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 2017

KEY HIGHLIGHTS

– Revenue from continuing operations is approximately HK$628,890,000 for the year, while approximately HK$496,473,000 was recorded in 2016, increased by approximately 27%.

– Revenue from property development business is approximately HK$558,419,000 for the Current Year, an increase of approximately 26% compared with the revenue of the same business of approximately HK$443,912,000 in 2016.

– The Group's investment properties recorded a fair value loss of approximately HK$56,992,000.

– During Current Year, the Group incurred one-off non-cash impairment loss on goodwill of property development business approximately HK$53,000,000.

– The Group's net loss for the year is approximately HK$289,222,000, a net loss of approximately HK$453,722,000 was recorded in the year of 2016.

– As at 31 December 2017, the Group's total assets amounted to approximately HK$4,008,260,000.

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 2017 (the "Current Year").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000 (Restated)
CONTINUING OPERATIONS			
Revenue	3	**628,890**	496,473
Cost of sales		**(539,756)**	(438,097)
Gross profit		**89,134**	58,376
Fair value (loss) gain in respect of investment properties revaluation		**(56,992)**	9,351
Gain on disposal of subsidiaries		**96,661**	1,817
Gain on disposal of an associate		**19,800**	–
Share of results of an associate		**(4,318)**	–
Other operating income		**17,958**	10,763
Other operating expenses		**(86,619)**	(42,000)
Selling and distribution expenses		**(58,139)**	(53,234)
Administrative expenses		**(122,330)**	(136,844)
Finance costs	4	**(185,553)**	(229,233)
Loss before tax		**(290,398)**	(381,004)
Income tax credit (expense)	5	**6,513**	(66,323)
Loss for the year from continuing operations	6	**(283,885)**	(447,327)
DISCONTINUED OPERATION			
Loss for the year from discontinued operation	7	**(5,337)**	(6,395)
Loss for the year		**(289,222)**	(453,722)

	NOTE	2017 HK$'000	2016 HK$'000 (Restated)
Attributable to:			
Owners of the Company			
– Loss from continuing operations		**(282,229)**	(445,661)
– Loss from discontinued operation		**(4,686)**	(6,193)
		(286,915)	(451,854)
Non-controlling interests			
– Loss from continuing operations		**(1,656)**	(1,666)
– Loss from discontinued operation		**(651)**	(202)
		(289,222)	(453,722)

	NOTE	HK Cents	HK Cents (Restated)
Loss per share	*9*		
From continuing and discontinued operations			
– Basic		**(10.80)**	(20.75)
– Diluted		**(10.80)**	(20.75)
From continuing operations			
– Basic		**(10.62)**	(20.46)
– Diluted		**(10.62)**	(20.46)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
Loss for the year	**(289,222)**	(453,722)
Other comprehensive income (expenses) for the year:		
Items that are reclassified or may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign operations	**79,033**	(83,456)
Release of translation reserve upon disposal of subsidiaries	**(12,903)**	184
Release of translation reserve upon deemed disposal of a subsidiary	**–**	1,205
Release of translation reserve upon deregistration of subsidiaries	**9,671**	–
Release of translation reserve upon disposal of an associate	**(454)**	–
Total comprehensive expense for the year (net of tax)	**(213,875)**	(535,789)
Total comprehensive expense attributable to:		
Owners of the Company	**(211,772)**	(533,102)
Non-controlling interests	**(2,103)**	(2,687)
	(213,875)	(535,789)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	NOTE	**2017** **HK$'000**	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**18,231**	193,413
Investment properties		**2,100,000**	2,028,090
Goodwill		**79,605**	168,516
Intangible assets		**–**	120,571
Interest in an associate		**–**	129,999
Deposit paid for acquisition of a subsidiary		**–**	13,422
		2,197,836	2,654,011
Current assets			
Inventories		**380**	4,347
Inventory of properties		**1,285,390**	1,714,654
Trade and other receivables	*10*	**460,153**	469,069
Pledged bank deposits		**–**	13,483
Bank balances and cash		**64,501**	58,890
		1,810,424	2,260,443
TOTAL ASSETS		**4,008,260**	4,914,454
EQUITY AND LIABILITIES			
EQUITY			
Capital and reserves			
Share capital		**308,228**	230,659
Reserves		**1,204,276**	1,140,540
Equity attributable to owners of the Company		**1,512,504**	1,371,199
Non-controlling interests		**99,830**	129,637
TOTAL EQUITY		**1,612,334**	1,500,836

