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 2017

KEY HIGHLIGHTS

— During Current Period, revenue of approximately HK$230,139,000, while approximately HK$108,616,000 was recorded for the same period in 2016. It is mainly due to more property units sold and delivered during Current Period.

— Natural gas business contributed revenue of approximately HK$13,055,000 during Current Period, while approximately HK$12,486,000 for the same period in 2016.

— The Group's investment properties recorded a fair value loss of approximately HK$54,278,000.

— The Group's net loss for the period is approximately HK$173,655,000, a net loss of approximately HK$188,529,000 was recorded in the same period of 2016.

— As at 30 June 2017, the Group's total assets recorded approximately HK$4,648,260,000.

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 2017 (the "Current Period").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Notes	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**230,139**	108,616
Cost of sales		**(190,345)**	(97,856)
Gross profit		**39,794**	10,760
Fair value (loss) gain in respect of investment properties revaluation		**(54,278)**	8,333
Other operating income		**3,418**	6,450
Other operating expenses		**(95)**	(13,294)
Selling and distribution expenses		**(33,292)**	(12,569)
Administrative expenses		**(48,127)**	(55,854)
Finance costs	*4*	**(82,446)**	(128,170)
Loss before tax		**(175,026)**	(184,344)
Income tax credit (expense)	*5*	**1,371**	(4,185)
Loss for the period	*6*	**(173,655)**	(188,529)
Loss for the period attributable to:			
Loss for the period attributable to owners of the Company		**(171,793)**	(186,463)
Loss for the period attributable to non-controlling interests		**(1,862)**	(2,066)
Loss for the period		**(173,655)**	(188,529)
		HK Cents	*HK Cents*
Loss per share	*8*		
– Basic		**(7.19)**	(9.10)
– Diluted		**(7.19)**	(9.10)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Loss for the period	**(173,655)**	(188,529)
Other comprehensive expense for the period:		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translating of foreign operation	**19,333**	(22,174)
Total comprehensive expense for the period (net of tax)	**(154,322)**	(210,703)
Total comprehensive expense attributable to:		
Owners of the Company	**(152,757)**	(208,406)
Non-controlling interests	**(1,565)**	(2,297)
	(154,322)	(210,703)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	30 June 2017 HK$'000 (unaudited)	31 December 2016 HK$'000 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**193,643**	193,413
Investment properties		**2,034,483**	2,028,090
Goodwill		**169,342**	168,516
Intangible assets		**120,737**	120,571
Interest in an associate		**–**	129,999
Deposit paid for acquisition of a subsidiary		**12,889**	13,422
		2,531,094	2,654,011
Current assets			
Inventories		**8,077**	4,347
Inventory of properties		**1,611,301**	1,714,654
Trade and other receivables	9	**347,787**	469,069
Pledged bank deposits		**13,793**	13,483
Bank balances and cash		**136,208**	58,890
		2,117,166	2,260,443
TOTAL ASSETS		**4,648,260**	4,914,454
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital		**286,659**	230,659
Reserves		**1,206,651**	1,140,540
Equity attributable to owners of the Company		**1,493,310**	1,371,199
Non-controlling interests		**128,072**	129,637
TOTAL EQUITY		**1,621,382**	1,500,836

	Notes	**30 June 2017** **HK$'000** **(unaudited)**	31 December 2016 *HK$'000* (audited)
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**394,340**	404,945
Borrowings – due after one year		**244,782**	312,697
Amounts due to related parties – due after one year		**662,220**	648,017
Convertible notes – due after one year		**19,072**	60,020
Deposits received for sale and lease of properties – non-current portion		**1,494**	1,461
		1,321,908	1,427,140
Current liabilities			
Trade and other payables	*10*	**556,858**	584,764
Deposits received for sale and lease of properties – current portion		**123,516**	83,548
Tax payable		**111,386**	130,747
Amounts due to non-controlling shareholders of subsidiaries		**1,244**	1,221
Amounts due to related parties – due within one year		**420,969**	315,966
Borrowings – due within one year		**409,631**	791,441
Convertible notes – due within one year		**80,133**	78,466
Deferred income – current portion		**1,233**	325
		1,704,970	1,986,478
TOTAL LIABILITIES		**3,026,878**	3,413,618
TOTAL EQUITY AND LIABILITIES		**4,648,260**	4,914,454
NET CURRENT ASSETS		**412,196**	273,965
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,943,290**	2,927,976

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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 (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") 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 2016, as described in those annual financial statements.

