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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 2016

KEY HIGHLIGHTS

— The Group is at the transition period from property business to city infrastructure business. 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 its market value and the market changes.

— During Current Period, revenue of approximately HK$108,616,000, while approximately HK$39,837,000 was recorded for the same period in 2015. It is mainly due to more property units sold and delivered during Current Period.

— Natural gas business contributed revenue of approximately HK$12,486,000 during Current Period, while approximately HK$2,172,000 for the same period in 2015.

— The Group's investment properties recorded a fair value gain of approximately HK$8,333,000.

— The Group's net loss for the period is approximately HK$188,529,000, a net loss of approximately HK$89,880,000 was recorded in the same period of 2015.

— In June 2016, the Group successfully issued HK$73,000,000 5% convertible notes due 2019. In the same time, the Group completed placing of shares of 262,000,000 at HK$0.5 per share, a premium of approximately 1.01%, raised net proceeds of approximately HK$204,000,000.

— As at 30 June 2016, the Group's total assets recorded approximately HK$5,484,364,000.

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 2016 (the "Current Period").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2016

		Six months ended 30 June	
		2016	2015
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**108,616**	39,837
Cost of sales		**(97,856)**	(32,416)
Gross profit		**10,760**	7,421
Fair value gain in respect of investment properties revaluation		**8,333**	67,596
Other operating income		**6,450**	1,189
Other operating expenses		**(13,294)**	(67,075)
Selling and distribution expenses		**(12,569)**	(987)
Administrative expenses		**(55,854)**	(41,172)
Finance costs	*4*	**(128,170)**	(39,499)
Loss before tax		**(184,344)**	(72,527)
Income tax expense	*5*	**(4,185)**	(17,353)
Loss for the period	*6*	**(188,529)**	(89,880)
Loss for the period attributable to:			
Loss for the period attributable to owners of the Company		**(186,463)**	(88,428)
Loss for the period attributable to non-controlling interests		**(2,066)**	(1,452)
Loss for the period		**(188,529)**	(89,880)
		HK Cents	*HK Cents*
Loss per share	*8*		
— Basic		**(9.10)**	(4.32)
— Diluted		**(9.10)**	(4.32)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(188,529)**	(89,880)
Other comprehensive expense for the period:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translating of foreign operation	**(22,174)**	–
Total comprehensive expense for the period (net of tax)	**(210,703)**	(89,880)
Total comprehensive expense attributable to:		
Owners of the Company	**(208,406)**	(88,428)
Non-controlling interests	**(2,297)**	(1,452)
	(210,703)	(89,880)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

	Note	**30 June 2016 *HK$'000* (unaudited)**	31 December 2015 *HK$'000* (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**196,350**	207,946
Investment properties		**2,123,861**	2,140,477
Goodwill		**212,206**	219,313
Intangible assets		**128,912**	213,725
Investment in an associate		**21,790**	–
Prepayment for acquisition of an intangible asset		**–**	348,870
Deposit paid on acquisition of a subsidiary		**3,059**	–
		2,686,178	3,130,331
Current assets			
Inventories		**10,321**	7,647
Inventory of properties		**2,024,830**	2,109,881
Trade and other receivables	*9*	**333,892**	313,283
Amount due from an associate		**170,046**	–
Available-for-sale investments		**8,000**	25,000
Pledged bank deposits		**14,118**	14,286
Bank balances and cash		**236,979**	89,846
		2,798,186	2,559,943
TOTAL ASSETS		**5,484,364**	5,690,274
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital		**230,659**	204,459
Reserves		**1,466,441**	1,551,994
Equity attributable to owners of the Company		**1,697,100**	1,756,453
Non-controlling interests		**130,027**	142,363
TOTAL EQUITY		**1,827,127**	1,898,816

