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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 2015

KEY HIGHLIGHTS

— The Group started to expand its businesses in infrastructure sector in late 2014. Up to now, the Group acquired 3 natural gas project companies in Hunan Province and Jiangxi Province and is in the progress of acquiring 2 natural gas project companies in Guangxi. 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 work and Group's resources, the Group will expand the infrastructure business rapidly.

— 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, turnover of approximately HK$39,837,000, while approximately HK$175,572,000 was recorded for the same period in 2014. It is mainly due to fewer property units sold and delivered during Current Period.

— New natural gas business contributed revenue (post acquisition) of approximately HK$2,172,000 during Current Period.

— The Group's investment properties recorded a fair value gain of approximately HK$67,596,000.

— During Current Period, the Group incurred one-off non-cash share-based payment of approximately HK$57,581,000.

— The Group's net loss for the period is approximately HK$89,880,000, a net profit of approximately HK$11,595,000 was recorded in the same period of 2014.

— As at 30 June 2015, the Group's total assets recorded approximately HK$6,194,183,000, while it recorded approximately HK$5,835,330,000 as at 31 December 2014.

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 2015 (the "Current Period").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015

		Six months ended 30 June	
		2015	2014
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited) (restated)
Turnover	*3*	**39,837**	175,572
Cost of sales		**(32,416)**	(103,314)
Gross profit		**7,421**	72,258
Fair value gain in respect of investment properties revaluation		**67,596**	48,027
Other operating income		**1,189**	2,641
Other operating expenses		**(67,075)**	(9,494)
Selling and distribution expenses		**(987)**	(1,167)
Administrative expenses		**(41,172)**	(48,108)
Finance costs	*4*	**(39,499)**	(23,453)
(Loss) profit before tax		**(72,527)**	40,704
Income tax expense	*5*	**(17,353)**	(29,109)
(Loss) profit for the period	*6*	**(89,880)**	11,595
(Loss) profit for the period attributable to:			
Loss for the period attributable to owners of the Company		**(88,428)**	(27,752)
(Loss) profit for the period attributable to non-controlling interests		**(1,452)**	39,347
(Loss) profit for the period		**(89,880)**	11,595
		HK Cents	*HK Cents*
Loss per share	*8*		
— Basic		**(4.32)**	(1.49)
— Diluted		**(4.32)**	(1.49)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) profit for the period	**(89,880)**	11,595
Other comprehensive income for the period:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translating of foreign operation	**–**	841
Total comprehensive (expense) income for the period (net of tax)	**(89,880)**	12,436
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(88,428)**	(26,911)
Non-controlling interests	**(1,452)**	39,347
	(89,880)	12,436

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2015

	Note	**30 June 2015 HK$'000 (unaudited)**	31 December 2014 HK$'000 (audited)
ASSETS			
Non-current assets			
Prepaid lease payments		**11,867**	21,361
Property, plant and equipment		**169,039**	44,418
Investment properties		**2,240,507**	2,922,786
Goodwill		**224,646**	174,605
Intangible assets		**163,162**	–
Deposit paid for acquisition of subsidiaries		**29,906**	–
Prepayment for acquisition of an intangible asset		**325,074**	274,513
Available-for-sale investments		**12,658**	12,658
		3,176,859	3,450,341
Current assets			
Inventories		**1,272**	538
Inventory of properties		**2,435,188**	1,590,385
Trade and other receivables	*9*	**238,242**	288,578
Prepaid lease payments		**18,988**	18,988
Available-for-sale investments		**25,000**	37,000
Bank balances and cash		**298,634**	449,500
		3,017,324	2,384,989
TOTAL ASSETS		**6,194,183**	5,835,330
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital		**204,459**	204,459
Reserves		**1,705,421**	1,736,268
Equity attributable to owners of the Company		**1,909,880**	1,940,727
Non-controlling interests		**280,367**	259,639
TOTAL EQUITY		**2,190,247**	2,200,366

	Note	30 June 2015 HK$'000 (unaudited)	31 December 2014 HK$'000 (audited)
LIABILITIES			
Non-current Liabilities			
Deferred tax liabilities		**459,708**	412,546
Borrowings — due after one year		**513,522**	498,965
Convertible notes		**73,770**	72,335
Senior notes		**577,157**	569,970
Deposits received for sale and lease of properties — non-current portion		**1,772**	3,399
		1,625,929	1,557,215
Current Liabilities			
Trade and other payables	*10*	**705,414**	713,127
Deposits received for sale and lease of properties — current portion		**255,886**	124,217
Tax payable		**108,724**	122,452
Amounts due to non-controlling shareholders of subsidiaries		**–**	2,608
Amounts due to related parties		**229,881**	102,604
Borrowings — due within one year		**1,077,700**	1,012,413
Deferred income — current portion		**402**	328
		2,378,007	2,077,749
TOTAL LIABILITIES		**4,003,936**	3,634,964
TOTAL EQUITY AND LIABILITIES		**6,194,183**	5,835,330
NET CURRENT ASSETS		**639,317**	307,240
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,816,176**	3,757,581

