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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

KEY HIGHLIGHTS

— Up to now, the Group acquired 5 natural gas project companies, whose scale are increasing, in Hunan Province, Jiangxi Province and Guangxi and are 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 work and the 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.

— Revenue is approximately HK$481,935,000 for the year, while approximately HK$232,170,000 was recorded in 2014, increased by approximately 108%.

— New natural gas business contributed revenue (post acquisition) of approximately HK$17,925,000 for the current year.

— Accelerating fading out the property development business,

- on 25 September 2015, the parties agree to terminate the lease agreement and the Group will not further proceed with the development and construction of the land and the premises, and Group received approximately HK$41,667,000, being part of the deposits refunded.

- revenue from property development business is approximately HK$397,887,000 for the Current Year, an increase of approximately 144% compared with the revenue of the same business of approximately HK$162,871,000 in 2014.

— The Group's investment properties recorded a fair value gain of approximately HK$100,237,000.

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

— The Group's net loss for the year is approximately HK$181,640,000, a net profit of approximately HK$57,900,000 was recorded in the year of 2014.

— As at 31 December 2015, the Group's total assets amounted to approximately HK$5,690,274,000.

ANNUAL RESULT

The board (the "Board") of directors (the "Directors") of China City Infrastructure Group Limited (the "Company") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively refer to as the "Group") for the year ended 31 December 2015 (the "Current Year").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	NOTES	**2015** *HK$'000*	2014 *HK$'000*
Revenue	*3*	**481,935**	232,170
Cost of sales		**(418,708)**	(146,180)
Gross profit		**63,227**	85,990
Fair value gain in respect of investment properties revaluation		**100,237**	199,603
Other operating income		**21,745**	6,561
Other operating expenses		**(119,152)**	(18,987)
Selling and distribution expenses		**(33,845)**	(21,683)
Administrative expenses		**(94,139)**	(97,182)
Finance costs	*4*	**(84,143)**	(32,053)
(Loss) profit before tax		**(146,070)**	122,249
Income tax expense	*5*	**(35,570)**	(64,349)
(Loss) profit for the year	*6*	**(181,640)**	57,900
(Loss) profit for the year attributable to:			
Owners of the Company		**(179,294)**	32,070
Non-controlling interests		**(2,346)**	25,830
(Loss) profit for the year		**(181,640)**	57,900
		HK Cents	*HK Cents*
(Loss) earnings per share	*8*		
Basic		**(8.77)**	1.71
Diluted		**(8.77)**	1.71

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2015

	2015	2014
	HK$'000	*HK$'000*
(Loss) profit for the year	**(181,640)**	57,900
Other comprehensive (expense) income for the year:		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**(109,506)**	825
Total comprehensive (expense) income for the year (net of tax)	**(291,146)**	58,725
Total comprehensive (expense) income attributable to:		
Owners of the Company	**(287,079)**	32,895
Non-controlling interests	**(4,067)**	25,830
	(291,146)	58,725

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTE	2015 HK$'000	2014 HK$'000
ASSETS			
Non-current assets			
Prepaid lease payments		**–**	21,361
Property, plant and equipment		**207,946**	44,418
Investment properties		**2,140,477**	2,922,786
Goodwill		**219,313**	174,605
Intangible assets		**213,725**	–
Prepayment for acquisition of an intangible asset		**348,870**	274,513
Available-for-sale investments		**–**	12,658
		3,130,331	3,450,341
Current assets			
Inventories		**7,647**	538
Inventory of properties		**2,109,881**	1,590,385
Trade and other receivables	*9*	**313,283**	288,578
Prepaid lease payments		**–**	18,988
Available-for-sale investments		**25,000**	37,000
Pledged bank deposits		**14,286**	–
Bank balances and cash		**89,846**	449,500
		2,559,943	2,384,989
TOTAL ASSETS		**5,690,274**	5,835,330
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital		**204,459**	204,459
Reserves		**1,551,994**	1,736,268
Equity attributable to owners of the Company		**1,756,453**	1,940,727
Non-controlling interests		**142,363**	259,639
TOTAL EQUITY		**1,898,816**	2,200,366

