goodwill		**67,605**	79,605
Interest in a joint venture		**3,350**	–
		2,136,984	2,197,836
Current assets			
Inventories		**285**	380
Inventory of properties		**1,197,828**	1,285,390
Trade and other receivables	*10*	**454,623**	460,153
Bank balances and cash		**56,078**	64,501
		1,708,814	1,810,424
TOTAL ASSETS		**3,845,798**	4,008,260
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital		**308,228**	308,228
Reserves		**1,103,491**	1,204,276
Equity attributable to owners of the Company		**1,411,719**	1,512,504
Non-controlling interests		**98,872**	99,830
TOTAL EQUITY		**1,510,591**	1,612,334

	Notes	30 June 2018 HK$'000 (unaudited)	31 December 2017 HK$'000 (audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**330,820**	345,742
Borrowings – due after one year		**690,173**	163,253
Amounts due to shareholder's subsidiaries – due after one year		**–**	390,106
Convertible notes – due after one year		**–**	20,446
Deposits received for sale and lease of properties – non-current portion		**13,306**	11,944
		1,034,299	931,491
Current liabilities			
Trade and other payables	*11*	**307,617**	281,635
Contract liabilities		**154,328**	–
Deposits received for sale and lease of properties – current portion		**–**	175,668
Tax payable		**94,477**	102,592
Amounts due to shareholder's subsidiaries – due within one year		**–**	571,427
Borrowings – due within one year		**723,738**	333,113
Convertible notes – due within one year		**20,748**	–
		1,300,908	1,464,435
TOTAL LIABILITIES		**2,335,207**	2,395,926
TOTAL EQUITY AND LIABILITIES		**3,845,798**	4,008,260
NET CURRENT ASSETS		**407,906**	345,989
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,544,890**	2,543,825

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION

The condensed consolidated interim financial information have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated interim financial information have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements.

In the current interim period, the Group has applied the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA for the first time:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 –2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The application of these new and revised HKFRSs did not have any material impact on the Group's condensed consolidated interim financial information.

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but not yet effective:

New and amendments to HKFRSs and interpretations issued but not yet effective

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)–Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]

[1] Effective for annual periods beginning on or after 1 January 2019.

[2] Effective for annual periods beginning on or after a date to be determined.

[3] Effective for annual periods beginning on or after 1 January 2021.

The Group has not early adopted the new and amendments HKFRSs, which have been issued but are not yet effective for the current period. The Group has commenced an assessment of the related impact, but is not yet in a position to state whether any substantial changes to the Group's accounting policies and presentation of the financial information will be resulted.

3. SEGMENT INFORMATION

The Group's operating segments are identified on the basis of annual reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance. Specifically, segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions, which is the same information reported to the chief operating decision maker.

The Group's operating segments are as follows:

– Natural Gas Business Segment engages in natural gas pipeline construction and operation of exclusive concession rights in the People's Republic of China (the "PRC")

– Property Development Business Segment engages in development of property projects in the PRC

– Property Investment Business Segment engages in leasing of investment properties in the PRC

– Hotel Business Segment engages in operation of hotels in the PRC

– Property Management Business Segment engages in provision of property management and other services in the PRC

The Group disposed of its equity interest in a subsidiary engaging in Natural Gas Business last year and the disposal was completed on 15 December 2017. Natural Gas Business is classified as discontinued operation in the six months ended 30 June 2017 and the remaining four operating segments, namely Property Development Business, Property Investment Business, Hotel Business and Property Management Business are classified as continuing operations of the Group in the same period.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments.