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 on The Stock Exchange of Hong Kong Limited 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 2014, as described in those annual financial statements. In addition, the Group has applied the following accounting policies during the current interim period:

(a) Service concession arrangements

Service concession arrangements are accounted for as follows if:

(i) the grantor controls or regulates what services the operator must provide with the infrastructure, to whom it must provide them, and at what price; and

(ii) the grantor controls through ownership, beneficial entitlement or otherwise any significant residual interest in the infrastructure at the end of the term of the arrangement.

The Group's rights over the infrastructure

Infrastructure constructed by the Group under service concession arrangements is not recognised as property, plant and equipment of the Group because the contractual service arrangement does not convey the right to control the use of the infrastructure to the Group. The operator has access to operate the infrastructure to provide the public service on behalf of the grantor in accordance with the terms specified in the contract.

Consideration received or receivable by the Group for the construction services

Consideration received or receivable by the Group for the construction services rendered under service concession arrangement are recognised at their fair value as a financial asset or an intangible asset.

A financial asset (loan and receivable) is recognised to the extent that (a) the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services rendered; and (b) the grantor has little, if any, discretion to avoid payment, usually because the agreement is enforceable by law.

The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amount received from users of the public services and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure to be constructed meets specified quality of efficiency requirements. The financial asset (loan and receivable) is accounted for in accordance with the policy set out for "Financial instruments" in the annual financial statements for the year ended 31 December 2014.

An intangible asset (concession intangible asset) is recognised to the extent that the Group receives a right to charge users of the public service, which is not an unconditional right to receive cash because the amounts are contingent on the extent that the public uses the service. The intangible asset (concession intangible asset) is accounted for in accordance with the policy set out for "Intangible assets (other than goodwill)" in note 2(c).

If the Group is paid partly by a financial asset and partly by an intangible asset, in which case, each component of the consideration is accounted for separately and the consideration received or receivable for both components are recognised initially at fair value of the consideration received or receivable.

Construction or upgrade services

Revenue and costs relating to construction or upgrade services are accounted for in accordance with the policy set out for "Construction contracts" in note 2(b).

Operating services

Revenue relating to operating services are accounted for in accordance with the policy for "Revenue recognition" in note 2(d).

(b) Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts for variation orders, claims and incentive payments. Contract costs comprise direct materials, costs of subcontracting, direct labour and an appropriate portion of variable and fixed construction overheads.

When the outcome of a construction contract can be estimated reliably, revenue and contract costs associated with the construction contract are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of reporting period.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that will probably be recoverable, and contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

(c) Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

The Group's intangible assets (other than goodwill) represent up-front payments to acquire the exclusive rights to operate natural gas business in the PRC excluding Hong Kong . Amortisation for the rights to operate natural gas business with finite useful lives are provided on straight-line basis over their estimated useful lives of over the remaining life of the operating rights. Both period and method of amortisation are reviewed annually.

Intangible assets with finite useful lives are tested for impairment.

(d) Revenue recognition

Revenue from sales of goods are recognised when the goods are delivered and title has passed.

Gas connection revenue is recognised when the outcome of a contract can be estimated reliably and the stage of completion at the end of the reporting period can be measured reliably. Revenue from gas connection contracts is recognised on the percentage of completion method, measured by reference to the proportion of contract cost incurred for work performed to date bear to the estimated total contract costs. When the outcome of a gas connection contract cannot be estimated reliably, revenue is recognised only to the extent of contract cost incurred that it is probable to be recoverable.

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:

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

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

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.

During the period, the Group expanded its businesses into natural gas business operating natural gas pipeline construction and operation of exclusive concession rights in the PRC.