	Note	30 June 2016 HK$'000 (unaudited)	31 December 2015 HK$'000 (audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**428,421**	440,380
Borrowings — due after one year		**328,412**	459,026
Amounts due to related parties — due after one year		**362,587**	357,143
Convertible notes		**132,775**	75,286
Deposits received for sale and lease of properties — non-current portion		**1,529**	1,667
		1,253,724	1,333,502
Current liabilities			
Trade and other payables	*10*	**481,486**	621,751
Deposits received for sale and lease of properties — current portion		**58,748**	59,239
Tax payable		**92,468**	121,960
Amounts due to non-controlling shareholders of subsidiaries		**1,291**	32,253
Amounts due to related parties		**314,009**	264,581
Borrowings — due within one year		**862,651**	773,304
Senior notes		**592,698**	584,724
Deferred income — current portion		**162**	144
		2,403,513	2,457,956
TOTAL LIABILITIES		**3,657,237**	3,791,458
TOTAL EQUITY AND LIABILITIES		**5,484,364**	5,690,274
NET CURRENT ASSETS		**394,673**	101,987
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,080,851**	3,232,318

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and with 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 2015, as described in those annual financial statements. In addition, the Group has applied the following accounting policies during the six months ended 30 June 2016 (the "Current Period"):

Investments in an associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount, Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKAS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate is recognised in the Group's consolidated financial statements only to the extent of interests in the associate that is not related to the Group.

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:

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle
HKFRS 10 and HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

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.

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 project in the PRC

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

— Hotel Business Segment engages in operation of hotel in the PRC

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

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 2016

	Natural Gas Business *HK$'000* (unaudited)	Property Development Business *HK$'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	**12,486**	**68,808**	**7,901**	**17,030**	**2,391**	**108,616**
RESULT						
Segment operating results	**(4,478)**	**(38,855)**	**1,383**	**(5,180)**	**(147)**	**(47,277)**
Fair value gain in respect of investment properties revaluation	**–**	**–**	**8,333**	**–**	**–**	**8,333**
Unallocated corporate income						**6,111**
Unallocated corporate expense						**(23,341)**
Finance costs						**(128,170)**
Loss before tax						**(184,344)**
Income tax expense						**(4,185)**
Loss for the period						**(188,529)**

For the six months ended 30 June 2015

	Natural Gas Business *HK$'000* (unaudited)	Property Development Business *HK$'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	2,172	5,802	10,860	19,339	1,664	39,837
RESULT						
Segment operating results	(1,817)	(13,851)	6,630	(6,587)	(110)	(15,735)
Fair value gain in respect of investment properties revaluation	–	–	67,596	–	–	67,596
Unallocated corporate income						116
Unallocated corporate expense						(85,005)
Finance costs						(39,499)
Loss before tax						(72,527)
Income tax expense						(17,353)
Loss for the period						(89,880)

4. FINANCE COSTS

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest expense on bank loans, and other borrowings wholly repayable within five years	**79,819**	77,267
Effective interest expense on convertible notes	**2,877**	2,723
Effective interest expense on senior notes	**45,474**	44,687
	128,170	124,677
Less: amounts capitalised in the cost of qualifying assets	**–**	(85,178)
	128,170	39,499

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**1,938**	128
PRC Land Appreciation Tax ("LAT")	**3,693**	326
Current tax charge for the period	**5,631**	454
Deferred tax (credit) charge for the period	**(1,446)**	16,899
	4,185	17,353

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

	Six months ended 30 June	
	2016	2015
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation and amortisation	**12,058**	16,981
Operating lease rental expense in respect of rented premises	**14,037**	15,380
Loss on disposal of a subsidiary	**1,627**	–
Gain on deemed disposal of a subsidiary	**(1,343)**	–
Gross rental income from investment properties	**(7,901)**	(10,860)
Less: Direct operating expenses from investment properties that generate rental income	**1,759**	2,403
	(6,142)	(8,457)

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

8. LOSS PER SHARE

The calculation of the basic and diluted loss per share is based on the loss attributable to owners of the Company of approximately HK$186,463,000 (loss attributable to owners of the Company for six months ended 30 June 2015: approximately HK$88,428,000) and the weighted average number of ordinary shares of 2,048,889,943 (six months ended 30 June 2015: 2,044,594,861) deemed to be in issue during the period.