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 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses

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

The Group has not early adopted any standard, interpretation or amendment that has been issued but not yet effective.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[4]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9, Financial Instruments with HKFRS 4, Insurance Contracts[1]
HKFRS 9 (2014)	Financial Instruments[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]

[1] Effective for annual periods beginning on or after 1 January 2018, earlier application is permitted.

[2] Effective for annual periods beginning on or after 1 January 2019, earlier application is permitted.

[3] Effective for annual periods beginning on or after a date to be determined.

[4] Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The Group has not early adopted the new and amendments HKFRSs, which have been issued but are not yet effective for the current period. 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 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 People's Republic of China (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 2017

	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	**13,055**	**188,055**	**5,457**	**15,863**	**7,709**	**230,139**
RESULT						
Segment operating results	**(851)**	**(18,492)**	**(374)**	**(6,154)**	**2,766**	**(23,105)**
Fair value loss in respect of investment properties revaluation	**–**	**–**	**(54,278)**	**–**	**–**	**(54,278)**
Unallocated corporate income						**693**
Unallocated corporate expense						**(15,890)**
Finance costs						**(82,446)**
Loss before tax						**(175,026)**
Income tax credit						**1,371**
Loss for the period						**(173,655)**

For the six months ended 30 June 2016

	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	12,486	68,808	7,901	17,030	2,391	108,616
RESULT						
Segment operating results	(4,478)	(38,855)	1,383	(5,180)	(147)	(47,277)
Fair value gain in respect of investment properties revaluation	–	–	8,333	–	–	8,333
Unallocated corporate income						6,111
Unallocated corporate expense						(23,341)
Finance costs						(128,170)
Loss before tax						(184,344)
Income tax expense						(4,185)
Loss for the period						(188,529)

4. FINANCE COSTS

	Six months ended 30 June **2017** ***HK$'000*** **(unaudited)**	2016 *HK$'000* (unaudited)
Interest expense on bank loans, and other borrowings wholly repayable within five years	**75,234**	79,819
Effective interest expense on convertible notes	**7,212**	2,877
Effective interest expense on senior notes	**–**	45,474
	82,446	128,170

5. INCOME TAX (CREDIT) EXPENSE

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**(749)**	1,938
PRC Land Appreciation Tax ("LAT")	**16,403**	3,693
Current tax charge for the period	**15,654**	5,631
Deferred tax credit for the period	**(17,025)**	(1,446)
	(1,371)	4,185

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 FOR THE PERIOD

Loss for the period has been arrived at after charging (crediting):

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation and amortisation	**15,142**	12,058
Operating lease rental expense in respect of rented premises	**10,814**	14,037
Loss on disposal of a subsidiary	**–**	1,627
Gain on disposal of an associate	**(1,048)**	–
Gain on deemed disposal of a subsidiary	**–**	(1,343)
Gross rental income from investment properties	**(5,457)**	(7,901)
Less: Direct operating expenses from investment properties that generate rental income	**1,229**	1,759
	(4,228)	(6,142)

7. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: 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$171,793,000 (loss attributable to owners of the Company for six months ended 30 June 2016: approximately HK$186,463,000) and the weighted average number of ordinary shares of 2,387,913,542 (six months ended 30 June 2016: 2,048,889,943) 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 2017 *HK$'000* **(unaudited)**	As at 31 December 2016 *HK$'000* (audited)
Within 90 days	**54,671**	128,986
91 to 180 days	**44**	2,480
Over 180 days	**6,436**	18,480
Trade receivables	**61,151**	149,946
Prepayments	**78,580**	67,780
Receivable on disposal of an associate	**20,690**	–
Other receivables and other deposits	**187,366**	251,343
	347,787	469,069

