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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)**

**MAJOR TRANSACTION  
INVOLVING  
ACQUISITION OF THE ENTIRE EQUITY INTERESTS OF  
PRECIOUS PALACE ENTERPRISES LIMITED**

The Board announces that on 3 January 2019, the Purchaser and the Company entered into the conditional Sale and Purchase Agreement with the Vendor and the Vendor Guarantor in relation to the acquisition of the Sale Shares by the Purchaser for an aggregate consideration of HK\$795,000,000, which will be satisfied by the issue the Convertible Bonds in the principal amount of HK\$431,500,000 and the issue of the Promissory Note in the principal amount of HK\$363,500,000 to the Vendor or its nominee. The Acquisition is subject to the satisfaction of the conditions as set out in the paragraph headed “Conditions” below.

The Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and shall be subject to announcement, circular and the Shareholders’ approval requirements under the Listing Rules.

A circular containing, among other matters, (i) details of the Acquisition; (ii) valuation report of the Properties; (iii) accountants' report of the Target Group; (iv) pro-forma financials information of the enlarged Group; and (v) a notice convening the EGM, will be despatched to the Shareholders no later than 15 Business Days after the date of this announcement in accordance with the Listing Rules.

## **SALE AND PURCHASE AGREEMENT**

Date: 3 January 2019 (after trading hours)

Parties:

- (1) Vendor
- (2) the Vendor Guarantor
- (3) the Purchaser
- (4) the Company

The Vendor is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holdings. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner (i.e. the Vendor Guarantor) are Independent Third Parties.

The Vendor Guarantor, who is the sole shareholder of the Vendor, is a Macau citizen and is a merchant.

The Purchaser is a wholly owned subsidiary of the Company. The Purchaser is incorporated in the British Virgin Islands and is principally engaged in investment holdings.

### **Asset to be acquired**

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Shares. The Sale Shares represent the entire issued share capital of the Target Company.

## **Consideration**

The total consideration for the Acquisition is HK\$795,000,000, which shall be satisfied upon Completion by the issue the Convertible Bonds in the principal amount of HK\$431,500,000 and the issue of the Promissory Note in the principal amount of HK\$363,500,000 by the Company to the Vendor or its nominee.

The consideration was determined after arm's length negotiation among the parties to the Sale and Purchase Agreement and with reference to (i) the preliminary valuation of the Properties of approximately HK\$797.7 million as at 30 September 2018 prepared by a professional valuer based on market approach; and (ii) the unaudited consolidated net assets value of the Target Group as at 30 September 2018 as adjusted by the preliminary property valuation.

## **Principal Terms of the Convertible Bonds**

Issuer: The Company

Principal amount: HK\$431,500,000

Maturity Date: The third anniversary of the date of issue of the Convertible Bonds

Redemption: With mutual agreement between the Company and the holder(s) of the Convertible Bonds, the Company may at any time before the maturity date by written notices to relevant holder(s) of the Convertible Bonds, redeem the Convertible Bonds (in whole or in part) at 100% to the principal amount of the part of the Convertible Bonds to be redeemed.

Any amount of the Convertible Bonds which remains outstanding on the maturity date shall be redeemed at 100% of its then outstanding principal amount.

Any amount of the Convertible Bonds which is redeemed by the Company will be forthwith cancelled.

**Interest:** The Convertible Bonds shall bear interest at the rate of 3% per annum payable yearly.

**Transferability:** The Convertible Bonds may be assigned or transferred to any transferee subject to prior notification to the Company. The Convertible Bonds may only be assigned or transferred to any connected person of the Company (as defined under the Listing Rules) subject to compliance with the Listing Rules.

**Conversion:** Provided that the public float of the Shares shall not be less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares at any one time in compliance with the Listing Rules, the holder of the Convertible Bonds shall have the right at any time from the date of issue of the Convertible Bonds up to the maturity date to convert the whole or part of the outstanding principal amount of the Convertible Bonds registered in its name into Conversion Shares.

**Conversion Price:** The Convertible Bonds shall be converted at the Conversion Price. Upon issue of the Convertible Bonds, the initial Conversion Price will be HK\$0.5 per Conversion Share (subject to adjustments).

The initial Conversion Price of HK\$0.5 represents:

- (i) a premium of approximately 63.93% over the closing price of HK\$0.305 per Share as quoted on the Stock Exchange on 3 January 2019, being the date of the Sale and Purchase Agreement; and
- (ii) a premium of approximately 64.47% over the average of the closing prices of HK\$0.304 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days up to and including 3 January 2019.