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.

9. 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 2016 *HK$'000* **(unaudited)**	As at 31 December 2015 *HK$'000* (audited)
Within 90 days	**70,310**	95,980
91 to 180 days	**190**	1,087
Over 180 days	**13,068**	11,707
Trade receivables	**83,568**	108,774
Prepayments	**161,503**	146,565
Receivable on disposal of a subsidiary	**21,176**	–
Other receivables and other deposits	**67,645**	57,944
	333,892	313,283

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

10. 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 2016 *HK$'000* **(unaudited)**	As at 31 December 2015 *HK$'000* (audited)
Within 90 days	**183,446**	306,619
91 to 180 days	**1,484**	562
Over 180 days	**23,010**	36,387
Trade payables	**207,940**	343,568
Interest payables	**81,668**	49,095
Accrued expenses and other tax payable	**18,540**	20,422
Consideration payables for acquisition of subsidiaries	**35,899**	39,314
Other payables	**137,439**	169,352
	481,486	621,751

Trade payables principally comprise of amounts outstanding for purchase of natural gas and 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.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is dedicated to the infrastructure businesses, with primitive focus on infrastructure projects relating to environmental protection, clean energy, and urbanisation in PRC. The Group is expanding in the above businesses, including such as natural gas sales and distribution, natural gas pipeline construction, solid waste treatment and waste to energy, etc. The Group is also engaged in property related businesses.

The Group started to expands its businesses in infrastructure sector in late 2014 and it is at the transition period from property businesses to city infrastructure businesses. The property businesses are fading out while city infrastructure business starts. During this transition period, the affected result will be improved following the growth of infrastructure businesses.

As at 30 June 2016, the Group has 4 natural gas project companies in Hunan Province and Guangxi and is in the progress of acquiring 1 natural gas project company in Hunan Province. The Group also signed non-binding acquisition memorandum of understanding and letter of intent of cooperation with a number of natural gas project companies. According to the due diligence works and Group's resources, the Group will expand the infrastructure business rapidly and continue to evaluate the investment opportunities in infrastructure projects relating to environmental protection, clean energy and urbanisation in PRC to grasp opportunities to increase market shares. Meanwhile, a healthy financial position will be maintained during the business transition. 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 Natural Gas Business

The Group started its natural gas business in 2015. As at 30 June 2016, the Group footprinted 4 counties with substantial growth potential across 2 provinces including Hunan Province and Guangxi. The Group acquired these projects of exclusive city natural gas sales, distribution and construction rights, including residential, industrial and commercial users, L/CNG vehicle refilling gas stations.

Hunan Province

The Group has completed the acquisition of the two natural gas project companies in Yongxing and Rucheng counties in Chenzhou City in Hunan Province in second quarter 2015 with an equity interest of 70%. The projects held exclusive rights commencing from 2009 and 2010 for 30 years, pursuant to which it is authorised to operate the business of natural gas distribution and sales and provide services to the industrial, residential and commercial users and vehicle refueling gas stations in Yongxing and Rucheng counties. Currently, the projects are in operation providing natural gas connection construction services and gas sales to users.

Guangxi

The Group has completed the acquisition of two natural gas project companies in Rongshui county and Xiangzhou county in Guangxi in third quarter of 2015 with an equity interest of 100%. The projects held exclusive rights commencing from 2012 and 2013 for 30 years, pursuant to which it is authorised to operate the business of natural gas distribution and sales and provide services to the industrial, residential and commercial users and vehicle refueling gas station. Currently, the projects are in operation providing natural gas connection construction services and natural gas sales to users. The projects are located 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 PRC Property Development Business

During the Current Period, the Group's revenue from property development business amounted to approximately HK$68.8 million, representing an increase of approximately 1086%, compared with same period in 2015 of approximately HK$5.8 million. Aggregate gross floor area (the "GFA") sold for the year was 4,733 square meters ("sq.m."), representing an increase of 1198% from 395 sq.m. in 2015. Average selling price (the "ASP") was approximately HK$14,538 for the period. The significant increase in revenue was because of the record of the sales and delivery of Zhongshui•Longyang Plaza in the Current Period.

