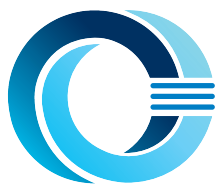


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中國城市基礎設施集團有限公司

China City Infrastructure Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2349)

**DISCLOSEABLE AND CONNECTED TRANSACTION:
ACQUISITION OF 40% EQUITY INTERESTS OF
TWO NON-WHOLLY OWNED SUBSIDIARIES
AND
TRANSFER OF PROPERTIES**

The Company is pleased to announce that after arm's length negotiations between the relevant parties, on 25 March 2015, the Purchaser, a wholly owned subsidiary of the Company, entered into of the Agreement with the Vendor in relation to the Possible Acquisition.

After Completion, the Target Companies will become wholly owned subsidiaries of the Company. The consideration for the Possible Acquisition will be settled by the Purchaser by procuring the PRC Company to transfer the Disposed Properties to the Vendor.

The entering into of the Agreement constitutes discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. As the Vendor is the registered holder of 40% of the registered capital of the Target Company and the Management Company, the Vendor is a connected person of the Company at the subsidiary level and the entering into of the Agreement and the transactions contemplated thereunder will also constitute connected transaction on the part of the Company under Chapter 14A of the Listing Rules. As the Board have approved the Agreement and the transactions contemplated thereunder and the independent non-executive Directors have confirmed that the terms of the Agreement are fair and reasonable and the transactions contemplated thereunder is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, given that the Vendor is a connected person at the subsidiary level only, the Agreement and the transactions contemplated there under is exempt from the circular, independent financial advice and independent Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

The Company is pleased to announce that after arm's length negotiations between the relevant parties, on 25 March 2015, the Purchaser, a wholly owned subsidiary of the Company, entered into of the Agreement with the Vendor in relation to the Possible

Acquisition. The entering into of the Agreement and the transactions contemplated thereunder constitute discloseable and connected transaction on the part of the Company under Chapters 14 and 14A of the Listing Rules. Set out below are the principal terms of the Agreement.

THE AGREEMENT

Date:

25 March 2015 (after trading hours)

Parties:

- (i) the Purchaser, a company incorporated in Hong Kong and a wholly owned subsidiary of the Company, as the purchaser of the Sale Capital
- (ii) the Vendor, a PRC citizen and the beneficial owner of 40% equity interests of the Target Companies

As the Target Companies are non-wholly owned subsidiaries of the Company immediately prior to the entering into of the Agreement and the Vendor is the registered holder of 40% of the Target Company and the Management Company, the Vendor is a connected person of the Company at the subsidiary level. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for his interests in the Target Companies, the Vendor is an Independent Third Party.

The Purchaser, being a wholly owned subsidiary of the Company, is an investment holding company incorporated in Hong Kong.

Assets to be acquired

Pursuant to the Agreement, it was agreed that the Purchaser (or its nominee) shall acquire and the Vendor shall sell the Sale Capital. The Sale Capital represents (i) 40% of the issued share capital of the Target Company; and (ii) 40% of the registered capital of the Management Company.

It was agreed after arm's length negotiations between the parties to the Agreement that the Possible Acquisition shall be conducted by way of purchase of the Sale Capital.

After Completion, the Company shall be interested in the entire issued share capital of the Target Company and the entire registered and paid-up capital of the Management Company.

Consideration and the transfer of the Disposed Properties

The total consideration for the Possible Acquisition is RMB81,390,000 and shall be settled by the Purchaser in the manner that the Purchaser shall procure the PRC Company to enter into the transfer agreement to transfer the Disposed Properties to the Vendor (or as he may direct) at the consideration of RMB81,390,000 (or such other manner as the parties thereto may agree).

The consideration for the Sale Capital was determined after arm's length negotiations between the Vendor and the Purchaser after considering various factors, including the unaudited book value of the Disposed Properties as at 31 December 2014 of approximately RMB72,900,000, the financial position of the Target Companies including the net asset values and the preliminary valuation of the Disposed Properties.