	NOTE	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities		**345,742**	404,945
Borrowings – due after one year		**163,253**	312,697
Amounts due to related parties – due after one year		**–**	648,017
Amounts due to shareholder's subsidiaries – due after one year		**390,106**	–
Convertible notes – due after one year		**20,446**	60,020
Deposits received for sale and lease of properties – non-current portion		**11,944**	1,461
		931,491	1,427,140
Current liabilities			
Trade and other payables	*11*	**281,635**	584,764
Deposits received for sale and lease of properties – current portion		**175,668**	83,548
Tax payable		**102,592**	130,747
Amounts due to non-controlling shareholders of subsidiaries		**–**	1,221
Amounts due to related parties – due within one year		**–**	315,966
Amounts due to shareholder's subsidiaries – due within one year		**571,427**	–
Borrowings – due within one year		**333,113**	791,441
Convertible notes – due within one year		**–**	78,466
Deferred income – current portion		**–**	325
		1,464,435	1,986,478
TOTAL LIABILITIES		**2,395,926**	3,413,618
TOTAL EQUITY AND LIABILITIES		**4,008,260**	4,914,454
NET CURRENT ASSETS		**345,989**	273,965
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,543,825**	2,927,976

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

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 Linkway Investment Holdings Limited, a company incorporated in the British Virgin Islands 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 property investment, property development, hotel business and property management in the People's Republic of China ("PRC").

In prior years and up to 15 December 2017, the Group was also engaged in natural gas pipeline construction and operation of exclusive concession rights in the PRC (collectively "Natural Gas Business"). Details are set out in Note 7. Accordingly, the comparative figures of the consolidated statement of profit and loss for the year ended 31 December 2016 have been restated to reflect the discontinuance of this operation.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvement to HKFRSs 2014-2016 Cycle

The application of the amendments to HKFRSs in the current year has had 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 amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transaction[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle[1]
Amendments to HKAS 28	Long-term Interest in Associates and Joint Ventures[2]
Amendments to HKAS 40	Transfers of Investment Property[1]
Amendments to HKFRSs	Annual Improvement to HKFRSs 2015-2017 Cycle[2]
HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK (IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK (IFRIC) – Int 23	Uncertainty over Income Tax Treatments[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 1 January 2021.*

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

Except for the new and amendments to HKFRSs and Interpretations mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

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 based on the 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 which engaged in natural gas pipeline construction and operation of exclusive concession rights in the PRC

– Property Development Business Segment which engages in development of property projects in the PRC

– Property Investment Business Segment which engages in leasing of investment properties in the PRC

– Hotel Business Segment which engages in operation of hotel in the PRC

– Property Management Business Segment which engages in provision of property management and other services in the PRC

During the year, the Group disposed of its equity interest in a subsidiary engaged in Natural Gas Business and the disposal was completed on 15 December 2017. Natural Gas Business is classified as discontinued operation. The remaining four operating segments, namely Property Development Business, Property Investment Business, Hotel Business and Property Management Business are classified as continuing operations of the Group for both years.