	NOTE	2015 HK$'000	2014 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**440,380**	412,546
Borrowings – due after one year		**459,026**	498,965
Amounts due to related parties–due after one year		**357,143**	–
Convertible notes		**75,286**	72,335
Senior notes		**–**	569,970
Deposits received for sale and lease of properties – non-current portion		**1,667**	3,399
		1,333,502	1,557,215
Current liabilities			
Trade and other payables	*10*	**621,751**	713,127
Deposits received for sale and lease of properties – current portion		**59,239**	124,217
Tax payable		**121,960**	122,452
Amounts due to non-controlling shareholders of subsidiaries		**32,253**	2,608
Amounts due to related parties		**264,581**	102,604
Borrowings – due within one year		**773,304**	1,012,413
Senior notes		**584,724**	–
Deferred income – current portion		**144**	328
		2,457,956	2,077,749
TOTAL LIABILITIES		**3,791,458**	3,634,964
TOTAL EQUITY AND LIABILITIES		**5,690,274**	5,835,330
NET CURRENT ASSETS		**101,987**	307,240
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,232,318**	3,757,581

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. GENERAL

China City Infrastructure Group Limited (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 9 October 2002.

The shares of the Company are listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 25 June 2003. The Directors of the Company consider that China Water Affairs Group Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, is the substantial shareholder of the Company.

The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is also the functional currency of the Company.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively, the "Group") are infrastructure businesses, property investment, property development, hotel business and property management in the People's Republic of China ("PRC").

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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

The application of the new and revised HKFRSs in the current year has no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012–2014 Cycle[1]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 10 and HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception[1]
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations[1]
HKFRS 14	Regulatory Deferral Accounts[1]
HKFRS 15	Revenue from Contracts with Customers[2]
HKAS 1 (Amendments)	Disclosure Initiative[1]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[1]

1 Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.
2 Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.
3 The original effective date has been deferred to a date yet to be determined.

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

3. SEGMENT INFORMATION

The accounting policies of the operating segments are the same as the Group's accounting policies in the preparation of the Group's consolidated financial statements.

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 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 year ended 31 December 2015

	Natural Gas Business *HK$'000*	Property Development Business *HK$'000*	Property Investment Business *HK$'000*	Hotel Business *HK$'000*	Property Management Business *HK$'000*	Total *HK$'000*
TOTAL REVENUE AND EXTERNAL SALES	**17,925**	**397,887**	**19,177**	**41,565**	**5,381**	**481,935**
RESULT						
Segment operating results	**(1,752)**	**(22,410)**	**5,109**	**(8,276)**	**1,304**	**(26,025)**
Fair value gain in respect of investment properties revaluation	**–**	**–**	**100,237**	**–**	**–**	**100,237**
Unallocated corporate income						**719**
Unallocated corporate expense						**(136,858)**
Finance costs						**(84,143)**
Loss before tax						**(146,070)**
Income tax expense						**(35,570)**
Loss for the year						**(181,640)**

For the year ended 31 December 2014

	Property Development Business *HK$'000*	Property Investment Business *HK$'000*	Hotel Business *HK$'000*	Property Management Business *HK$'000*	Total *HK$'000*
TOTAL REVENUE AND EXTERNAL SALES	162,871	21,484	41,954	5,861	232,170
RESULT					
Segment operating results	9,447	14,298	(12,710)	(45)	10,990
Fair value gain in respect of investment properties revaluation	–	199,603	–	–	199,603
Unallocated corporate income					4,984
Unallocated corporate expense					(61,275)
Finance costs					(32,053)
Profit before tax					122,249
Income tax expense					(64,349)
Profit for the year					57,900

4. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest expense on bank loans, and other borrowings wholly repayable within five years	**156,348**	93,170
Effective interest expense on convertible notes	**5,546**	5,333
Effective interest expense on senior notes	**89,753**	71,510
	251,647	170,013
Less: amounts capitalised in the cost of qualifying assets	**(167,504)**	(137,960)
	84,143	32,053

5. INCOME TAX EXPENSE

	2015	2014
	HK$'000	*HK$'000*
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**11,797**	4,876
Land Appreciation Tax ("LAT") in the PRC		
— Current year	**18,219**	11,679
— Over provision in prior year	**–**	(2,107)
Current tax charge for year	**30,016**	14,448
Deferred tax charge for the year	**5,554**	49,901
	35,570	64,349