The Directors (including the independent non-executive Directors) consider that the consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions precedent

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

1. all necessary consents and approvals required to be obtained on the part of the Vendor and the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained;
2. no event, fact or situation that will cause the breaches or the possible breaches of warranties or terms of the Agreement by the Vendor;
3. if necessary, the passing by the Independent Shareholders of resolution(s) approving the transactions contemplated under the Agreement, including but not limited to the transfer of the Disposed Properties;
4. the obtaining of a PRC legal opinion (in form and substance satisfactory to the Purchaser) from a PRC legal adviser appointed by the Purchaser in relation to the legality and the validity in respect to the establishment and subsistence of the PRC Company and Management Company and the transactions contemplated under the Agreement; and
5. the Purchaser being satisfied with the results of the due diligence to be conducted on the assets, liabilities, operations and affairs of the Target Companies.

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

Completion

Completion shall take place on the date falling the third Business Day after all the conditions of the Agreement have been fulfilled or waived or such other date as may be agreed between the parties thereto.

THE DISPOSED PROPERTIES

The Disposed Properties comprise of (1) gross floor areas of approximately 10,089 sq.m., mainly represented an aggregate of 66 apartment units and 65 office units and (2) 90 units of car park spaces, all of them are located in Hangzhou City, Zhejiang Province, the PRC and are owned by the PRC Company.

Based on the preliminary valuation conducted by an independent professional valuer on market approach, the preliminary market value of the Disposed Properties amounts to approximately RMB126,900,000. The unaudited book value of the Disposed Properties as at 31 December 2014 amounts to approximately RMB72,900,000.

INFORMATION OF THE TARGET COMPANIES

The Target Company is a company incorporated in Hong Kong with limited liability and is principally engaged in investment holdings. Immediately prior to the entering into of the Agreement, the Purchaser is interested in 60% of the issued share capital of the Target Company and the Vendor is the legal and beneficial owner of 40% issued share capital of the Target Company.

The Target Company is the beneficial owner of the entire registered capital of the PRC Company. The PRC Company is a company established in the PRC with a registered and paid up capital of US\$14,900,000 and is principally engaged in property development, property sales and related business. The PRC Company is currently the owner of the Disposed Properties.

The Management Company is a company established in the PRC with a registered and paid up capital of RMB30,000,000. Immediately prior to the entering into of the Agreement, the Purchaser is interested in 60% of the registered capital of the Management Company and the Vendor is the beneficial owner of 40% registered capital of the Management Company. The Management Company is principally engaged in property management and related business.

Set below is the combined financial information of the Target Companies:

	For the year ended 31 December 2013 <i>RMB'000</i> (Unaudited)	For the year ended 31 December 2014 <i>RMB'000</i> (Unaudited)
Profit before taxation	154,752	86,118
Profit after taxation	114,527	59,077
Net asset value	219,167	275,504

As at the date of this announcement, the Target Companies are treated as non-wholly owned subsidiaries of the Company. After completion of the Possible Acquisition, the Target Companies will be treated as wholly owned subsidiaries of the Group and their results will continued be consolidated in the consolidated financial statements of the Group. Based on the unaudited financial statements of the Target Group as at 31 December 2014, it is estimated that upon Completion of Possible Acquisition, the Group will record an

acquisition reserve of approximately HK\$47,200,000 (which is subjected to audited figures on the date of completion of the transaction), representing the surplus of the net asset value of the equity interests acquired over the value of the Disposed Properties.

Reference to the preliminary valuation of the Disposed Properties, it is contemplated that the net asset value of the Target Companies as at year ended 31 December 2014 would be approximately RMB528 million after adjustment by such valuation, accordingly, the value of the 40% equity interests of the Target Companies to be acquired would be approximately RMB211 million.

REASONS FOR THE POSSIBLE ACQUISITION AND THE TRANSFER OF DISPOSED PROPERTIES

The Company is an investment holding company and the Group is dedicated to the infrastructure businesses, with primitive focus on infrastructure projects relating to environmental protection, clean energy, and urbanisation in PRC, including such as natural gas pipeline construction and operation of concession right, solid waste treatment and waste to energy, etc. The Group is also engaged in property related businesses and develops a well-diversified portfolio, which can provide a sustainable cash inflow and potential capital appreciation to the Group.