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 2017

	Continuing Operations					Discontinued Operation	
	Property Development Business *HK$'000*	**Property Investment Business** *HK$'000*	**Hotel Business** *HK$'000*	**Property Management Business** *HK$'000*	**Subtotal** *HK$'000*	**Natural Gas Business** *HK$'000*	**Total** *HK$'000*
TOTAL REVENUE AND EXTERNAL SALES	**558,419**	**25,967**	**36,214**	**8,290**	**628,890**	**28,208**	**657,098**
RESULT							
Segment operating results	**(143,694)**	**19,517**	**(9,373)**	**(1,263)**	**(134,813)**	**1,129**	**(133,684)**
Fair value loss in respect of investment properties revaluation	**–**	**(56,992)**	**–**	**–**	**(56,992)**	**–**	**(56,992)**
Gain on disposal of subsidiaries					**96,661**	**–**	**96,661**
Gain on disposal of an associate					**19,800**	**–**	**19,800**
Share of results of an associate					**(4,318)**	**–**	**(4,318)**
Unallocated corporate income					**12,649**	**–**	**12,649**
Unallocated corporate expense					**(37,832)**	**–**	**(37,832)**
Finance costs					**(185,553)**	**(7,653)**	**(193,206)**
Loss before tax					**(290,398)**	**(6,524)**	**(296,922)**
Income tax credit					**6,513**	**1,187**	**7,700**
Loss for the year					**(283,885)**	**(5,337)**	**(289,222)**

For the year ended 31 December 2016

	Continuing Operations					Discontinued Operation	
	Property Development Business *HK$'000*	Property Investment Business *HK$'000*	Hotel Business *HK$'000*	Property Management Business *HK$'000*	Subtotal *HK$'000*	Natural Gas Business *HK$'000*	Total *HK$'000*
TOTAL REVENUE AND EXTERNAL SALES	443,912	14,711	32,874	4,976	496,473	29,434	525,907
RESULT							
Segment operating results	(111,240)	5,111	(11,852)	78	(117,903)	233	(117,670)
Fair value gain in respect of investment properties revaluation	–	9,351	–	–	9,351	–	9,351
Gain on disposal of subsidiaries					1,817	–	1,817
Unallocated corporate income					3,714	–	3,714
Unallocated corporate expense					(48,750)	–	(48,750)
Finance costs					(229,233)	(8,040)	(237,273)
Loss before tax					(381,004)	(7,807)	(388,811)
Income tax (expense) credit					(66,323)	1,412	(64,911)
Loss for the year					(447,327)	(6,395)	(453,722)

4. Finance costs

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Interest expense on bank loans, and other borrowings wholly repayable within five years	**178,157**	135,936
Effective interest expense on convertible notes	**11,084**	9,895
Effective interest expense on senior notes	**–**	83,402
	189,241	229,233
Less: amounts capitalised in the cost of qualifying assets	**(3,688)**	–
	185,553	229,233

5. Income tax (credit) expense

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
The tax charge comprises:		
Current tax:		
Hong Kong Profits Tax	**–**	–
PRC Enterprise Income Tax ("EIT")	**4,870**	49,290
Land Appreciation Tax ("LAT") in the PRC	**34,440**	27,063
Current tax charge for the year	**39,310**	76,353
Deferred tax credit for the year	**(45,823)**	(10,030)
	(6,513)	66,323

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 for the year from continuing operations

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Loss for the year has been arrived at after charging (crediting):		
Staff costs, including directors' emoluments	**45,378**	43,988
Retirement benefits scheme contributions, including contributions for directors	**2,150**	426
Total staff costs	**47,528**	44,414
Auditors' remuneration	**1,350**	1,335
Depreciation of property, plant and equipment	**11,268**	10,681
Gain on disposal of property, plant and equipment	**(102)**	–
Loss on disposal of investment property*	**21,351**	–
Net gain on trading of financial assets at fair value through profit or loss	**(188)**	–
Impairment of other receivables*	**506**	–
Impairment of goodwill*	**53,000**	42,000
Written-off of property, plant and equipment	**48**	29
Operating lease rental expenses in respect of rented premises	**22,325**	26,906

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Gross rental income from investment properties	**(25,967)**	(14,711)
Less: Direct operating expenses from investment properties that generated rental income during the year	**1,766**	2,275
	(24,201)	(12,436)

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

7. Discontinued operation

On 23 November 2017, the Group entered into a sales and purchase agreement with Genview International Limited to dispose of the entire equity interest in Create Capital Development Limited at a total consideration of HK$65 million. The principal business and assets of Create Capital Development Limited is Natural Gas Business. Details will be disclosed in the annual report. The disposal was completed on 15 December 2017. The results of the discontinued operation included in the loss for the year are set out below.