For the six months ended 30 June 2018

	Property Development Business *HK$'000* (unaudited)	Property Investment Business *HK$'000* (unaudited)	Hotel Business *HK$'000* (unaudited)	Property Management Business *HK$'000* (unaudited)	Total *HK$'000* (unaudited)
TOTAL REVENUE AND EXTERNAL SALES	**164,553**	**27,773**	**20,018**	**8,767**	**221,111**
RESULT					
Segment operating results	**4,164**	**24,665**	**(4,069)**	**2,000**	**26,760**
Fair value loss in respect of investment properties revaluation	**–**	**(49,031)**	**–**	**–**	**(49,031)**
Share of result of a joint venture					**(229)**
Unallocated corporate income					**59**
Unallocated corporate expense					**(14,166)**
Finance costs					**(45,380)**
Loss before tax					**(81,987)**
Income tax expenses					**(981)**
Loss for the period					**(82,968)**

For the six months ended 30 June 2017

	Continuing Operations					Discontinued Operation	
	Property Development Business	Property Investment Business	Hotel Business	Property Management Business	Subtotal	Natural Gas Business	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
TOTAL REVENUE AND EXTERNAL SALES	188,055	5,457	15,863	7,709	217,084	13,055	230,139
RESULT							
Segment operating results	(18,492)	(374)	(6,154)	2,766	(22,254)	(851)	(23,105)
Fair value loss in respect of investment properties revaluation	–	(54,278)	–	–	(54,278)	–	(54,278)
Unallocated corporate income					693	–	693
Unallocated corporate expenses					(15,890)	–	(15,890)
Finance costs					(78,914)	(3,532)	(82,446)
Loss before tax					(170,643)	(4,383)	(175,026)
Income tax credit					730	641	1,371
Loss for the period					(169,913)	(3,742)	(173,655)

4. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
Interest expense on bank loans, and other borrowings wholly repayable within five years	**43,928**	71,702
Effective interest expense on convertible notes	**1,452**	7,212
	45,380	78,914

5. INCOME TAX EXPENSES (CREDIT)

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Continuing operations		
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**1,106**	(749)
PRC Land Appreciation Tax ("LAT")	**12,419**	16,403
Current tax charge for the period	**13,525**	15,654
Deferred tax credit for the period	**(12,544)**	(16,384)
	981	(730)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit arising in Hong Kong for both periods.

The Group's PRC EIT is calculated based on the applicable tax rates on assessable profits, if applicable.

PRC LAT is levied at the applicable tax rate on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including cost of land use rights and all property development expenditures.

6. LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Depreciation and amortisation	**5,999**	10,866
Operating lease rental expense in respect of rented premises	**10,011**	10,814
Impairment of goodwill	**12,000**	–
Gross rental income from investment properties	**(27,773)**	(5,457)
Less: Direct operating expenses from investment properties that generate rental income	**1,594**	1,229
	(26,179)	(4,228)

7. DISCONTINUED OPERATION

On 23 November 2017, the Group entered into a sales and purchase agreement with Genview International Limited to dispose of the entire equity interest in Create Capital Development Limited and its subsidiaries at a total consideration of HK$65 million. The principal business and assets of Create Capital Development Limited is Natural Gas Business. The disposal was completed on 15 December 2017. The results of the discontinued operation included in the loss for the six months ended 30 June 2017 are set out below.

Loss for the period from discontinued operation:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Revenue	–	13,055
Cost of sales	–	(10,753)
Administrative expenses	–	(2,368)
Selling and distribution expenses	–	(785)
Loss from operations	–	(851)
Finance costs	–	(3,532)
Loss before tax from discontinued operation	–	(4,383)
Income tax credit	–	641
Loss for the period from discontinued operation	–	(3,742)
Attributable to:		
Owners of the Company	–	(2,925)
Non-controlling interests	–	(817)
	–	(3,742)

8. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

9. LOSS PER SHARE

(a) From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss		
Loss for the period for the purpose of calculating basic and diluted loss per share from continuing and discontinued operations	**(81,769)**	(171,793)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**3,082,278,542**	2,387,913,542

(b) From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Loss		
Loss for the period	**(81,769)**	(171,793)
Less: Loss for the period from discontinued operation	**–**	2,925
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	**(81,769)**	(168,868)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

(c) From discontinued operation

Basic and diluted loss per share from the discontinued operation is nil (six month ended 30 June 2017 as restated: HK0.12 cents per share), based on the loss for the period from discontinued operation attributable to the owners of the Company of nil (six month ended 30 June 2017 as restated: approximately HK$2,925,000) and the denominators used are the same as those detailed above for both basic and diluted loss per share.