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 2017 *HK$'000* **(unaudited)**	As at 31 December 2016 *HK$'000* (audited)
Within 90 days	**140,814**	97,181
91 to 180 days	**700**	903
Over 180 days	**47,829**	71,312
Trade payables	**189,343**	169,396
Interest payables	**70,021**	55,376
Accrued expenses and other tax payable	**20,960**	24,544
Consideration payables for acquisition of subsidiaries	**2,515**	4,834
Deposits received in respect of proposed disposal of subsidiaries	**200,000**	200,000
Other payables	**74,019**	130,614
	556,858	584,764

The consideration payables represent the amount payable for acquisition of subsidiaries and additional interests in subsidiaries.

Trade payables principally comprise of amounts outstanding for purchase of natural gas and 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 principally engaged in property related businesses. The Group started to dedicate to the infrastructure businesses, with primitive focus on infrastructure projects relating to environmental protection, clean energy, and urbanisation in PRC in late 2014, including natural gas sales and distribution, natural gas pipeline construction, solid waste treatment and waste to energy, etc.

Up to now, the Group has acquired 4 natural gas project companies in Hunan Province and Guangxi. The Group will develop infrastructure projects in a prudent manner based on the group resources, investment opportunities and government policies. Meanwhile, in order to maintain a healthy financial position and provide more resources to facilitate the development 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 in 2015. As at 30 June 2017, the Group footprinted 4 counties with substantial growth potential across 2 provinces including Hunan Province and Guangxi. The Group acquired these projects of exclusive city natural gas sales, distribution and construction rights, including residential, industrial and commercial users, LNG or 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 Group 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.

Guangxi

The Group has completed the acquisition of two natural gas project companies in Rongshui county and Xiangzhou county in Guangxi in third quarter of 2015 with an equity interest of 100%. The Group 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 benefited 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 Current Period, the Group's revenue from property development business amounted to approximately HK$188.1 million, representing an increase of approximately 173%, compared with same period in 2016 of approximately HK$68.8 million. Aggregate gross floor area (the "GFA") sold for the year was 13,954 square meters ("sq.m."), representing an increase of 195% from 4,733 sq.m. in 2016. Average selling price (the "ASP") was approximately HK$13,477 for the period.

The Group adopted flexible and balanced approach in controlling the progress of developing projects and the Group has thereby maintained 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 New Trend Commercial Management Company Limited (the "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. Construction of Mei Lai International Centre was 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.

As at 30 June 2017, the aggregate fair value of the investment properties held by the Group recorded approximately HK$2,034.5 million. During the Current Period, the rental income of the Group was approximately HK$5.5 million and the average occupancy rate is around 36%.

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 terms of room number 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 a 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$15.4 million and the average occupancy rate is around 80%.

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". It recorded a revenue of approximately HK$0.5 million during the Current Period.

The Group invested in the construction and operating right of a hotel in Hohai 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 Group sold the investment in June 2017.

The PRC Property Management Business

Wuhan Future City Property Management Company Limited* (the "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 Current Period, the revenue from property management was approximately HK$7.7 million.

Financial Review

Revenue

Revenue of the Group for the six months ended 30 June 2017 was approximately HK$230.1 million (six months ended 30 June 2016: approximately HK$108.6 million). The increase was mainly due to an increase in revenue from sales of properties.

During the period, revenue of approximately HK$13.1 million was contributed by the natural gas business (six months ended 30 June 2016: approximately HK$12.5 million).

Cost of Sales

The cost of sales increased from approximately HK$97.8 million for the six months ended 30 June 2016 to approximately HK$190.3 million for the six months ended 30 June 2017, primarily due to the increase in total GFA recognised in Current Period. The cost of properties sold included land costs, development costs and borrowing costs.

During Current Period, the Group's cost of sales included those from property investment segment of approximately HK$1.2 million (six months ended 30 June 2016: approximately HK$1.7 million), and from hotel business and property management business of approximately HK$18.7 million and approximately HK$2.1 million respectively, which has decreased by approximately HK$0.1 million and increased by approximately HK$0.6 million compared with the same period last year respectively.