(a) Loss for the year from discontinued operation:

	Period from 1.1.2017 to 15.12.2017	Year ended 31.12.2016
	HK$'000	*HK$'000*
Revenue	**28,208**	29,434
Cost of sales	**(20,073)**	(17,037)
Other operating income	**27**	21
Other operating expenses	**–**	(746)
Administrative expenses	**(5,572)**	(10,740)
Selling expenses	**(1,461)**	(699)
Loss from operations	**1,129**	233
Finance costs	**(7,653)**	(8,040)
Loss before tax from discontinued operation	**(6,524)**	(7,807)
Income tax credit	**1,187**	1,412
Loss for the year from discontinued operation	**(5,337)**	(6,395)
Attributable to:		
Owners of the Company	**(4,686)**	(6,193)
Non-controlling interests	**(651)**	(202)

(b) Loss for the year from discontinued operation includes the following:

	Period from 1.1.2017 to 15.12.2017 HK$'000	Year ended 31.12.2016 HK$'000
Amortisation of intangible assets	**4,777**	6,980
Depreciation of property, plant and equipment	**6,519**	7,319
Loss on disposal of property, plant and equipment	**–**	746
Staff costs	**4,561**	5,957
Operating lease rental expenses in respect of rental premises	**121**	97

8. Dividends

The directors do not recommend the payment of a dividend for the years ended 31 December 2017 and 2016.

9. Loss per share

(a) From continuing and discontinued operations

The calculation of the basic and diluted loss per share from continuing and discontinued operations attributable to the owners of the Company is based on the following:

	2017 *HK$'000*	2016 *HK$'000* (Restated)
Loss		
Loss for the year for the purpose of calculating basic and diluted loss per share from continuing and discontinued operations	**(286,915)**	(451,854)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share	**2,657,138,698**	2,178,107,189

(b) From continuing operations

The calculation of the basic and diluted loss per share from continuing operations attributable to the owners of the Company is based on the following:

	2017	2016
	HK$'000	*HK$'000*
		(Restated)
Loss		
Loss for the year	**(286,915)**	(451,854)
Less: Loss for the year from discontinued operation	**4,686**	6,193
Loss for the purpose of calculating basic and diluted loss per share from continuing operations	**(282,229)**	(445,661)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

(c) From discontinued operation

Basic and diluted loss per share from the discontinued operation is HK0.18 cents per share (2016: HK0.28 cents per share), based on the loss for the year from discontinued operation attributable to the owners of the Company of approximately HK$4,686,000 (2016: approximately HK$6,193,000) and the denominators used are the same as those detailed above for both basic and diluted loss per share.

For the years ended 31 December 2017 and 2016, the computation of diluted loss 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.

10. Trade and other receivables

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**51,830**	149,946
Less: Allowance for doubtful debts	**–**	–
	51,830	149,946
Prepayments and deposits *(note a)*	**63,020**	80,787
Other receivables *(note b)*	**345,303**	238,336
	460,153	469,069

notes:

(a) Included in prepayments and deposits are amounts of approximately HK$11,254,000 (2016: approximately HK$10,401,000) for the repair and maintenance deposit to the government and amounts of approximately HK$9,401,000 (2016: approximately HK$13,007,000) for utility deposits. The remaining balance represent the prepayment for construction work and other prepaid expenses.

(b) Included in other receivables are receivables from a property agent related to property development business of approximately HK$109,055,000 (2016: HK$Nil). The other receivables also included approximately HK$164,140,000 (2016: approximately HK$168,669,000) being other loan receivables due from the independent third parties bearing interest ranging from 7% to 9% (2016: 9%) annually. Approximately HK$125,058,000 of the other loan receivables has been settled after year end date.

On 15 December 2017, the Group completed the disposal of the entire equity interest in a subsidiary, Create Capital Development Limited. Pursuant to the sales and purchase agreement, the total cash consideration was HK$65,000,000. As at 31 December 2017, HK$25,000,000 was settled. The remaining HK$40,000,000 consideration was settled on 12 March 2018.