Diluted loss per share was not presented for both periods because the impact of the conversion of convertible notes and the exercise of share options was anti-dilutive.

10. TRADE AND OTHER RECEIVABLES

An aging analysis of trade receivables (net of allowance for bad and doubtful debts) at the end of the reporting period based on invoice date is as follows:

	As at 30 June 2018 ***HK$'000*** **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
Within 90 days	**55,123**	24,842
91 to 180 days	**–**	4,490
Over 180 days	**3,721**	22,498
Trade receivables	**58,844**	51,830
Prepayments and deposits	**49,473**	63,020
Other receivables	**346,306**	345,303
	454,623	460,153

The Directors consider that the carrying amount of trade and other receivables approximate to their fair value.

11. TRADE AND OTHER PAYABLES

An aging analysis of the Group's trade payables at the end of the reporting period based on invoice date is as follows:

	As at 30 June 2018 *HK$'000* **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
Within 90 days	**31,112**	35,077
91 to 180 days	**3,521**	5,954
Over 180 days	**44,963**	48,996
Trade payables	**79,596**	90,027
Interest payables	**106,157**	93,039
Accrued expenses and other tax payable	**15,454**	26,378
Consideration payables for acquisition ofsubsidiaries	**4,972**	5,001
Other payables	**101,438**	67,190
	307,617	281,635

The consideration payables represent the amount payable for acquisition of subsidiaries and additional interests in subsidiaries.

Trade payables principally comprise of amounts outstanding for purchase of construction materials and construction work of properties under development and investment properties.

The Directors consider that the carrying amount of trade and other payables approximate to their fair value.

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in property related businesses. The Group started to dedicate to the infrastructure businesses, with primitive focus on infrastructure projects relating to environmental protection, clean energy, and urbanisation in PRC in late 2014. In support of the further business development of the Group, the management is actively looking for the potential projects which relate to the Group's principal activities. The Group expects to benefit from the PRC government policies and expand its infrastructure business rapidly.

The Group disposed of the Natural Gas Business on 15 December 2017. The proceeds from the disposal have strengthened the financial position of the Group. 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.

BUSINESS REVIEW

The PRC Property Development Business

During the Current Period, the Group's revenue from property development business amounted to approximately HK$164.6 million, representing a decrease of approximately 12%, compared with same period in 2017 of approximately HK$188.1 million. Aggregate gross floor area (the "GFA") sold for the curent period was 13,024 square meters ("sq.m."), representing a decrease of 7% from 13,954 sq.m. for the same period in 2017. Average selling price (the "ASP") was approximately HK$12,638 for the current period.

The Group adopted flexible and balanced approach in controlling the progress of developing projects and the Group has thereby maintained a healthy and sound position. The Group's development projects now include Zhongshui•Longyang Plaza in Wuhan and Mei Lai International Centre and Qiandao Lake Villa in Hangzhou.

The PRC Property Investment Business

Wuhan New Trend Commercial Management Company Limited* was formed by the Group to operate the Future City Shopping Centre ("Future City") owned by the Group, which held its grand opening in late August 2011. The Future City is located at Luo Shi Road South within close proximity to the Luoyu Road shopping belt and the upcoming stations of metro line No. 2 and 7, in which line No. 2 was completed and in use since late 2012. 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 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. Since mid-2013, tenancy-mix optimisation project was initiated in order to further improve the earning efficiency of Future City. The project was completed in mid-2017. As at 30 June 2018, the occupying rate of Future City was approximately 98%.