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 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 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)

For the six months ended 30 June 2014

	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	146,114	6,970	19,521	2,967	175,572
RESULT					
Segment operating results	49,988	2,948	(6,398)	(234)	46,304
Fair value gain in respect of investment properties revaluation	–	48,027	–	–	48,027
Unallocated corporate income					2,417
Unallocated corporate expense					(32,591)
Finance costs					(23,453)
Profit before tax					40,704
Income tax expense					(29,109)
Profit for the period					11,595

4. FINANCE COSTS

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest expense on bank loans, and other borrowings wholly repayable within five years	**77,267**	76,286
Effective interest expense on convertible notes	**2,723**	2,902
Effective interest expense on senior notes	**44,687**	29,163
	124,677	108,351
Less: amounts capitalised in the cost of qualifying assets	**(85,178)**	(84,898)
	39,499	23,453

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**128**	9,657
PRC Land Appreciation Tax ("LAT")	**326**	7,445
Current tax charge for the period	**454**	17,102
Deferred tax charge for the period	**16,899**	12,007
	17,353	29,109

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) PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2015	2014
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
(Loss) profit for the period has been arrived at after charging (crediting):		
Depreciation and amortisation	**16,981**	15,845
Operating lease rental expense in respect of rented premises	**15,380**	15,036
Gross rental income from investment properties	**(10,860)**	(6,970)
Less: Direct operating expenses from investment properties that generate rental income	**2,403**	1,728
	(8,457)	(5,242)

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2015 (six months ended 30 June 2014: 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$88,428,000 (loss attributable to owners of the Company for six months ended 30 June 2014: approximately HK$27,752,000) and the weighted average number of ordinary shares of 2,044,594,861 (six months ended 30 June 2014: 1,858,722,861) 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 2015 *HK$'000* **(unaudited)**	As at 31 December 2014 *HK$'000* (audited)
Within 90 days	**27,108**	34,738
91 to 180 days	**–**	44
Over 180 days	**8,195**	4,797
Trade receivables	**35,303**	39,579
Prepayments for construction work	**120,300**	110,714
Receivable on disposal of subsidiaries	**879**	879
Receivable on disposal of investment properties	**–**	56,456
Other receivables, prepayments and other deposits	**81,760**	80,950
	238,242	288,578

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 2015 *HK$'000* **(unaudited)**	As at 31 December 2014 *HK$'000* (audited)
Within 90 days	**374,984**	483,783
91 to 180 days	**–**	1,153
Over 180 days	**19,883**	30,446
Trade payables	**394,867**	515,382
Interest payables	**56,583**	32,466
Accrued expenses	**6,349**	11,495
Consideration payables	**95,443**	–
Other payables	**152,172**	153,784
	705,414	713,127

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.

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.

Up to now, the Group has acquired 3 natural gas project companies in Hunan Province and Jiangxi Province and is in the progress of acquiring 2 natural gas project companies in Guangxi. 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

Natural Gas Business

The Group started its natural gas business during the Current Period. Since the Group expanded its business into infrastructure sector in late 2014, the Group footprinted 5 counties with substantial growth potential across 3 provinces including Hunan Province, Jiangxi 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.

Jiangxi Province

The Group has completed the acquisition of a natural gas project company in Tonggu county in Jiangxi Province in second quarter 2015 with an equity interest of 90%. The projects held exclusive rights commencing from 2012 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 in Tonggu county. The project is under construction and started provision of natural gas connection construction services to users.

Guangxi

Pursuant to the acquisition agreements dated 4 May 2015 and 31 July 2015 respectively, the Group is in the progress of acquiring 2 natural gas project companies both with 100% equity interest in Guangxi. 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. The acquisitions is not completed during Current Period. Currently, the projects are in operation providing natural gas connection construction services and gas sales to users. The project is 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 Myanmer gas pipeline and Second West East Gas pipeline.

The PRC Property Development Business

There is a significant decrease in revenue in Current Period compared with same period in 2014 mainly because fewer property units were sold and delivered in Current Period and Zhongshui • Longyang Plaza was still in its pre-sale stage and not yet to be delivered and recorded as sales. The Group's development projects now include Zhongshui • Longyang Plaza in Wuhan and Mei Lai International Centre and Qiandao Lake Villa in Hangzhou. 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.

During the six months ended 30 June 2015, the Group's revenue from property development business amounted to approximately HK$5.8 million, where as approximately HK$146.1 million were recorded for the same period in 2014.

All projects are under development in accordance with their development plans.

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 ("WEDZ"), 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 station of metro line No. 3 which is expected to be in use in late 2015. 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 under construction and under pre-sell since 2014.

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 since late 2012. The total GFA of 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.

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.

The PRC Property Investment Business

Wuhan Future City Commercial Property Management Company Limited* ("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 58,310 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.

Commercial part of Zhongshui • Longyang Plaza is expected to complete in 2015. The commercial part has approximately 61,415 sq. m. with car park included. Respond to Group's business strategy and the market need, the Group made the commercial part of Zhongshui • Longyang Plaza available to pre-sell and therefore it was transferred as inventory of properties during Current Period.