During Current Period, the natural gas business contributed approximately HK$10.8 million (six months ended 30 June 2016: approximately HK$11 million) in cost of sales, which 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 increased from HK$10.8 million for the six months ended 30 June 2016 to approximately HK$39.8 million in 2017. The Group has a gross profit margin of 17% for the Current Period, as compared with 10% for the same period in 2016. The increase in the gross profit margin was primarily because of the increase in property sales with high gross profit margin whereas the proportion of lower gross profit margin business decreased during the Current Period.

Other Operating Income

Other operating income decreased to approximately HK$3.4 million for the six months ended 30 June 2017 from approximately HK$6.5 million for the same period in 2016. This decrease was primarily due to the gain of approximately HK$1.3 million on deemed disposal of a subsidiary and waiver of approximately HK$3.5 million from other payable in the six months ended 30 June 2016.

Other Operating Expenses

During the Current Period, the other operating expenses amounted to approximately HK$95,000. For the six months ended 30 June 2016, the other operating expenses of approximately HK$13.3 million, mainly represented the loss on disposal of a subsidiary and impairment loss recognized in respect to property projects development cost.

Change in Fair Value of the Investment Properties

There was a net loss of approximately HK$54.3 million for the six months ended 30 June 2017 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 to approximately HK$33.3 million for the six months ended 30 June 2017 from approximately HK$12.6 million for the same period in 2016, primarily due to an increase in advertising and promotion expenses for properties sales and hotel business.

Administrative Expenses

The administrative expenses decreased to approximately HK$48.1 million for the six months ended 30 June 2017 from approximately HK$55.9 million for the same period in 2016, primarily due to the professional expenses related to property development projects and the expansion of natural gas business taken place in the six months ended 30 June 2016.

Finance Costs

The finance costs decreased to approximately HK$82.4 million for six months ended 30 June 2017 from approximately HK$128.2 million for the same period in 2016 as the senior note had been repaid in November 2016 which has led to the decrease in finance costs.

Income Tax Credit (Expense)

The income tax credit for the six months ended 30 June 2017 was approximately HK$1.4 million (Six months ended 30 June 2016: income tax expenses of approximately HK$4.2 million). The amount was primarily attributable to the deferred tax credit arising from fair value loss in respect of investment properties revaluation and enterprise income tax and land appreciation tax arising from properties sold during the Current Period.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company for the six months ended 30 June 2017 recorded approximately HK$171.8 million (Six months ended 30 June 2016: HK$186.5 million).

Liquidity, Financial and Capital Resources

Cash Position

As at 30 June 2017, total bank balances and cash (including pledged bank deposits) of the Group amounted to approximately HK$150.0 million (31 December 2016: HK$72.4 million).

Borrowings and Charges on the Group's Assets

As at 30 June 2017, the Group's total debts included borrowings of approximately HK$654.4 million (31 December 2016: HK$1,104.1 million) and liability component of convertible notes of approximately HK$99.2 million (31 December 2016: HK$138.5 million). Amongst the borrowings, approximately HK$409.6 million (31 December 2016: approximately HK$791.4 million) was repayable within one year and approximately HK$244.8 million (31 December 2016: approximately HK$312.7 million) was repayable after one year. The convertible notes were due in November 2017 and June 2019.

At 30 June 2017, certain bank deposits, certain property, plant and equipment together with relevant land use rights and certain investment properties with an aggregate carrying amount of approximately HK$2,265.3 million were pledged as security for certain banking facilities granted to the Group.

Gearing Ratio

The gearing ratio was 37% as at 30 June 2017 (31 December 2016: 78%). The gearing ratio was measured by net debt (aggregated borrowings and convertible notes net of bank balances and cash and pledged bank deposits) over the total equity. The decrease was mainly due to the decrease in borrowings of approximately HK$450 million. The current ratio (current assets divided by current liabilities) was 1.24 (31 December 2016: 1.14).

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 2017.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 30 June 2017. 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.

Outlook And Future Plan

The Group is principally engaged in property related business. The Group started to the infrastructure businesses, and is looking forward to benefiting from China's vast market opportunities, rapid urbanisation, rising environmental requirements. The Group will give first priority to infrastructure projects relating to urbanisation in PRC.