Hangzhou Mei Lai Commercial Property Management Company Limited* was formed by the Group to prepare for the operation of the commercial part of Mei Lai International Centre in Yuhang district of Hangzhou. Construction of Mei Lai International Centre was completed in late 2013. The commercial part has approximately 57,922 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, which is already in use since late 2012. It is expected that Mei Lai International Centre can meet the increasing needs from residential and office customers nearby. As at 30 June 2018, the occupying rate of the commercial part of Mei Lai International Centre was approximately 82%.

As at 30 June 2018, the aggregate fair value of the investment properties held by the Group was approximately HK$2,053.6 million. During the Current Period, the rental income of the Group was approximately HK$27.8 million and the average occupancy rate is around 92%.

The PRC Hotel Business

Wuhan Future City Hotel Management Company Limited*, an indirectly wholly owned subsidiary of the Group, manages a business hotel ("Future City Hotel") with around 400 rooms, which is featured as one of the largest all suite business hotels in terms 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 a team of hospitality professionals was recruited to deliver personalised services to customers.

During the Current Period, the revenue arising from Future City Hotel was approximately HK$19.6 million and the average occupancy rate is around 85%.

Chunan Yuehuzhuang Hotel Company Limited* was formed by the Group to operate 3 villas, the clubhouse and the yacht berths of Qiandao Lake Villa project as a featured hotel under the name "Yuehuzhuang Hotel". It recorded a revenue of approximately HK$0.4 million during the Current Period.

The PRC Property Management Business

Wuhan Future City Property Management Company Limited*, an indirect wholly owned subsidiary of the Group, provides residents and tenants with safe, modern, comfortable and high quality property management services in Future City. During the Current Period, the revenue from property management was approximately HK$8.8 million.

FINANCIAL REVIEW

Revenue

Revenue from continuing operations of the Group for the Current Period increased to approximately HK$221.1million (six months ended 30 June 2017 as restated: approximately HK$217.1 million). The increase was mainly due to an increase in revenue from property investment business.

The revenue of property development decreased from approximately HK$188.1 million for the six months ended 30 June 2017 to approximately HK$164.6 million for the Current Period. The decrease was mainly due to an decrease in revenue from sales of properties, in which the total GFA recognised during the period was 13,024 sq.m., representing a decrease of 7%, compared with the total GFA of 13,954 sq.m. recognised in last period.

Comparing the property leasing, hotel business and property management business for the six months ended 30 June 2017 and the Current Period, the revenue of which increased from approximately HK$5.5 million to approximately HK$27.8 million, from approximately HK$15.9 million to approximately HK$20.0 million and from approximately HK$7.7 million to approximately HK$8.8 million respectively.

Cost of Sales

The cost of sales from continuing operations decreased from approximately HK$179.6 million as restated for the six months ended 30 June 2017 to approximately HK$130.9 million for the Current Period, primarily due to the decrease in total GFA sold under the PRC Property Development business in Current Period. The cost of properties sold included land costs, development costs and borrowing costs.

During Current Period, the Group's cost of sales included those from property investment segment of approximately HK$1.6 million (six months ended 30 June 2017: approximately HK$1.2 million), and from hotel business and property management business of approximately HK$16.1 million and approximately HK$4.1 million respectively, which has decreased by approximately HK$2.6 million and increased by approximately HK$2.0 million compared with the same period last year respectively.

Gross Profit and Gross Profit Margin

The gross profit from continuing operations increased from HK$37.5 million as restated for the six months ended 30 June 2017 to approximately HK$90.3 million for the Current Period. The Group has a gross profit margin from continuing operations of 40.8% for the Current Period, as compared with 17.3% as restated for the same period in 2017. The increase in the gross profit margin was primarily attributable to the increase in property sales with higher gross profit margin during the Current Period.

Other Operating Income

Other operating income from continuing operations decreased to approximately HK$0.3 million for the Current Period from approximately HK$3.4 million as restated for the same period in 2017. This decrease was primarily due to the gain of approximately HK$1.0 million on deemed disposal of an associate and gain on exchange difference of approximately HK$1.0 million in the six months ended 30 June 2017.