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

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 YEAR

	2015	2014
	HK$'000	*HK$'000*
(Loss) Profit for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	**47,466**	56,318
Equity-settled share-based payment*	**57,581**	–
Retirement benefits scheme contributions, including contributions for directors	**1,734**	1,020
Total staff costs	**106,781**	57,338
Auditors' remuneration	**1,555**	1,177
Amortisation of prepaid lease payments*	**14,063**	18,987
Amortisation of intangible assets	**5,530**	-
Depreciation of property, plant and equipment	**13,878**	12,580
Loss on disposal of property, plant and equipment	**–**	2
Impairment of available-for-sale investment*	**12,500**	-
Impairment of other receivables*	**879**	-
Impairment of development cost for property project*	**34,129**	-
Write-off of property, plant and equipment	**–**	154
Operating lease rental expenses in respect of rented premises	**30,396**	30,445

	2015	2014
	HK$'000	*HK$'000*
Gross rental income from investment properties	**(19,177)**	(21,484)
Less: Direct operating expenses from investment properties that generate rental income during the year	**3,610**	3,193
	(15,567)	(18,291)

* Those expenses for the year are included in "other operating expenses" on the face of the consolidated statement of profit or loss.

7. DIVIDENDS

The directors do not recommend the payment of a dividend for both years ended 31 December 2015 and 2014.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable is based on the loss attributable to the owners of the Company of approximately HK$179,294,000 (2014: earnings of approximately HK$32,070,000) and on the weighted average number of ordinary shares of 2,044,594,861 (2014: 1,874,509,250 shares) deemed to be in issue during the year.

For the years ended 31 December 2015 and 2014, the computation of diluted (loss) earnings per share has not assumed the conversion of the Company's outstanding convertible notes and share options since their exercise would result in a decrease in loss per share and an increase in earnings per share respectively.

9. TRADE AND OTHER RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**108,774**	39,579
Less: Allowance for doubtful debts	**–**	–
	108,774	39,579
Prepayments	**146,565**	145,539
Receivable on disposal of subsidiaries	**–**	879
Receivable on disposal of investment properties	**–**	56,456
Other receivables and other deposits	**57,944**	46,125
	313,283	288,578

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

	2015	2014
	HK$'000	*HK$'000*
Within 90 days	**95,980**	34,738
91 to 180 days	**1,087**	44
Over 180 days	**11,707**	4,797
	108,774	39,579

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

10. TRADE AND OTHER PAYABLES

The following is an aging analysis of the Group's trade payables based on the invoice date at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Within 90 days	**306,619**	483,783
91 to 180 days	**562**	1,153
Over 180 days	**36,387**	30,446
Trade payables	**343,568**	515,382
Interest payables	**49,095**	32,466
Accrued expenses	**1,253**	11,495
Other tax payables	**19,169**	–
Consideration payables for acquisition of subsidiaries	**39,314**	–
Other payables	**169,352**	153,784
	621,751	713,127

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

The average credit period of trade payables is three to six months. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that the carrying amount of trade and other payables approximate 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 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 5 natural gas project companies in Hunan Province, Jiangxi Province and Guangxi, and are in the progress of acquiring 1 natural gas project companies 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 during the current year, and foot printed 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 of 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 of 2015 with an equity interest of 90%. The project 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. Currently, the project is in operation providing natural gas connection construction services and gas sales to users.

Guangxi

The Group has completed the acquisition of 2 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 year ended 31 December 2015, the Group's revenue from property development business amounted to approximately HK$397.9 million, representing an increase of approximately 144%, compared with approximately HK$162.9 million in 2014. Aggregate gross floor area (the "GFA") sold for the year was 21,886square meters ("sq.m."), representing an increase of 106% from 10,615 sq.m. in 2014. Average selling price (the "ASP") was approximately HK$18,180 for the year. The significant increase in revenue was because of the record of the sales and delivery of Zhongshui Longyang Plaza in current year.

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 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 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.

Zhongshui • Longyang Plaza was completed its construction in end of 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 sell and therefore it was transferred as inventory of properties during current year.

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. On 25 September 2015, the parties agree to terminate the lease agreement and the Group will not further proceed with the development and construction of the land and the premises, and the Landlord will refund RMB35 million to Zhongshui Property (being part of the rental paid).