On 22 July 2013, a lease agreement was entered into among Beijing Huangcheng Club & Culture Company Limited* ("Huangcheng Club") and Shenzhen Zhongshui Property Company Limited* ("Zhongshui Property")(a wholly own subsidiary of the Group) and Beijing Qianmen Tianshi Property Development Company Limited* (the "Landlord"), pursuant to which the Landlord agrees to lease to the Group the Qianmen Avenue land parcel B14 (the "Land"), Beijing, the PRC, mainly for the use of as a theme hotel and culture club and related property business. As the Land is located at the core area of Central Beijing City, which is a Beijing traditional commercial street near Tiananmen Square and Dashilar Street, as well as significant political and administrative areas, the lease will enhance the Group's property portfolio and generate a stable income stream for the Group. On the same day, the Joint Venture Agreement was entered into between Zhongshui Property, an indirect wholly owned subsidiary of the Company, and Huangcheng Club, pursuant to which Beijing Shenglong Culture Company Limited* (the "Joint Venture Company") was established in Beijing, the PRC. The Joint Venture Company is owned as to 70% and 30% by each of Zhongshui Property and Huangcheng Club respectively. The purpose of establishing the Joint Venture Company is to develop and operate the Land. The project is under planning.

As at 30 June 2015, the aggregate fair value of the investment properties held by the Group recorded approximately HK$2,240.5 million. During the period ended 30 June 2015, the rental income of the Group was approximately HK$10.9 million and the average occupancy rate is around 44%.

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$19.0 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" and recorded a revenue of approximately HK$0.3 million during the Current Period.

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 2015.

The PRC Property Management Business

Wuhan Future City Property Management Company Limited* ("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 2015, the revenue from property management was approximately HK$1.7 million.

Financial Review

Turnover

Turnover of the Group for the six months ended 30 June 2015 was approximately HK$39.8 million (six months ended 30 June 2014: approximately HK$175.6 million). The decrease was mainly due to a decrease in revenue from sales of properties. In addition, Zhongshui • Longyang Plaza was under pre-sale and not yet delivered and recorded as sales. As a result, a significant decrease in revenue was resulted.

During the period, turnover of HK$2.1 million was contributed by the newly acquired natural gas business. As the Group completed the acquisition of three natural gas project companies and started its natural gas business during the Current Period, the post acquisition revenue from these three natural gas companies were reflected in the Group's financial statement for the Current Period.

Cost of Sales

The cost of sales decreased from approximately HK$103.3 million for the six months ended 30 June 2014 to approximately HK$32.4 million for the six months ended 30 June 2015, primarily due to the decrease 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 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 decreased from approximately HK$72.3 million for the six months ended 30 June 2014 to approximately HK$7.4 million in 2015. The Group has a gross profit margin of 19% for the same period in 2015, as compared with 41% for the same period in 2014. The decrease in the gross profit margin was primarily because there is a significant decrease in property sales with high gross profit margin whereas the proportion of lower gross profit charging business increased during the Current Period.

Other Operating Income

Other operating income decreased to approximately HK$1.2 million for the six months ended 30 June 2015 from approximately HK$2.6 million for the same period in 2014. This decrease was primarily due to a decrease in exchange gain.

Other Operating Expenses

Other operating expense, which mainly represented amortisation of prepaid lease payment and non-cash share-based payment, increased to approximately HK$67.1 million for the six months ended 30 June 2015 from approximately HK$9.5 million for the same period in 2014. This increase was primarily due to the one-off non-cash share-based payment incurred during Current Period.

Change in Fair Value of the Investment Properties

There was a net gain of approximately HK$67.6 million for the six months ended 30 June 2015 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 decreased to HK$1.0 million for the six months ended 30 June 2015 from approximately HK$1.2 million for the same period in 2014, primarily due to a decrease in advertising and promotion expenses for properties sales and hotel business.

Administrative Expenses

The administrative expenses decreased to approximately HK$41.2 million for the six months ended 30 June 2015 from approximately HK$48.1 million for the same period in 2014, primarily because the property related business become stable and mature, which result in certain reduction of expenses through certain cost control measure during Current Period.

Finance Costs

The finance costs recorded approximately HK$39.5 million for the six months ended 30 June 2015 (six months ended 30 June 2014: approximately HK$23.5 million). As the Group raised more borrowings including senior notes, for Group's projects development and operation, finance cost increased.

Income Tax Expense

The income tax decreased to approximately HK$17.4 million for the six months ended 30 June 2015 from approximately HK$29.1 million for the same period in 2014. 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 Current Period.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company for the six months ended 30 June 2015 recorded approximately HK$88.4 million (six months ended 30 June 2014: HK$27.8 million).