Other Operating Expenses

Other operating expenses from continuing operations of the Group increased from approximately HK$95,000 as restated for the six months ended 30 June 2017 to approximately HK$674,000 in 2018.

Change in Fair Value of the Investment Properties

There was a net loss of approximately HK$49.0 million for the Current Period arising from change in fair value of the investment property portfolio in the PRC held by the Group comparing to that of HK$ 54.3 million for the six months ended 30 June 2017.

Selling and Distribution Expenses

The selling and distribution expenses from continuing operations decreased to approximately HK$12.0 million for the Current Period from approximately HK$32.5 million as restated for the same period in 2017, primarily due to a decrease in property sales resulted in a decrease in sales commission.

Administrative Expenses

The administrative expenses from continuing operations increased to approximately HK$53.3 million for the Current Period from approximately HK$45.8 million as restated for the same period in 2017, primarily due to the increase in administrative expenses related to property development projects in the Current Period.

Finance Costs

The finance costs from continuing operations decreased to approximately HK$45.4 million for the Current Period from approximately HK$78.9 million as restated for the same period in 2017 due to the reduction in interest expenses resulting from the decrease in the principle value of convertible notes and the amount due to Shareholder's subsidiaries.

Income Tax (Expenses) Credit

The income tax expenses from continuing operations for the Current Period was approximately HK$1.0 million (six months ended 30 June 2017 as restated: income tax credit of approximately HK$0.7 million). The amount was primarily attributable to the deferred tax credit arising from fair value loss in respect of investment properties revaluation and enterprise income tax and land appreciation tax arising from properties sold during the Current Period.

Discontinued Operation

The Group had disposed of its Natural Gas Business operation in December 2017. The result from discontinued operation reflected the net loss for the six months ended 30 June 2017 of approximately HK$3.7 million from the Natural Gas Business operation.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company for the six months ended 30 June 2018 recorded approximately HK$81.8 million (Six months ended 30 June 2017: HK$171.8 million). The decrease is manly attributable to the increase in gross profit and the decrease in finance costs during the Current Period.

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2018, total bank balances and cash of the Group amounted to approximately HK$56.1 million (31 December 2017: HK$64.5 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2018, the Group's total debts included borrowings of approximately HK$1,413.9 million (31 December 2017: HK$496.4 million) and liability component of convertible notes of approximately HK$20.7 million (31 December 2017: HK$20.4 million). Amongst the borrowings and liability component of convertible note, approximately HK$744.5 million (31 December 2017: approximately HK$333.1 million) was repayable within one year and approximately HK$690.2 million (31 December 2017: approximately HK$183.7 million) was repayable after one year. The convertible notes were due in June 2019. Amount due to shareholder's subsidiaries of approximately HK$790.3 million was reclassified under borrowings as at 30 June 2018 as those companies are no longer the shareholder's subsidiaries of the Group.

At 30 June 2018, certain inventory of properties together with relevant land use rights and certain investment properties with an aggregate carrying amount of approximately HK$2,081.9 million were pledged as security for certain banking facilities granted to the Group.

Gearing Ratio

The gearing ratio was 49.7% as at 30 June 2018 (31 December 2017: 48.9%). The gearing ratio was measured by net debt (aggregated borrowings, amounts due to shareholder's subsidiaries and convertible notes net of bank balances and cash) divided by the total equity plus net debt. The current ratio (current assets divided by current liabilities) was 1.31 (31 December 2017: 1.24).

Exposure to Fluctuation in Foreign Exchange and Interest Rate

The Group principally operates the infrastructure businesses, property development, property investment, hotel business and property management in the PRC and most of the transactions are settled in Renminbi. The conversion of Renminbi into foreign currencies or Hong Kong dollars is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The usual treasury policy of the Group is to manage significant currency exposure and minimise currency risk whenever it may have material impact on the Group. The Group did not engage in hedging activities designed or intended to manage currency risk during the six months ended 30 June 2018.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 30 June 2018. The Group undertook primarily debt obligations to support its property development and general working capital needs. The fluctuations in interest rates affect the cost of financing and may lead to fluctuations in the fair value of the debt obligations of the Group. The results of the Group are also affected by changes in interest rates due to the impact such changes have on interest income from the bank deposits.