As at 31 December 2015, the aggregate fair value of the investment properties held by the Group recorded approximately HK$2,140.5 million. During the year ended 31 December 2015, the rental income of the Group was approximately HK$19.2 million and the average occupancy rate is around 38%.

The PRC Hotel Business

Wuhan Future City Hotel Management Company Limited* ("Hotel Company"), an indirect wholly owned subsidiary of the Company, 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 year ended 31 December 2015, the revenue arising from Future City Hotel was approximately HK$39.1 million and the average occupancy rate is around 89%.

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". During the year ended 31 December 2015, the hotel recorded a revenue of approximately HK$2.4 million.

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 expected to be in operation in mid-2016.

The PRC Property Management Business

Wuhan Future City Property Management Company Limited* ("Property Company"), an indirect wholly owned subsidiary of the Company, provides residents and tenants with safe, modern, comfortable and high quality property management services. During the year ended 31 December 2015, the revenue from property management was approximately HK$5.4 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 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 2016.

Financial Review

Revenue

Revenue of the Group for the year increased to approximately HK$481.9 million from approximately HK$232.2 million, an increase of 108% compared with last year. The revenue of property development increased from approximately HK$162.9 million in 2014 to approximately HK$397.9 million in 2015. The increase was mainly due to an increase in revenue from sales of properties, in which the total GFA recognised during the year was 21,886 sq.m., representing an increase of 106%, compared with the total GFA of 10,615 sq.m. recognised in last year.

The revenue from property leasing, hotel business and property management business decreased from approximately HK$21.5 million in 2014 to approximately HK$19.2 million in 2015, from approximately HK$41.9 million in 2014 to approximately HK$41.5 million in 2015 and from approximately HK$5.9 million in 2014 to approximately HK$5.4 million respectively.

During current year, revenue of approximately HK$17.9 million was contributed by the newly acquired natural gas business. As the Group completed the acquisition of five natural gas project companies and started its natural gas business, the post acquisition revenue from these natural gas companies were reflected in the Group's financial statement during the year.

Cost of Sales

The cost of sales increased from approximately HK$146.2 million in 2014 to approximately HK$418.7 million in 2015, primarily due to the increase in total GFA recognised in 2015, where the cost of properties sold including development costs, land costs and borrowing costs.

During the year, the Group's cost of sales was also attributable by property investment segment of approximately HK$3.6 million, an increase of approximately HK$0.4 million compared with 2014, and by hotel business and property management business of approximately HK$44.6 million and approximately HK$2.9 million respectively, a decrease of approximately HK$1.9 million and a decrease of approximately HK$1.1 million compared with 2014 respectively.

During the current year, the natural gas business contributed approximately HK$14.4 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 by approximately HK$22.8 million from approximately HK$86.0 million in 2014 to approximately HK$63.2 million in 2015. The Group has a gross profit margin of 13% in 2015, as compared with 37% in 2014. The decrease in the gross profit margin was primarily due to a shift in sales-mix of properties, in which a higher proportion of properties with low profit margin were sold including properties of Zhongshui Longyang Plaza in Wuhan during the year.

Other Operating Income

Other operating income was approximately HK$21.7 million in 2015 from approximately HK$6.6 million in 2014. This increase was primarily due to the one off gain of approximately HK$18.0 arising from the termination of a land lease. Other than this, the other operating income represented bank interest income and exchange gain.

Other Operating Expenses

Other operating expenses increased to approximately HK$119.2 million in 2015 from approximately HK$19.0 million in 2014. This increase was primarily due to the one-off non-cash share-based payment of approximately HK$57.6 million and certain impairment loss recognised in respect to property projects development cost of HK$34.1 million in 2015.

Change in Fair Value of the Investment Properties

There was a net gain of approximately HK$100.2 million in 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 increased by 56% to approximately HK$33.8 million in 2015 from approximately HK$21.7 million in 2014, primarily due to increased expenses of advertising, promotion and related expenses for properties sales .

Administrative Expenses

The administrative expenses decreased by3% to approximately HK$94.1 million in 2015 from approximately HK$97.2 million in 2014, primarily because the property related businesses become stable and mature, which result in certain reduction of its expenses through certain cost control measure.