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2015, total bank balances and cash of the Group amounted to approximately HK$298.6 million (31 December 2014: HK$449.5 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2015, the Group's total debts included borrowings, senior notes and convertible notes, which the borrowings of approximately HK$1,591.2 million (31 December 2014: HK$1,511.4 million), senior notes of HK$577.1 million (31 December 2014: HK$570.0 million) and liability component of convertible notes of approximately HK$73.8 million (31 December 2014: HK$72.3 million) respectively. Amongst the borrowings, approximately HK$1,077.7 million (31 December 2014: approximately HK$1,012.4 million) will be repayable within one year and approximately HK$513.5 million (31 December 2014: approximately HK$499.0 million) will be repayable after one year. The senior notes and convertible notes are due in November 2016 and November 2017 respectively.

As at 30 June 2015, certain land and buildings together with relevant land use rights, certain investment properties with an aggregate carrying amount of approximately HK$3,832.0 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.

In addition, the Group has also pledged its rights to receive gas connection and gas supply fee income and certain intangible assets of a subsidiary in favour of bank to secure a borrowing granted to the Group.

Gearing Ratio

The gearing ratio was 89% as at 30 June 2015 (31 December 2014: 77%). 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 1.27 (31 December 2014: 1.15).

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 2015.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 30 June 2015. 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.

Future Plans and Prospects

The Group is principally engaged in the infrastructure businesses, and give special priority to infrastructure projects relating to, environmental protection, clean energy and urbanisation in PRC, including such as natural gas sales and distribution, natural gas pipeline construction, solid waste treatment and waste to energy, etc., and looking forward to benefiting from PRC vast market opportunities, rapid urbanisation, rising environmental protection requirements.

The PRC government has launched a series of air pollution control policies, to accelerate control management over high energy consumption and high pollution industries, and gradually promote the transformation and upgrade of traditional industries, promote the implementation of "coal to gas" project, orderly replacement of coal-fired boilers for industrial and commercial use and the implementation of natural gas price reform, and gradually stabilise and improve the natural gas supply so as to ensure the healthy development of the national clean energy industries. 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. Further, solid waste treatment and waste-to-energy industries are important industries of clean energy and environmental protection industry, which is also one of the development focus in the PRC and attract much attention from the society. The attention paid to clean energy and environmental protection industry will continue to increase and the determined national policy support and action plan on environmental restoration will create the unprecedented driving force for the environmental protection industry.

Up to now, the Group has acquired 3 natural gas project companies in Hunan Province and Jiangxi Province and is in the progress of acquiring 2 natural gas project companies in Guangxi. 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.

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 adhere to prudent financial management philosophy, to maintain a healthy balance sheet and financial position, and will optimise the Group's capital structure and businesses portfolio to create maximum value for shareholders of the Company.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2015, 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$429.4 million (31 December 2014: approximately HK$452.6 million).

The Group had capital commitments in respect of its prepayment for acquisition of an intangible asset, authorised but not contracted in the consolidated financial statements, amounting to not more than approximately HK$95.4 million (31 December 2014: approximately HK$132.9 million).

The Group had capital commitments in respect of acquisition agreement, contracted but not provided in the consolidated financial statements, amounting to approximately HK$6.3 million (31 December 2014: approximately HK$25.3 million).

EVENT AFTER REPORTING PERIOD

On 31 July 2015, reference is made to the announcement of the Company dated 4 May 2015, the Vendors and Purchaser agreed to amend the terms of Acquisition. Details of which are set out in the Company's announcement dated 31 July 2015.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2015, the total number of employees stood at approximately 376. Total staff costs (including the share-based payment) for the period under review was approximately HK$75.2 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 2015 (six months ended 30 June 2014: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2015, 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 2015.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2015, 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 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, one executive Director, certain non-executive Directors and one independent non-executive Director could not attend the extraordinary general meeting of the Company held on 27 February 2015 (the "EGM") and one non-executive Director could not attend the annual general meeting of the Company held on 22 May 2015 (the "AGM"). However, at the respective general meetings of the Company, there were at least one executive Director and at least two 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. Duan Chuan Liang, the Chairman of the Board, was unable to attend the EGM and the AGM. However, Ms. Wang Wenxia, the Vice Chairman and Executive Director, took the chair of that meetings, and three 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 2015.

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
Duan Chuan Liang
Chairman

Hong Kong, 26 August 2015

* *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 Ms. Wang Wenxia (Vice Chairman and Chief Executive Officer) and Mr. Ren Qian as executive Directors, Mr. Duan Chuan Liang (Chairman) 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.