Use of Proceeds From Fund Raising

Reference is made to the announcement of the Group dated 29 June 2017, the Group placed 460,000,000 new shares at a price of HK$0.5 per placing share, representing approximately 14.92% of the issued share capital of the Group as at 30 June 2018. The net proceeds from the placing were approximately HK$229.7 million. An analysis of the planned use of the net proceeds from placing and the actual utilised amount as at 31 December 2017 and 30 June 2018 are set out below respectively:

	Planned use of proceeds	**Change of the use of proceeds**	**Actual utilised amount as at 31 December 2017**	**Actual utilised amount during the period from 1 January 2018 to 30 June 2018**	**The remaining proceeds as at 30 June 2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Repayment of loans	70,000	60,000	(120,000)	(10,000)	–
Settlement of construction cost	50,000	10,000	(60,000)	–	–
Use for potential investments and future development	99,900	(70,000)	–	(3,659)	26,241
Use for daily operation	9,800	–	(9,800)	–	–
	229,700	–	(189,800)	(13,659)	26,241

Reference is made to the announcement of the Group dated on 18 May 2017, in which the Group entered into a framework agreement with a vendor for a possible acquisition of 51% equity interests in a target company ("possible acquisition"). The wholly-owned subsidiary of the target company owned a plant, two buildings and related land at Shenzhen. The Group originally planned to allocate part of proceeds to the possible acquisition. However, no formal agreement in relation to the possible acquisition has been entered into as at 30 June 2018. Therefore, the Group has reallocated such portion of proceeds to repayment of loans and settlement of construction cost in order to improve its current capital structure, raise the utilization efficiency of its capital and reduce finance expenses which is in the best interest of the Group and its shareholders as a whole.

The remaining proceeds of approximately HK$26.2 million as at 30 June 2018 will be utilised as potential investments and future development of the Group and was expected to be utilised within coming twelve months.

OUTLOOK AND FUTURE PLAN

The Group is principally engaged in property related business and started to dedicate to the infrastructure businesses in late 2014, and looking forward to benefiting from China's vast market opportunities, rapid urbanisation and the Belt and Road initiative. The Group will give special priority to urbanisation development and other infrastructure-related projects.

Property Business

Although the real estate control policies were further tightened in the prior year, the Company is still optimistic about the prospects of real estate development. To reduce its inventory of properties, the Group expects to seize the market trend and adjust the progress according to the market changes and market value of the property portfolio.

Other Infrastructure Business

The Belt and Road initiative is a significant development strategy launched by the Chinese government with the intention of promoting economic co-operation among countries along the proposed Belt and Road routes. The Group is looking for different infrastructure business which may benefit from the government strategy and policy.

CONTINGENT LIABILITIES AND COMMITMENTS

(a) As at 30 June 2018, the Group had capital commitments in respect of its construction of properties, contracted but not provided in the condensed consolidated financial statements, amounting to approximately HK$32.9 million (31 December 2017: approximately HK$62.4 million).

(b) As at 30 June 2018, the Group had capital commitments in respect of its investment in a joint venture, contracted but not provided in the condensed consolidated financial statements, amounting to approximately HK$10.7 million (31 December 2017: Nil).

(c) The Group has not recognised any deferred income for the guarantees given in respect of borrowing and other banking facilities as their fair value cannot be reliably measured and the number of transaction was minimal.

(d) As at 30 June 2018, the Group had provided guarantees to banks for loans of approximately HK$2.6 million (31 December 2017: approximately HK$12.6 million) in respect of the mortgage loans provided by the banks to purchasers of the properties the Group developed and sold. The guarantees are issued from the dates of grant of the relevant mortgage loans and released upon issuance of property ownership certificates.