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

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**24,842**	128,986
91 to 180 days	**4,490**	2,480
Over 180 days	**22,498**	18,480
	51,830	149,946

The directors consider that the carrying amount of trade and other receivables approximate their fair values.

11. Trade and other payables

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

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**35,077**	97,181
91 to 180 days	**5,954**	903
Over 180 days	**48,996**	71,312
Trade payables	**90,027**	169,396
Interest payables	**93,039**	55,376
Accrued expenses and other tax payables	**26,378**	24,544
Consideration payables *(note a)*	**5,001**	4,834
Deposits received in respect of proposed disposal of subsidiaries *(note b)*	**–**	200,000
Other payables *(note c)*	**67,190**	130,614
	281,635	584,764

Trade payables principally comprise amounts outstanding for purchase of hotel consumables, construction materials, 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.

notes:

(a) The consideration payable represent the amount payable for acquisition of additional interests in a subsidiary.

(b) On 23 December 2016, the Group and a shareholder's subsidiary entered into a Memorandum of Understanding ("MOU") in respect of the proposed disposal of subsidiaries. The MOU is non-legally binding and the deposits received of HK$200,000,000 is refundable. The transaction was terminated during the year.

(c) The other payables included approximately HK$12,388,000 (2016: approximately HK$26,117,000), of deposit received from contractors for construction work.

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is engaged in property related business and 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. In support of the further business development of the Group, the management is actively looking for the potential projects which related to the Group's principal activities. The Group expects to benefit from the PRC government policies and expand its infrastructure business rapidly.

The Group disposed the Natural Gas Business on 15 December 2017. The proceeds from the disposal have strengthened the financial position of the Group. 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 across 2 provinces including Hunan Province and Guangxi since 2015. The Group acquired these projects of exclusive city natural gas sales, distribution and construction rights, including residential, industrial and commercial users, Liquefied Natural Gas ("LNG") vehicle refilling gas stations. The Group decided to dispose its Natural Gas Business in November 2017 and the transaction was completed on 15 December 2017. The reason for the disposal is to reduce the Group's debt and recover the loan which due by the disposal group in order to enhance the cashflow. The proceeds from the disposal may further strengthen the Group's financial position and support its future investments.

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. The projects were sold to an independent third party on 15 December 2017.

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 were sold to an independent third party on 15 December 2017.

The PRC Property Development Business

During the year ended 31 December 2017, the Group's revenue from property development business amounted to approximately HK$558.4 million, representing an increase of approximately 25.8%, compared with approximately HK$443.9 million in 2016. Aggregate gross floor area (the "GFA") sold for the year was 35,233 square meters ("sq.m."), representing an increase of 0.4% from 35,104 sq.m. in 2016. Average selling price (the "ASP") was approximately HK$15,849 per sq.m. for the 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. The project was completed at mid-2017. As at 31 December 2017, the occupancy rate of Future city over 90%.

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 in 2015.

As at 31 December 2017, the aggregate fair value of the investment properties held by the Group recorded approximately HK$2,100 million. During the year ended 31 December 2017, the rental income of the Group was approximately HK$26.0 million and the average occupancy rate is around 80.2%.

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 2017, the revenue arising from Future City Hotel was approximately HK$34.3 million and the average occupancy rate is around 82.6%.

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 2017, the hotel recorded a revenue of approximately HK$1.9 million.

The Group invested in 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 Group sold the investment in June 2017. The disposal could enhance the cashflow and better allocation of the Group's resources in order to capture the fast grow market in the PRC for future investments.

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 2017, the revenue from property management was approximately HK$8.3 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. In order to improve the leasing portfolio, the Group renovated the Future City and the renovation was completed at mid-2017.

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 Hanyang Station of metro line No. 3. 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.

Financial Review

Continuing Operations

Revenue

Revenue from continuing operations of the Group for the year increased to approximately HK$628.9 million from approximately HK$496.5 million, an increase of 26.7% compared with last year. The revenue of property development increased from approximately HK$443.9 million in 2016 to approximately HK$558.4 million in 2017. The increase was mainly due to an increase in revenue from sales of properties, in which the total GFA recognised during the year was 35,233 sq.m., representing an increase of 0.4%, compared with the total GFA of 35,104 sq.m. recognised in last year.