With the adoption of new business strategy, the Group adopted flexible and balanced approach in controlling the progress of developing projects and keeps the Group in 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* (formerly known as Wuhan Future City Commercial Property Management Company Limited*) (the "Commercial Company") 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. A decrease in both rental income and occupancy rate was noted while the project was carried out.

Hangzhou Mei Lai Commercial Property Management Company Limited* was formed by the Group to prepare the operation of the commercial part of Mei Lai International Centre in Yuhang district of Hangzhou. Mei Lai International Centre is completed its construction 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 Mei Lai International Centre can meet the increasing needs from residential and office customers nearby.

As at 30 June 2016, the aggregate fair value of the investment properties held by the Group recorded approximately HK$2,123.9 million. During the period ended 30 June 2016, the rental income of the Group was approximately HK$7.9 million and the average occupancy rate is around 36%.

The PRC Hotel Business

Wuhan Future City Hotel Management Company Limited* ("Hotel Company"), a 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 number of rooms in Central China. Easy access to the East Lake and universities and government authorities attracts travelers from different levels. Future City Hotel is well-equipped with function rooms and conference rooms to provide services of banquet and business conference and 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$16.5 million and the average occupancy rate is around 86%.

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" and recorded a revenue of approximately HK$0.5 million during the Current Period.

Jiangsu Hohai Property Development Company Limited*, an associate of the Group, owns the construction and operating right of a hotel in Hohai Project for thirty years. The project is located at Nangjing Gulou District No. 1 Xikang Road, next to the main campus entrance of Hohai University. As the Jiangsu Province government office is situated along Xikang Road, it is the political, economic and academic centre of Nanjing. The project has a total land site of 5,030 sq.m. and total planned GFA of approximately 34,759 sq.m. with five-star hotels, international meeting areas and commercial centres. The project is under construction and planned to complete in late 2016.

The PRC Property Management Business

Wuhan Future City Property Management Company Limited* (the "Property Company"), a wholly owned subsidiary of the Group, provides residents and tenants with safe, modern, comfortable and high quality property management services. During the period ended 30 June 2016, the revenue from property management was approximately HK$2.4 million.

Group Projects

Property related business

Wuhan City, Hubei

Future City

Future City is a large-scale integrated composite development 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. 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 in the neighbourhood with 1,000,000 students and residential consumers. Future City covers a total site area of 19,191 sq.m. with a total GFA of approximately 145,273 sq.m. and comprises of five high-rise residential towers, a four-story premier shopping centre and parking spaces. The project is completed stepwisely in 2010 and 2011 and the Future City shopping centre held its grand opening in late August 2011.

Wuhan City, Hubei

Future Mansion

Future Mansion is located at a prime location at Wuluo Road in Hongshan District in Wuhan City, just 600 meters from Future City project. It is near the conjunction of metro line No. 2 and 7, in which line No. 2 was completed and in use in late 2012. It has a total site area of 5,852 sq.m. and been developed for a composite building of residential apartments and retail shops with GFA of approximately 42,149 sq.m.. The project is completed and under sale since second half year of 2012.

Wuhan City, Hubei

Zhongshui • Longyang Plaza

Zhongshui • Longyang Plaza is strategically situated in the prime location between the Wangjiawan business area and national level Wuhan Economic & Technological Development Zone, delineated in the western Wuhan Middle Ring Road, next to the Hanyang bus terminal and adjacent to Longyang Avenue. The project has a land site of 30,625 sq.m. and is atop the Longyang Station of metro line No. 3 which is currently under construction. This integrated complex will be developed for splendorous shopping mall and luxurious office apartments with planned GFA of approximately 135,173 sq.m. The project is completed in 2015 and currently under sale.