Property related business

Driven by the growing demand of property in the PRC, the sales of inventory of properties of the Group was further increased resulted in strengthen the stability of the cash inflow of the Group. In order to maximizing shareholders' interests, the Group will continue to seek opportunities in the well-developed city in the PRC. Having a diverse portfolio of properties including residential properties, shopping malls, office buildings, villas and hotels, the Group has a strong foundation to mitigate operating risks in challenging environment while is able grasp market opportunities.

Infrastructure business

Operation of concession right in natural gas business is the first infrastructure sector that the Group entered. As at 30 June 2017, the Group had 4 natural gas project companies in Hunan Province and Guangxi. The Group will adjust its business portfolio according to market demand, government policies and future development of the Group.

With the deepening of reform and social development in PRC, the rapid development of urbanisation, the PRC government is accelerating the urban infrastructure construction. In order to diversify the Group's business portfolio, the Group plans to invest in different infrastructure businesses actively.

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 take 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 urbanisation of PRC and seize the opportunities to enhance the market share in the PRC market.

The Group will adhere its prudent financial management concept, to maintain a healthy financial position, and will optimise the capital structure of the Group's business portfolio and broaden the sources of financing so as to maximise the shareholder value.

CONTINGENT LIABILITIES AND COMMITMENTS

(a) As at 30 June 2017, 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$46 million (31 December 2016: approximately HK$17.8 million).

(b) As at 30 June 2017, the Group had capital commitments in respect of its acquisition of a subsidiary authorised but not contracted in the consolidated financial statements amounting to RMB9.1 million (approximately HK$10.5 million) (31 December 2016: RMB9.1 million (approximately HK$10.2 million)).

(c) 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.

(d) As at 30 June 2017, the Group had provided guarantees to banks for loans of approximately HK$21.2 million (31 December 2016: approximately HK$108.4 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.

(e) As at 30 June 2017, a subsidiary was exposed to litigation in relation to joint and several guarantee provided to certain financial institutions and independent third parties regarding loan and the interest thereon totaling approximately RMB45,271,000 (equivalent to approximately HK$52,036,000) granted to certain independent third parties. The guarantee will be released after the full repayment of the loan and interest thereon.

One of the guarantors ("guarantor") committed to bear the loan and the interest in written. Moreover, the subsidiary also had an amount of approximately RMB47,449,000 (equivalent to approximately HK$54,539,000) due to the guarantor as at 30 June 2017. Once the guarantor has not fulfilled his commitment, the payable amount can be set off with the loan principal together with accrued interest. Therefore, the directors consider the risk to the Company is remote and does not affect the operation of the group.

The directors consider that the above contingent liabilities are unlikely to materialise. No provision was therefore made in this respect at 30 June 2017 and 31 December 2016.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the total number of employees stood at approximately 351 (30 June 2016: 452). Total staff costs for the period under review was approximately HK$23.6 million (six months ended 30 June 2016: approximately HK$26.5 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 2017 (six months ended 30 June 2016: Nil).

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the six months ended 30 June 2017, 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 2017.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the six months ended 30 June 2017, 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 the 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.

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. Ng Chi Ho, Dennis (the Chairman of Audit Committee, appointed on 16 March 2017), Mr. Ji Yehong (appointed on 5 June 2017) and Mr. Wang Jian, who are the independent non-executive Directors of the Company. Mr. Wong Chi Ming resigned as Independent Non-executive Director and the Chairman of Audit Committee on 16 March 2017. Mr. Chan Pok Hiu resigned as Independent Non-executive Director on 5 June 2017.

The audit committee has reviewed the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2017.

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
Li Chao Bo
Chairman

Hong Kong, 25 August 2017

* *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 Mr. Li Chao Bo (Chairman), Ms. Wang Wenxia (Vice Chairman and Chief Executive Officer) and Mr. Ji Jiaming as executive Directors; Mr. Zhang Guiqing as non-executive Director; and Mr. Wong Jian, Mr. Ng Chi Ho, Dennis and Mr. Ji Yehong as independent non-executive Directors.