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

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2349)

DISCLOSEABLE TRANSACTION: DISPOSAL OF EQUITY INTEREST IN A SUBSIDIARY

THE DISPOSAL

The Board announces that on 15 December 2020, after trading hours, the Vendor, a wholly-owned subsidiary of the Company, and the Purchaser entered into the SP Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Shares at the cash Consideration of HK\$1,000,000.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

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Set out below are the major terms of the SP Agreement:

THE DISPOSAL

Date

15 December 2020 (after trading hours)

Parties

- (a) Vendor: China Water Property Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company.
- (b) Purchaser: Fit Energy Holdings Limited, a company incorporated in the BVI with limited liability.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser's ultimate beneficial owners are Mr. Bu Weihua, Mr. Chen Yinren and Mr. Zheng Zhengkang, who are PRC citizens and the Purchaser and its ultimate beneficial owners are Independent Third Parties.

Assets to be disposed of

The Sale Shares, representing 70% of the issued share capital of the Target. As at the date of the SP Agreement, the Target is owned as to 70% by the Vendor and as to 30% by an Independent Third Party.

Conditions Precedent

Completion shall be conditional upon all necessary consents and approvals (including but not limited to the requirements stipulated under all laws, regulations and the Listing Rules) required to be obtained on the part of the Vendor and the Purchaser respectively in respect of the sale and purchase of the Sale Shares having been obtained.

If the Condition Precedent set out above has not been satisfied on or before the Long Stop Date, the SP Agreement shall cease and terminate (save for certain miscellaneous provisions), and no party shall have any obligations and liabilities towards each other save for any prior breaches of the terms of the SP Agreement.

Consideration

The total Consideration payable by the Purchaser for the acquisition of the Sale Shares is HK\$1,000,000, which shall be satisfied by the Purchaser in the following manner (or in such other manner as may be agreed between the Purchaser and the Vendor):

- (1) the Purchaser shall pay to the Vendor of HK1,000,000 (or an equivalent amount in RMB) in cash within sixty days upon signing of the SP Agreement.

Basis of the Consideration

The Consideration for the Sale Shares was determined after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms by taking into consideration of various factors, including but not limited to (i) the factors stated in the section headed "Reasons for and Benefits of the Disposal" set out below; and (ii) the net liability position of the Target.

Completion

Subject to fulfilment of the Condition Precedent, Completion shall take place on the Completion Date.

Immediately after Completion, each member of the Target Group will cease to be a subsidiary of the Company and the Company will cease to have any interest in the Target Group.

INFORMATION ABOUT THE TARGET GROUP

The Target is a company incorporated in the BVI with limited liability. As at the date of the SPA Agreement, the Target is owned as to 70% by the Vendor. The Target is an investment holding company and the Target Group owned an integrated complex. 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 the terminal of Hangzhou metro line No. 1, which is already in use in late 2012. The total gross floor area is approximately 114,610 sq.m. As at 31 December 2019, the remaining gross floor area of approximately 24,091 sq.m. remains yet under sale.

The unaudited consolidated total asset value and the net liability value of the Target Group as at 30 November 2020 were approximately HK\$555,346,000 and approximately HK\$318,455,000 respectively. The audited financial information of the Target Group for the year ended 31 December 2019 and 31 December 2018 of the Target Group are as follows:

	Year ended 31 December 2018 (audited) <i>HK\$'000</i>	Year ended 31 December 2019 (audited) <i>HK\$'000</i>
Net loss before taxation	5,426	298,374
Net loss after taxation	22,776	272,806

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in the property development and investment business, hotel business, property management business and infrastructure business.

The Group expects to recognise an unaudited accounting gain of approximately HK\$319,455,000 from the Disposal, being the difference between (i) the Consideration for the Sale Shares and (ii) the aggregate of the estimated unaudited total net liability value of the Target Group as recorded in the Group's accounts at Completion and the estimated expenses and tax to be incurred for the Disposal. The actual gain or loss as a result of the Disposal to be recorded by the Group is subject to final audit to be performed by the Company's auditors.

Due to the Purchaser shall assume all the liabilities and contingent liabilities of the Target Group of approximately HK\$853,477,000 upon Completion pursuant to the SP Agreement, the Disposal could help to reduce the Group's debt and reduce the finance cost of approximately HK\$50,800,000 per annum, which will in turn improve the cashflow of the Group.

The Directors expect that there will be no significant net proceeds from the Disposal after deducting the expenses directly attributable thereto. The Directors consider that the Disposal represents an opportunity for the Group to reduce indebtedness. Taking into consideration of the net losses recorded by the Target Group in the past two financial years and the net liability position of the Target Group, the Directors consider that the Disposal represents an opportunity for the Group to reduce its liabilities.

The Directors (including the independent non-executive Directors) are of the view that the terms of the SP Agreement (including the Consideration thereof) are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the relevant percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under the Listing Rules and is subject to notification and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors
“Business Day”	means a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business
“BVI”	British Virgin Islands
“Company”	China City Infrastructure Group Limited, a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal
“Completion Date”	the date of Completion, which means a day within three Business Days after the Condition Precedent under the paragraph headed “Condition Precedent” shall have been fulfilled, or such other date as the Vendor and the Purchaser may agree in writing
“Condition Precedent”	condition precedent to the Completion as set out in the paragraph headed “Condition Precedent” of this announcement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	HK\$1,000,000, being the consideration for the Disposal

“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of the Sale Shares by the Vendor to the Purchaser
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Parties”	third party(ies) independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	28 February 2021 (or such date as the Vendor and the Purchaser may agree in writing)
“PRC”	the People’s Republic of China, for the purposes of this announcement only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	Fit Energy Holdings Limited, a company incorporated in the BVI with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	70% of the issued share capital of the Target

“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company
“SP Agreement”	the conditional agreement dated 15 December 2020 entered into between the Vendor and the Purchaser in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Northern Sea Development Limited, a company incorporated in the BVI with limited liability and owned as to 70% by the Vendor
“Target Group”	the Target and its subsidiaries
“Vendor”	China Water Property Investment Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
China City Infrastructure Group Limited
Ye Tianfang
Chief Executive Officer

Hong Kong, 15 December 2020

As at the date of this announcement, the Board comprises Mr. Li Chao Bo (Chairman), Mr. Ji Jiaming and Mr. Ye Tianfang (Chief Executive Officer) as executive Directors; Mr. Zhang Guiqing as non-executive Director; and Mr. Ng Chi Ho, Dennis, Mr. Kwok Kin Wa and Ms. Kwong Mei Wan, Cally as independent non-executive Directors.