Hangzhou City, Zhejiang

Mei Lai International Centre

Mei Lai International Centre is strategically located in Yuhang District, which is designated as part of the new Central Business Centre of Hangzhou City, delineated in the southern of intersection of Yingbin Road, Wengmei Road and Nanyuan Street. The integrated complex occupies a total site area of 16,448 sq.m. and is 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 in late 2012. The total GFA is approximately 114,610 sq.m.. The development comprises of one grade-A office block with work loft setting, two high-rise premium apartment towers and a premier shopping centre and parking spaces. The project is completed its construction and under sale since late 2013.

Hangzhou City, Zhejiang

Qiandao Lake Villa

This development occupies a site area of approximately 44,016 sq.m. in Qiandao Lake in Hangzhou City. It is a low-density lakefront precinct with 26 detached villas featuring luxurious settings, inclusive of lift, garage, swimming pool, yards and complemented by a full- facility clubhouse. The total planned GFA is approximately 33,493 sq.m.. The location enjoys spectacular unobstructed lake view and conveniently accessible to Hangzhou City, Shanghai and Mount Huang by either high-speed railway or expressway. The project will be completed in three phases, in which phase one is completed, and phases two and three are under construction.

Nanjing City, Jiangsu

Hohai Project

The project is located at Nanjing Gulou District No. 1 Xikang Road, next to the main campus entrance of Hohai University. As the Jiangsu province government office is situated along Xikang Road, it is the political, economic and cultural centre of Nanjing. The project has a total land site of 5,030 sq.m. and total planned GFA of approximately 34,759 sq.m. with five-star hotels, international meeting areas and commercial centres. The project is under construction and planned to complete in 2016.

Financial Review

Revenue

Revenue of the Group for the six months ended 30 June 2016 was approximately HK$108.6 million (six months ended 30 June 2015: approximately HK$39.8 million). The increase was mainly due to an increase in revenue from sales of properties.

During the period, revenue of approximately HK$12.5 million was contributed by the natural gas business (six months ended 30 June 2015: approximately HK$2.1 million). As the Group completed the acquisition of natural gas project companies and started its natural gas business during the six months ended 30 June 2015, only the post acquisition revenue were reflected in the Group's financial statement for the six months ended 30 June 2015, while the revenue contributed by the natural gas project companies was fully reflected during the Current Period.

Cost of Sales

The cost of sales increased from approximately HK$32.4 million for the six months ended 30 June 2015 to approximately HK$97.8 million for the six months ended 30 June 2016, primarily due to the increase in total GFA recognised in Current Period, where the cost of properties sold including land costs, development costs and borrowing costs.

During Current Period, the natural gas business contributed approximately HK$11.0 million (six months ended 30 June 2015: approximately HK$2.8 million) in cost of sales, where mainly represented cost of natural gas and depreciation of property, plant and equipment and amortisation of intangible assets.

Gross Profit and Gross Profit Margin

The gross profit increased from HK$7.4 million for the six months ended 30 June 2015 to approximately HK$10.8 million in 2016. The Group has a gross profit margin of 10% for the Current Period, as compared with 19% for the same period in 2015. The decrease in the gross profit margin was primarily because there is a decrease in property sales with high gross profit margin whereas the proportion of lower gross profit margin business increased during the Current Period.

Other Operating Income

Other operating income increased to approximately HK$6.5 million for the six months ended 30 June 2016 from approximately HK$1.2 million for the same period in 2015. This increase was primarily due to the gain on deemed disposal of a subsidiary and written off of other payables.

Other Operating Expenses

During the Current Period, the other operating expenses of approximately HK$13.3 million, represented the loss on disposal of a subsidiary and impairment loss recognized in respect to property projects development cost, while it mainly represented amortisation of prepaid lease payment and non-cash share-based payment of approximately HK$67.1 million for the six months ended 30 June 2015.

Change in Fair Value of the Investment Properties

There was a net gain of approximately HK$8.3 million for the six months ended 30 June 2016 arising from change in fair value of the investment property portfolio in the PRC held by the Group.

Selling and Distribution Expenses

The selling and distribution expenses increased to HK$12.6 million for the six months ended 30 June 2016 from approximately HK$1.0 million for the same period in 2015, primarily due to an increase in advertising and promotion expenses for properties sales and hotel business.