The Conversion Price shall be adjusted as provided in the Convertible Bonds instrument in each of the following cases:

- (a) an alteration of the number of the Shares by reason of any consolidation or subdivision;
- (b) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund);
- (c) an issue by the Company of Shares in lieu of a cash dividend or under scrip dividend scheme;
- (d) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 90 per cent. of the Conversion Price;
- (e) an issue wholly for cash or for reduction of liabilities being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share (as defined in the Convertible Bonds instrument) initially receivable (or in the case of reduction in liabilities, the amount of liabilities to be reduced) for such securities is less than 90 per cent. of the Conversion Price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 90 per cent. of the Conversion Price;
- (f) an issue being made by the Company wholly for cash of Shares at a price per Share less than 90 per cent. of the Conversion Price;

- (g) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share (as defined in the Convertible Bonds instrument) less than 90 per cent. of the Conversion Price;
- (h) a capital distribution (as defined in the Convertible Bonds instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such; and
- (i) in the event that the Company or the holders of the Convertible Bonds consider that it would be appropriate for an adjustment to be made on the Conversion Price as a result of one or more events or circumstances not specified above, subject to confirmation by approved investment bank acting as expert to confirm the adjustment.

**Voting Rights:**

The holder of the Convertible Bonds will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the holder of the Convertible Bonds.

**Ranking:**

The payment obligations of the Company under the Convertible Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank equally with all its other present and future unsecured and unsubordinated obligations.

The Conversion Shares issued upon conversion of the Convertible Bonds will in all respects rank pari passu with the Shares in issue on the date of allotment and issue of such Conversion Shares and accordingly shall entitle the shareholders to participate in all dividends or other distributions declared, paid or made on or after the relevant conversion date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be on or before the relevant conversion date.

**Listing:**

The Convertible Bonds will not be listed on the Stock Exchange or any other stock exchange. Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares.

Based on the initial Conversion Price of HK\$0.5 per Conversion Share, a maximum number of 863,000,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represent: (i) approximately 28.00% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 21.87% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds in full (assuming that there is no change in the issued share capital of the Company after the date of Sale and Purchase Agreement).

The Conversion Shares will rank *pari passu* in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares. The Conversion Shares will be allotted and issued under the specific mandate to be sought at the EGM.

The Conversion Price was arrived at after arm's length negotiations between the Vendor and the Purchaser. The Directors consider that the Conversion Price and the terms and conditions of the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

#### **Principal Terms of the Promissory Note**

Issuer: The Company

Principal amount: HK\$363,500,000

Maturity Date: The third anniversary of the date of issue of the Promissory Note

Redemption: The Company may at any time before the maturity date by written notices to relevant holder(s) of the Promissory Note, redeem the Promissory Note (in whole or in part) at 100% to the principal amount of the part of the Promissory Note to be redeemed.

The Promissory Note holder may at any time after 3 months following issuance of the Promissory Note and before the maturity date of the Promission Note request the Company to redeem the Promissory Note (in whole or in part) at 100% to the principal amount of the part of the Promissory Note by serving a 60-day prior notice to the Company.

Any amount of the Promissory Note which remains outstanding on the maturity date shall be redeemed at 100% of its then outstanding principal amount.

- Interest: The Promissory Note shall bear interest at the rate of 3% per annum payable annually in arrear and upon redemption or maturity.
- Transferability: The Promissory Note may be transferrable to any transferee (provided that any transfer to connected persons of the Company shall be subject to compliance with the Listing Rules).
- Voting Rights: The holder of the Promissory Note will not be entitled to attend or vote at any general meetings of the Company by reason only of it being the holder of the Promissory Note.
- Ranking: The payment obligations of the Company under the Promissory Note shall, save for such exceptions as may be provided by applicable legislation, at all times rank equally with all its other present and future unsecured and unsubordinated obligations.
- Listing: The Promissory Note will not be listed on the Stock Exchange or any other stock exchange.

## **Conditions**

The Acquisition is conditional upon the satisfaction of the following:

- (1) the Vendor and the Target Company having obtained all necessary consents and approvals relating to the sale and purchase of the Sale Shares;
- (2) the Purchaser and the Company having obtained all necessary consents and approvals relating to the sale and purchase of the Sale Shares;
- (3) there being no situation, facts or circumstances which constitute or may constitute any breach of the Vendor's warranties under the Sale and Purchase Agreement;



- (4) there being no situation, facts or circumstances which constitute or may constitute any breach of the Purchaser's and the Company's warranties under the Sale and Purchase Agreement;
- (5) (if necessary) the passing of necessary resolutions by the Shareholders at the EGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder (including but not limited to the issue of the Convertible Bonds and the Promissory Note);
- (6) the Purchaser being satisfied with the results of the due diligence review on the Target Group to be carried out by the Purchaser;
- (7) the Vendor being satisfied with the results of the due diligence review on the Company to be carried out by the Vendor; and
- (8) the Stock Exchange granting the listing of and permission to deal in the Conversion Shares.