The principal business of the Target Group is the development, construction and management of a property project in Hangzhou City. The Company was of the view that with the Possible Acquisition, the Group will hold 100% equity interest in the Target Companies which will enable the Group to have a stable income and possible capital appreciation and overall control in the future.

The consideration of the Possible Acquisition will be settled by way of transfer of the Disposed Properties to the Vendor. The Board considers that such settlement manner will not involve cash outflow of the Group and also will save the costs and expenses to dispose the Disposed Properties to market.

Taking into consideration of the above factors, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Possible Acquisition and the transfer of the Disposed Properties are fair and reasonable on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

The entering into of the Agreement constitutes discloseable transaction on the part of the Company under Chapter 14 of the Listing Rules. As the Vendor is the registered holder of 40% of the registered capital of the Target Company and the Management Company, the Vendor is a connected person of the Company at the subsidiary level and the entering into of the Agreement and the transactions contemplated thereunder will also constitute connected transaction on the part of the Company under Chapter 14A of the Listing Rules.

As the Board have approved the Agreement and the transactions contemplated thereunder and the independent non-executive Directors have confirmed that the terms of the Agreement are fair and reasonable and the transactions contemplated thereunder is on normal commercial terms and in the interests of the Company and the Shareholders as a

whole, given that the Vendor is a connected person at the subsidiary level only, the Agreement and the transactions contemplated there under is exempt from the circular, independent financial advice and independent Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Directors have a material interest in the Agreement and the transactions contemplated thereunder and no Directors have abstained from voting in the board resolutions approving the Agreement and the transactions contemplated thereunder.

DEFINITION

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Agreement”	the conditional sale and purchase agreement for the Possible Acquisition dated 25 March 2015 entered into between the Purchaser and the Vendor
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (not being Saturdays, Sunday or public holidays) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	China City Infrastructure Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Completion”	completion of the Possible Acquisition pursuant to the terms and conditions of the Agreement
“connected persons”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	director(s) of the Company
“Disposed Properties”	certain apartment, office and carpark units of the property located in southern side of intersection of Yingbin Road and Wengmei Road, Nanyuan Street, Yuhang District, Hangzhou City, Zhejiang Province, the PRC, held by the PRC Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons of the Company in accordance with the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Company”	杭州美萊商業企業管理有限公司 (Hangzhou Mei Lai Commercial Corporation Management Co. Ltd. [#]), a company established in the PRC and is owned as to 40% by the Vendor and as to 60% by the Purchaser
“Possible Acquisition”	the acquisition of the Sale Capital and the transactions contemplated thereunder
“PRC”	the People’s Republic of China
“PRC Company”	杭州尼加拉置業有限公司 (Hangzhou Niagra Real Estates Co., Ltd. [#]), a company established in the PRC and the owner of the Disposed Properties and a wholly owned subsidiary of the Target Company
“Purchaser”	China Water Property (Hong Kong) Development Limited, a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Company
“Sale Capital”	together the Sale Shares and 40% of the registered capital of the Management Company
“Sale Shares”	the 4,000 shares of HK\$1.00 each in the issued share capital of the Target Company, representing 40 % of the issued share capital of the Target Company
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“sq.m.”	square metre(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	香港美來國際(加拿大)有限公司 (HK Mei Lai International (Canada) Limited), a company incorporated in Hong Kong and is owned as to 40% by the Vendor and as to 60% by the Purchaser

“Target Group”	together the Target Company, the PRC Company and the Management Company and “Target Companies” should be interpreted accordingly
“Vendor”	鄭廷玉 (Zheng Tingyu [#]), a PRC citizen and the beneficial owner of the Sale Capital
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States of America

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.

By order of the Board
China City Infrastructure Group Limited
Wang Wenxia
Vice Chairman and Chief Executive Officer

Hong Kong, 25 March 2015

As at the date of this announcement, the Directors of the Company are Ms. Wang Wenxia and Mr. Ren Qian as Executive Directors; Mr. Duan Chuan Liang and Mr. Zhou Kun as Non-executive Directors; and Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian as Independent Non-executive Directors.