Administrative Expenses

The administrative expenses increased to approximately HK$55.9 million for the six months ended 30 June 2016 from approximately HK$41.2 million for the same period in 2015, primarily due to increase in professional expenses related to property development projects and the expansion of natural gas business.

Finance Costs

The finance costs increased to approximately HK$128.2 million for six months ended 30 June 2016 from approximately HK$39.5 million for the same period in 2015, there were an increase in amount due to related parties and other borrowings meanwhile, the number of Group‘s property development projects decreased, the interest capitalised decreased leading to therefore finance costs increased.

Income Tax Expense

The income tax decreased to approximately HK$4.2 million for the six months ended 30 June 2016 from approximately HK$17.4 million for the same period in 2015. The amount was primarily attributable to the deferred tax recognised from fair value gain in respect of investment properties revaluation and enterprise income tax and land appreciation tax arising from properties sold during the Current Period.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company for the six months ended 30 June 2016 recorded approximately HK$186.5 million (Six months ended 30 June 2015: HK$88.4 million).

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2016, total bank balances and cash (including pledged bank deposits) of the Group amounted to approximately HK$251.1 million (31 December 2015: HK$104.2 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2016, the Group's total debts included borrowings, senior notes and convertible notes, which the borrowings of approximately HK$1,191.1 million (31 December 2015: HK$1,232.3 million), senior notes of HK$592.7 million (31 December 2015: HK$584.7 million) and liability component of convertible notes of approximately HK$132.8 million (31 December 2015: HK$75.3 million) respectively. Amongst the borrowings, approximately HK$862.7 million (31 December 2015: approximately HK$773.3 million) will be repayable within one year and approximately HK$328.4 million (31 December 2015: approximately HK$459.0 million) will be repayable after one year. The senior notes are due in November 2016. The convertible notes are due in November 2017 and June 2019.

At 30 June 2016, certain bank deposits, certain property, plant and equipment together with relevant land use rights and certain investment properties with an aggregate carrying amount of approximately HK$3,477.7 million were pledged as security for certain banking facilities granted to the Group. The senior notes were guaranteed by certain subsidiaries of the Company and by pledge of their shares.

Gearing Ratio

The gearing ratio was 91% as at 30 June 2016 (31 December 2015: 94%). The gearing ratio was measured by net debt (aggregated borrowings, senior notes and convertible notes net of bank balances and cash) over the total equity. The current ratio (current assets divided by current liabilities) was 1.16 (31 December 2015: 1.04).

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 2016.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 30 June 2016. 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.

Outlook and Future Plan

The Group is principally engaged in the infrastructure businesses, and looking forward to benefiting from China's vast market opportunities, rapid urbanisation, rising environmental requirements. The Group will give special priority to environmental protection, clean energy and urbanisation development and other infrastructure-related projects.

Operation of concession right in natural gas business

Operation of concession right in natural gas business is the first infrastructure sector that the Group entered. As at 30 June 2016, the Group has 4 natural gas project companies in Hunan Province and Guangxi and is in the progress of acquiring 1 natural gas project company in Hunan Province.

Natural gas, as a sustainable development clean energy, not only can significantly reduce sulfur dioxide and nitrogen oxide emissions, but also the important elements of urbanization development and improvement of people's livelihood, having obvious environmental benefits and social benefits. Recently, the natural gas selling price adjustment promote enterprise healthy competition, provides a broad space for natural gas business development and increases the demand of quality clean natural gas, it is advantageous to the stable development of the natural gas industry.

According to the "China Energy Outlook 2030" released in early March 2016, it is expected that the consumption volume of domestic natural gas in 2020 will reach 290,000 million cubic meters, representing an average growth rate of 7.5% per year during the period of the 13th Five-Year Plan. In 2030, the amount is expected to reach 480,000 million cubic meters and the average growth rate between 2020 and 2030 will be 5.2% per year. The contribution of natural gas consumption to aggregate consumption of primary energy sources will increase to 12%.