Finance Costs

The finance costs increased to approximately HK$84.1 million in 2015 from approximately HK$32.1 million in 2014, 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 by 45% to approximately HK$35.6 million in 2015 from approximately HK$64.3million in 2014. The decrease was primarily attributable to the income tax which was contributed mainly by the decrease in profit arising from the properties sold and the fair value change arising from investment properties during the year.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company for the year was approximately HK$179.3 million in 2015, while the profit attributable to owners of the Company for the year was approximately HK$32.1 million in 2014.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2015, total bank deposits and cash (including pledged bank deposits) of the Group amounted to approximately HK$104.2 million (31 December 2014: approximately HK$449.5 million), representing a decrease of HK$345.3 million as compared to that as at 31 December 2014.

Borrowings and Charges on the Group's Assets

At 31 December 2015, the Group's total debts included borrowings, senior notes and convertible notes, in which the borrowings of approximately HK$1,232.3 million (31 December 2014: approximately HK$1,511.4 million), senior notes of approximately HK$584.7 million (31 December 2014: approximately HK$570.0 million) and liability component of convertible notes of approximately HK$75.3 million (31 December 2014: approximately HK$72.3 million). Amongst the borrowings, approximately HK$773.3 million (31 December 2014: approximately HK$1,012.4 million) will be repayable within one year and approximately HK$459.0 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.

At 31 December 2015, certain bank deposits, certain property, plant and equipment together with relevant land use rights,certain investment properties and certain intangible assets with an aggregate carrying amount of approximately HK$3,604.1 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 income of a subsidiary in favour of bank to secure a borrowing granted to the Group.

Gearing Ratio

The gearing ratio was 94% as at 31 December 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 and pledged bank deposits) over the total equity. The current ratio (current assets divided by current liabilities) was 1.04 (31 December 2014: 1.15).

Exposure To Fluctuation In Foreign Exchange And Interest Rate

The Group principally operates the infrastructure business, 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 year ended 31 December 2015.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 31 December 2015. The Group undertook primarily debt obligations to support its infrastructure business and 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. So far, the Group acquired five natural gas companies, two in Hunan Province, one in Jiangxi Province and two in Guangxi, whose scale are increasing 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.

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

At 31 December 2015, the Group had capital commitments in respect of its construction of properties, contracted but not provided in the consolidated financial statements, amounting to approximately HK$21.4 million (2014: approximately HK$452.6 million).

The Group had capital commitments in respect of its acquisition of an intangible asset, authorised but not contracted in the consolidated financial statements, amounting to not more than HK$71.4 million (2014: HK$132.9 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 31 December 2015, the Group had provided guarantees to banks for loans of 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 31 December 2015 and 2014.

EVENT AFTER REPORTING PERIOD

On 5 January 2016, Shenzhen Huafeng Infrastructure Investments Limited, wholly owned subsidiary of the Company, entered into the Acquisition Agreement with Vendors to acquire 100% registered capital of Tongdao County Sen Tai Natural Gas Company Limited (the "Target Company). The Target Company is a company established in PRC. The principal activities of the Target Company include sales of natural gas and gas pipeline construction. Details of the acquisition are set out in the Company's announcement dated 5 January 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2015, the total number of employees stood at approximately 446. Total staff costs for the year under review was approximately HK$106.8 million (including non-cash share option expenses). The Group offers its workforce comprehensive remuneration and employees' benefits packages.

FINAL DIVIDEND

The Board resolved that the Company would not declare the payment of a dividend for the year ended 31 December 2015 (2014: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's ordinary shares during the year ended 31 December 2015.

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 Rules Governing the Listing of Securities on the Stock Exchange 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.

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 year ended 31 December 2015.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2015, the Company has applied the principles of, and complied with, the applicable code provisions of the Corporate Governance Code (the "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 (the "Chairman") of the Board of the Company 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 meeting of the Company, except for one non-executive Director, remaining all 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 AGM. However, Ms. Wang Wenxia, the Vice Chairman and executive Director of the Company, took the chair of that meetings, and all 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 audited consolidated results of the Group for the year ended 31 December 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.

SCOPE OF WORK OF HLM CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in this announcement have been agreed by the Group's auditor, HLM CPA Limited ("HLM") to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by HLM in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM on this announcement.

By order of the Board
China City Infrastructure Group Limited
Duan Chuan Liang
Chairman

Hong Kong, 30 March 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 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.