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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)

(Stock Code: 5998)

**SUBSCRIPTION OF NEW SHARES
AND
RESUMPTION OF TRADING**

SUBSCRIPTION OF NEW SHARES

On 30 May 2016 (after trading hours of the Stock Exchange), the Company entered into a Subscription Agreement with the Subscriber pursuant to which the Subscriber has conditionally agreed to subscribe for the Company has conditionally agreed to allot and issue, an aggregate of 408,000,000 Shares at the Subscription Price of HK\$0.5 per Subscription Share.

The Subscription Price of HK\$0.5 per Subscription Share represents: (i) a discount of approximately 12.28% to the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on 30 May 2016, being the closing price on the date of the Subscription Agreement; and (ii) a discount of approximately 8.76% to the average of the closing prices of HK\$0.548 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Subscription Agreement. The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the liquidity and the recent trading performance of the Shares.

The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Subscription Shares represent approximately 19.96% of the existing issued share capital of the Company and approximately 16.64% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The net proceeds of the Subscription of approximately HK\$204,000,000 will be applied for general working capital, repayment of loans and future development of the Company.

RESUMPTION OF TRADING

At the request of the Company, trading in the Shares and the debt securities of the Company on the Stock Exchange was halted from 9:00 a.m. on 31 May 2016 pending the release of this announcement. The Company has applied for resumption in trading of its Shares and debt securities on the Stock Exchange from 9:00 a.m. on 1 June 2016.

THE SUBSCRIPTION

The Subscription Agreement

Date: 30 May 2016 (after trading hours of the Stock Exchange)

Parties involved: (i) the Company; and
(ii) the Subscriber — China Financial International Investments Limited which and its ultimate beneficial owner(s) are Independent Third Party

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Subscriber is a company incorporated in the Cayman Island and continued in Bermuda with limited liabilities and is principally engaged in investment holding. The Subscriber itself does not hold any Shares at the date of the Subscription Agreement but the Subscriber's ultimate beneficial owner and his associates hold 196,735,429 Shares, representing approximately 9.62% of the entire issued share capital of the Company. Upon completion of the Subscription Agreement, the Subscriber will become a Shareholder holding in aggregated approximately 24.66% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Number of Subscription Shares

Pursuant to the Subscription Agreement, the Company has conditionally agreed to allot and issue and the Subscriber has conditionally agreed to subscribe in cash of HK\$204,000,000 for a total of 408,000,000 Subscription Shares at the Subscription Price of HK\$0.5 per Subscription Share. The 408,000,000 Subscription Shares represent approximately 19.96% of the existing issued share capital of the Company as at the date of this announcement and approximately 16.64% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

PRINCIPAL TERMS OF SUBSCRIPTION AGREEMENT

Apart from the Subscription Shares to be subscribed by the Subscriber set out above, set out below are the key terms of the Subscription Agreement.

Subscription Price

The Subscription Price of HK\$0.5 per Subscription Share represents:

- (i) a discount of approximately 12.28% to the closing price of HK\$0.570 per Share as quoted on the Stock Exchange on 30 May 2016, being the closing price on the date of the Subscription Agreement; and

- (ii) a discount of approximately 8.76% to the average of the closing prices of HK\$0.548 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the date of the Subscription Agreement.

The net Subscription Price, after deduction of relevant expenses (including but not limited to legal expenses and disbursements), is estimated to be approximately HK\$0.5 per Subscription Share.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the liquidity and the recent trading performance of the Shares. The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions of the Subscription

The Subscription is conditional upon the completion of the following conditions of the Subscription.

- (a) the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares;
- (b) all necessary consent and approval to be obtained by the Company in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained, including but not limited to the passing of the necessary resolution(s) by the independent Shareholders at an extraordinary general meeting of the Company (if necessary);
- (c) all necessary consent and approval to be obtained by the Subscriber in respect of the Subscription Agreement and the transactions contemplated thereunder having been obtained, including but not limited to the passing of the necessary resolution(s) by the shareholders of the Subscriber at an extraordinary general meeting of the Subscriber (if necessary); and
- (d) confirmation from Securities and Futures Commission that the Subscriber are not acting as concert with other shareholders of the Company and will not trigger a mandatory general offer under the Takeovers Code as a result of the Subscription Agreement and the transaction contemplated thereunder.

In the event that the conditions of the Subscription is not fulfilled on or before 26 August 2016 or such other date as may be agreed between the parties to the Subscription Agreement, the Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any obligations and liabilities under the Subscription Agreement.

The completion of the Subscription is subject to the fulfillment of a number of conditions set out above. Accordingly, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.

Completion of the Subscription

Completion of the Subscription will take place at 4:00 p.m. on the tenth Business Days after the conditions of the Subscription is fulfilled (or such other date as may be agreed by the parties to the Subscription Agreement).

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Lock-up Undertaking

Pursuant to the terms of the Subscription Agreement, the Subscriber undertakes that it will not dispose of the Subscription Shares in secondary market for a period of one year immediately after the allotment and issue of the Subscription Shares.

General Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 408,918,972 Shares. As at the date of this announcement, the General Mandate is sufficient for the issue and allotment of the Subscription Shares. As such, the issue of the Subscription Shares is not subject to further Shareholders' approval. The Subscription Shares utilises approximately 100% of General Mandate.

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE SUBSCRIPTION AGREEMENT AND THE USE OF PROCEEDS

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

The Directors consider that the Subscription Agreement are entered into upon normal commercial terms following arm's length negotiations between the Company and the Subscriber and that the terms of the Subscription Agreement are fair and reasonable so far as the interests of the Company and the Shareholders as a whole are concerned. The Directors consider that it is in the interest of the Company and its Shareholders as a whole to enhance the cashflow of the Company by entering into the Subscription Agreement while broadening the Shareholder and capital base of the Company.

The gross proceeds of the Subscription are approximately HK\$204,000,000. The net proceeds of the Subscription of approximately HK\$203,900,000 will be applied for general working capital for daily operation, repayment of loans and future development of the Group.

CHANGES IN SHAREHOLDING STRUCTURE

As at the date of this announcement, on the assumption that there will be no change in share capital of the Company from the date of this announcement until completion of the Subscription, the changes of the shareholding structure of the Company as a result of the Subscription are as follows:

	<i>Notes</i>	As at the date of this announcement and immediately before completion of the Subscription		Immediately after completion of the Subscription	
		<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
China Water Affairs Group Limited and its Associates	(1)	881,595,063	43.12	881,595,063	35.95
Asia Unite Limited	(2)	9,680,000	0.47	9,680,000	0.39
Ms. Wang Wenxia	(3)	1,231,440	0.06	1,231,440	0.05
Mr. Ren Qian	(3)	680,400	0.03	680,400	0.03
China Financial International Investments Limited	(4)	196,735,429	9.62	604,735,429	24.66
Other public Shareholders		<u>954,672,529</u>	<u>46.70</u>	<u>954,672,529</u>	<u>38.92</u>
Total		<u>2,044,594,861</u>	<u>100.00</u>	<u>2,452,594,861</u>	<u>100.00</u>

Notes:

- (1) These Shares held by China Water Affairs Group Limited (“China Water Affairs”), Sharp Profit Investments Limited (“Sharp Profit”) and Good Outlook Investments Limited (“Good Outlook”) which are wholly owned subsidiaries of China Water Affairs, and Mr. Duan Chuan Liang who is a director and substantial shareholder of China Water Affairs. Therefore, China Water Affairs was deemed to be beneficially interested in the said Shares held by Sharp Profit and Good Outlook for the purposes of the Securities and Futures Ordinance (“SFO”).
- (2) Mr. Li Chao Bo is the sole beneficial owner of Asia Unite Limited which in turn owns 9,680,000 shares of the Company. Mr. Li Chao Bo is a Director of the Company. Reference is made to the announcement of the Company dated 30 March 2016, Linkway Investment Holdings Limited, a company solely and beneficially owned by Mr. Li Chao Bo, as purchaser entered into a conditional sale and purchase agreement with China Water Affairs to acquire 592,932,500 Shares of the Company, representing approximately 29% of the issued share capital of the Company as at the date of this announcement. It is expected that the transfer will be completed on or after 30 January 2017, subject to the conditions of the agreement having been fulfilled. Details are also set out in the Company’s announcement dated 30 March 2016.
- (3) Ms. Wang Wenxia and Mr. Ren Qian are Directors of the Company.
- (4) The Subscriber is a company incorporated in the Cayman Islands and continued in Bermuda, the issued shares of which are listed on the main board of the Stock Exchange.

(These figures of Shares are based upon the notifications given by the Shareholders under SFO).

As at the date of this announcement, the Company has a total of 383,957,988 outstanding share options which entitles the holders of the share options to subscribe for 383,957,988 Shares.

FUND RAISING EXERCISES BY THE COMPANY IN THE PAST TWELVE MONTHS

The Group has not conducted any equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

RESUMPTION OF TRADING

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meaning:

“Associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (excluding Saturday, Sunday, public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Company”	China City Infrastructure Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“Connected Person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors to allot, issue and deal with 408,918,972 Shares at the annual general meeting of the Company held on 22 May 2015
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	independent third party who is not Connected Person(s) of the Company and is independent of and not connected with the Company and directors, chief executive, controlling shareholders and substantial shareholders of the Company or any of its subsidiaries or their respective Associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shares”	ordinary shares of HK\$0.10 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	China Financial International Investments Limited, a company incorporated in the Cayman Islands and continued in Bermuda with limited liability, an Independent Third Party
“Subscription”	the subscription for the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional agreement dated 30 May 2016 and entered into between the Company and the Subscriber in respect of the Subscription
“Subscription Price”	the subscription price of HK\$0.5 per Subscription Share
“Subscription Shares”	an aggregate of 408,000,000 Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 31 May 2016

As at the date of this announcement, the Board comprises Mr. Li Chao Bo (Chairman), Ms. Wang Wenxia (Vice Chairman and Chief Executive Officer) and Mr. Ren Qian as executive Directors, Mr. Zhou Kun as non-executive Director and Mr. Chan Pok Hiu, Mr. Wong Chi Ming and Mr. Wang Jian as independent non-executive Directors.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.