The PRC government has launched a series supportive policies, with the increasing demand of natural gas and improve the natural gas supply, natural gas in PRC will be widely used further, the natural gas industry will usher in a new round of rapid growth in the future and entered into a new stage in a faster and broader way. The Group will seize the opportunity, and leverage their strengths, and is actively seeking acquisition opportunities in the regions of huge development potential through a number of channels and networks, so that the Group's natural gas business grows considerably.

Other environmental and clean energy businesses (such as solid waste treatment and waste to energy)

In future, with the deepening of reform and social development in PRC, the rapid development of urbanisation, growing public awareness of environmental issues, to promote the development of environmental protection industry and use of clean energy has become a trend, environmental protection and clean energy policy of the PRC government launched will benefit the Group and provide the Group's related infrastructure businesses a broad and bright development future.

With years of extensive experience in its infrastructure and in the field of environmental protection industry, the Group's management will put its business strategy into practice and competitive advantage to enhance the share in the PRC market. According to business development strategy, the Group continues to expand its footprint in PRC, contribute to PRC infrastructure and environmental management, while bringing exceptional value to our shareholders. The Group will continue to explore infrastructure projects relating to environmental protection, clean energy and urbanisation of PRC and seize the opportunities to enhance the market share in the PRC market.

China City Infrastructure will adhere its prudent financial management concepts, to maintain a healthy balance sheet and financial position, and will optimise the capital structure of the Group's business portfolio and broaden the sources of financing, to maximise shareholder value.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2016, 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$21.1 million (31 December 2015: approximately HK$21.4 million).

As at 30 June 2016, the Group had no capital commitments in respect of its prepayment for acquisition of an intangible asset, authorised but not contracted in the consolidated financial statements (31 December 2015: approximately HK$71.4 million).

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 transaction was minimal.

As at 30 June 2016, the Group had provided guarantees to banks for loans of approximately HK$11.9 million (31 December 2015: approximately HK$48.7 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.

The directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect at 30 June 2016 and 31 December 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2016, the total number of employees stood at approximately 452. Total staff costs for the period under review was approximately HK$26.5 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 2016 (six months ended 30 June 2015: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2016, 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 2016.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2016, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code ("CG Code") 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.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.

(3) Code Provision A.6.7

Under this code provision A.6.7 of the CG Code, which stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders.

Due to other business engagements, two executive Directors and one non-executive Director could not attend the annual general meeting of the Company held on 3 June 2016 (the "AGM"). However, at the AGM, there were at least one executive Director and all independent non-executive Directors present to enable the Board to develop a balanced understanding of the views of the shareholders of the Company (the "Shareholders").

(4) Code Provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting and also invite the chairmen of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In their absence, he should invite another member of the committee or failing this his duly appointed delegate, to attend. These persons should be available to answer questions at the annual general meeting.

Due to another business engagement, Mr. Li Chao Bo, the Chairman of the Board, was unable to attend the AGM. However, Ms. Wang Wenxia, the Vice Chairman and executive Director of the Company, took the chair of that meetings, and independent non-executive Directors, being the delegate of the audit, remuneration and nomination committees of the Company were present thereat to be available to answer any question to ensure effective communication with the Shareholders.

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. Wong Chi Ming, Mr. Chan Pok Hiu and Mr. Wang Jian, who are the independent non-executive Directors.

The audit committee has reviewed the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2016.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Company establishes different communication channels with Shareholders and investors, including (i) printed copies of corporate communications (including but not limited to annual reports, interim reports, notices of meetings, circulars and proxy forms) required under the Listing Rules; (ii) the annual general meeting provides a forum for Shareholders to raise comments and exchange views with the Board; (iii) updated and key information on the Group is available on the website of the Company; (iv) the Company's website offers a communication channel between the Company and its Shareholders and stakeholders; and (v) the branch share registrar of the Company deals with shareholders for share registration and related matters.

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

Hong Kong, 26 August 2016

* *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), 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.