The Purchaser may at any time waive in writing the conditions (3) and/or (6) set out above. The Vendor may at any time waive in writing the conditions (4) and/or (7) set out above. The other conditions are incapable being waived. If the conditions are not fulfilled (or as the case may be, waived by the Purchaser) on or before 31 December 2019 (or such later date as the parties may agree), the Sale and Purchase Agreement shall cease and terminate and thereafter neither party to the Sale and Purchase Agreement shall have any obligations and liabilities towards each other hereunder save for any antecedent breaches of the terms hereof. The Purchaser does not have any current intention to waive any of the conditions.

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

### **Completion**

Completion is expected to take place on the third Business Day after the fulfillment (or waiver) of the conditions (or such later date as the parties to the Sale and Purchase Agreement may agree) mentioned above.

Upon Completion, the Target Company will become an indirect wholly owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the accounts of the Group.

## INFORMATION ON THE TARGET GROUP AND THE PROPERTIES

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. The Target Company is the legal and beneficial owner of the entire equity interests of the Hong Kong Subsidiary, which in turn holds the entire equity interests of the PRC Subsidiary. The PRC Subsidiary is the legal and beneficial owner of the Properties. Immediately prior to the entering into of the Sale and Purchase Agreement, the Target Company is held as to 100% by the Vendor. After Completion of the Acquisition, the Purchaser shall be interested in the entire issued share capital of the Target Company and the Target Company shall become an indirect wholly owned subsidiary of the Company.

The PRC Subsidiary is currently holding the Properties located in Shenzhen, the PRC. The Property comprises property complex in Shenzhen, the PRC with land area of approximately 14,971.1 square meters and total gross floor area of approximately 36,875.72 square meters. The Properties consists of two factories with total gross floor area of approximately 15,251.76 square meters, two staff houses with total gross floor area of 5,588.86 square meters, one commercial buildings with total gross floor area of 12,248.64 square meters and a commercial and residential complex with total gross floor area of approximately 3,786.46 square meters. The Properties are the only significant assets of the Target Group.

Set below is the unaudited consolidated financial information of the Target Group:

|                        | <b>For the<br/>year ended<br/>31 December<br/>2017<br/><i>HK\$'000</i><br/>(Unaudited)</b> | <b>For the<br/>year ended<br/>31 December<br/>2016<br/><i>HK\$'000</i><br/>(Unaudited)</b> |
|------------------------|--|--|
| Profit before taxation | 18,410   | 24,327   |
| Profit after taxation  | 18,410   | 19,838   |

The unaudited consolidated net asset value of the Target Group is approximately HK\$748,388,000 as at 30 September 2018. The preliminary valuation of the Property is approximately HK\$797,727,000 as at 30 September 2018.

## **REASONS FOR THE ACQUISITION**

The Group is principally engaged in the property development and investment business, hotel business, property management business and infrastructure business.

The Board is of the view that the Acquisition provides a good investment opportunity for the Group to extend its property development portfolio. The Company is of the view that the Properties will generate stable revenue with significant redevelopment potential and the development potential of the Properties upon realization will bring considerable financial benefit to the Group. The Acquisition is also in line with the Group's business strategy to further develop the PRC property market.

In light of the growing potential of the Target Group, the Directors (including the independent non-executive Directors) consider that the terms and conditions of the Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATION**

The Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and shall be subject to announcement, circular and the Shareholders' approval requirements under the Listing Rules. To the best belief, information and knowledge of the Directors, after making reasonable enquiries, no Shareholders have a material interest in the Acquisition and are required to abstain from voting at the EGM.

## **GENERAL**

A circular containing, among other matters, (i) details of the Acquisition; (ii) valuation report of the Properties; (iii) accountants' report of the Target Group; (iv) pro-forma financials information of the enlarged Group; and (v) a notice convening the EGM, will be despatched to the Shareholders no later than 15 Business Days after the date of this announcement in accordance with the Listing Rules.