(e) As at 30 June 2018, a subsidiary 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 RMB34,015,000 (equivalent to approximately HK40,494,000) (31 December 2017: RMB34,015,000 (equivalent to approximately HK40,982,000)) granted to certain independent third parties. The guarantees will be released after the full repayment of the loan and interest thereon. The Group has reached an agreement with other joint guarantors and the lenders that the other joint guarantors are committed to bear the loans and the interest. Therefore, the directors consider the risk to the Company is remote and does not affect the operation of the group.

The directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect at 30 June 2018 and 31 December 2017.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the total number of employees stood at approximately 298 (30 June 2017: 351). Total staff costs for the period under review was approximately HK$23.8 million (six months ended 30 June 2017: approximately HK$23.6 million). The Group offers its workforce comprehensive remuneration and employees' benefits packages.

INTERIM DIVIDEND

The Board resolved that the Company would not declare the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's ordinary shares.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules (as amended from time to time by the Stock Exchange) as its own code of conduct for regulating securities transactions by Directors of the Company.

Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2018.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE

During the six months ended 30 June 2018, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") (previously known as Code on Corporate Governance Practices) as set out in Appendix 14 of the Listing Rules, except for certain deviations which are summarised below:

(1) Code Provision A.1.3

Under this code provision A.1.3, notice of at least 14 days should be given of a regular board meeting to give all directors an opportunity to attend. For all other board meetings, reasonable notice should be given. Although the ad-hoc meetings of the Board had convened when the circumstances required, which has given the sufficient notice to all directors and validly convened pursuant to the articles of association (the "Articles") of the Company.

(2) Code Provision A.2.1

Under this code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. However, Mr. Li Chao Bo is acting as both the chairman of the Board (the "Chairman") and the Chief Executive Officer (the "CEO"). The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person can facilitate the execution of the Group's business strategies and boost effectiveness of its operation. Therefore, the Board considers that the deviation from the code provision A.2.1 of the CG Code is appropriate in such circumstance. In addition, under the supervision of the Board which is comprised of two executive Directors, one non-executive Director and three independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

(3) Code Provision A.4.2

Under this code provision A.4.2, every director should be subject to retirement by rotation at least once every three years. According to the Articles, at each annual general meeting, one third of the Directors shall retire from office by rotation provided that notwithstanding anything therein, the chairman of the Board (the "Chairman") shall not be subject to retirement by rotation or taken into account in determining the number of directors to retire. As continuation is a key factor to the successful long term implementation of business plans, the Board believes that the roles of the chairman provide the Group with strong and consistent leadership and allow more effective planning and execution of long-term business strategy. As such, the Board is of the view that the Chairman should not be subject to retirement by rotation.

Except as stated above, the Company has continued to comply with the applicable code provisions of the CG Code.

AUDIT COMMITTEE

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The audit committee is accountable to the Board and the primary duties of the audit committee include the review and supervision of the Group's financial reporting process and internal controls. The audit committee currently comprises Mr. Ng Chi Ho, Dennis (the Chairman of Audit Committee), Mr. Ji Yehong and Mr. Wang Jian, who are the independent non-executive Directors of the Company.

The audit committee has reviewed the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2018.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is required to be published on the website of Hong Kong Exchanges and Clearing Limited ("HKEX") at www.hkexnews.com.hk and on the Company's website at www.city-infrastructure.com. The interim report of the Company will be dispatched to the shareholders and will be available on the websites of HKEX and the Company in due course.

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

Hong Kong, 27 August 2018

* *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.*

As at the date of this announcement, the Board comprises Mr. Li Chao Bo (Chairman and Chief Executive Officer) and Mr. Ji Jiaming as executive Directors; Mr. Zhang Guiqing as non-executive Director; and Mr. Wang Jian, Mr. Ng Chi Ho, Dennis and Mr. Ji Yehong as independent Non-executive Directors.