## DEFINITIONS

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

|                     |  |
|---------------------|--|
| “Acquisition”       | the acquisition by the Purchaser of the Sale Shares subject to and upon the terms and conditions of the Sale and Purchase Agreement  |
| “associates”        | has the meaning ascribed to this term under the Listing Rules  |
| “Board”             | the board of Directors   |
| “Business Day”      | any day (not being Saturdays, Sunday or public holidays) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours         |
| “Company”           | China City Infrastructure Group Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange |
| “Completion”        | completion of the Acquisition pursuant to the terms and conditions of the Sale and Purchase Agreement  |
| “connected persons” | has the meaning ascribed to this term under the Listing Rules  |
| “Conversion Price”  | initially at HK\$0.50 (subject to adjustments) per Conversion Share  |
| “Conversion Rights” | the rights attached to the Convertible Bonds to convert the principal amount (or any part(s) thereof) of the Convertible Bonds into Conversion Shares                        |
| “Conversion Shares” | the Shares to be allotted and issued by the Company under the Convertible Bonds upon exercise of the Conversion Rights   |

|                                |  |
|--------------------------------|--|
| “Convertible Bonds”            | the 3-year with interest of 3% per annum unlisted convertible bonds of an aggregate principal amount of HK\$431,500,000 to be issued by the Company to the Vendor (or as it may direct) to settle part of the consideration payable by the Purchaser under the Sale and Purchase Agreement and the bondholder shall have the Conversion Rights to convert any outstanding principal amount of the Convertible Bonds into the Conversion Shares at an initial Conversion Price of HK\$0.50 (subject to adjustments) per Conversion Share for the period from the date of issuance to the maturity date of the Convertible Bonds |
| “Director(s)”                  | director(s) of the Company   |
| “EGM”                          | the extraordinary general meeting of the Company to be held and convened for the purpose of approving the Acquisition and the transactions contemplated thereunder   |
| “Group”                        | the Company and its subsidiaries   |
| “Hong Kong”                    | Hong Kong Special Administrative Region of the PRC   |
| “Hong Kong Subsidiary”         | 鳳珍企業有限公司 (Mimiro Industrial Co. Limited), a company incorporated in Hong Kong with limited liability and a wholly owned subsidiary of the Target Company   |
| “Independent Third Party(ies)” | any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons in accordance with the Listing Rules  |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “PRC”                          | the People’s Republic of China   |

|                               |   |
|-------------------------------|---|
| “PRC Subsidiary”              | 鳳珍實業發展(深圳)有限公司 (Fengzhen Industrial Development (Shenzhen) Co. Limited)*, a company established in the PRC and a wholly owned subsidiary of the Hong Kong Subsidiary  |
| “Promissory Note”             | the 3-year unlisted promissory note with an interest of 3% per annum in an aggregate principal amount of HK\$363,500,000 to be issued by the Company to the Vendor (or as it may direct) to settle part of the consideration payable by the Purchaser under the Sale and Purchase Agreement |
| “Properties”                  | the properties owned by the Target Group in Shenzhen, the PRC with total construction area of approximately 36875.72 square meters  |
| “Purchaser”                   | Green City Development Limited, being a wholly owned subsidiary of the Company  |
| “Sale and Purchase Agreement” | the conditional sale and purchase agreement dated 3 January 2019 and entered into among the Vendor, the Vendor Guarantor, the Company and the Purchaser for the sale and purchase of the Sale Shares  |
| “Sale Shares”                 | 50,000 shares of US\$1.00 each in the issued share capital of the Target Company, representing the entire issued share capital of the Target Company, which are fully paid up or credited as fully paid and are beneficially owned by the Vendor  |
| “Share(s)”                    | ordinary share(s) of HK\$0.10 each in the share capital of the Company  |
| “Shareholder(s)”              | holder(s) of the Share(s)   |
| “sq m”                        | square meter(s)   |

|                    |  |
|--------------------|--|
| “Stock Exchange”   | The Stock Exchange of Hong Kong Limited  |
| “Target Company”   | Precious Palace Enterprises Limited, a company incorporated in the British Virgin Islands with limited liabilities                             |
| “Target Group”     | together the Target Company and its subsidiaries (i.e. the Hong Kong Subsidiary and the PRC Subsidiary)  |
| “Vendor”           | Sky Climber Development Limited, a company incorporated in the British Virgin Islands with limited liabilities                                 |
| “Vendor Guarantor” | 楊智雄 (Yang Zhixiong)*, an individual who is the sole shareholder of the Vendor and the Vendor’s guarantor under the Sale and Purchase Agreement |
| “HK\$”             | Hong Kong dollars, the lawful currency of Hong Kong  |
| “RMB”              | Renminbi, the lawful currency of the PRC   |
| “%”                | per cent.  |

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

Hong Kong, 3 January 2019

\* *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 and Chief Executive Officer) and Mr. Ji Jiaming as executive Directors; Mr. Zhang Guiqing as non-executive Director; and Mr. Wang Jian, Mr. Ng Chi Ho, Dennis and Mr. Ji Yehong as independent non-executive Directors.*