The revenue from property leasing, hotel business and property management business increased from approximately HK$14.7 million in 2016 to approximately HK$26.0 million in 2017, from approximately HK$32.9 million in 2016 to approximately HK$36.2 million in 2017 and from approximately HK$5.0 million in 2016 to approximately HK$8.3 million in 2017 respectively.

Cost of Sales

The cost of sales increased from approximately HK$438.1 million (as restated) in 2016 to approximately HK$539.8 million in 2017, where the cost of properties sold including development costs, land costs and borrowing costs. Increase in cost of sales was primarily due to the increase in total GFA of shopping mall of Zhongshui • Longyang Plaza recognised in 2017 (2017: 12,763 sq.m.; 2016: 2,201 sq.m.) which incurred higher costs.

During the year, the Group's cost of sales was also attributable by property investment segment of approximately HK$1.8 million, a decrease of approximately HK$0.5 million compared with 2016, and by hotel business and property management business of approximately HK$30.6 million and approximately HK$4.0 million respectively, a increase of approximately HK$1.1 million with 2016 respectively.

Gross Profit and Gross Profit Margin

The gross profit increased by approximately HK$30.7 million from approximately HK$58.4 million (as restated) in 2016 to approximately HK$89.1 million in 2017. The Group has a gross profit margin of 14.2% in 2017, as compared with 11.8% in 2016. The increase was mainly due to an increase in gross profit from sales of properties, in which the average selling price increased from HK$12,646 per sq.m. in 2016 to HK$15,849 sq.m. in 2017.

Other Operating Income

Other operating income was approximately HK$18.0 million in 2017 from approximately HK$10.8 million (as restated) in 2016. The increase was primarily due to the gain on deregistration of subsidiaries.

Other Operating Expenses

Other operating expenses increased to approximately HK$86.6 million in 2017 from approximately HK$42.0 million (as restated) in 2016. The increase was primarily due to the impairment loss on goodwill of property development business of approximately HK$53.0 million in 2017.

Change in Fair Value of the Investment Properties

There was a net loss of approximately HK$57.0 million in 2017 (2016: net gain HK$9.4 million) 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 9.2% to approximately HK$58.1 million in 2017 from approximately HK$53.2 million (as restated) in 2016, primarily due to increased expenses of advertising, promotion and related expenses for properties sales.

Administrative Expenses

The administrative expenses decreased by 10.6% to approximately HK$122.3 million in 2017 from approximately HK$136.8 million (as restated) in 2016. The slightly decrease was due to the disposal and deregistration of subsidiaries.

Finance Costs

The finance costs decreased to approximately HK$185.6 million in 2017 from approximately HK$229.2 million (as restated) in 2016. The decrease was primarily due to the repayment of senior note in November 2016.

Income Tax Credit (Expense)

The Group recorded income tax credit of approximately HK$6.5 million during the year (2016: income tax expenses of approximately HK$66.3 million). The decrease was primarily attributable to the release of deferred tax liabilities upon disposal of investment properties and disposal of subsidiaries.

Discontinued Operation

The Group had disposed of its Natural Gas Business operation this year. The result from discontinued operation reflected the net loss of approximately HK$5.3 million from the Natural Gas Business operation along with the gain arising on the disposal of approximately HK$96.7 million.

Loss Attributable to Owners of the Company

The loss attributable to owners of the Company decreased from approximately HK$451.9 million in 2016 to approximately HK$286.9 million in 2017. The decrease is mainly attributed to gain on disposal of subsidiaries and associate of approximately HK$116 million and decrease in finance cost of approximately HK$44 million in the current year.

Liquidity, Financial and Capital Resources

Cash Position

As at 31 December 2017, total bank deposits and cash (including pledged bank deposits) of the Group amounted to approximately HK$64.5 million (31 December 2016: approximately HK$72.4 million), representing a decrease of HK$7.9 million as compared to that as at 31 December 2016.

Borrowings and Charges on the Group's Assets

At 31 December 2017, the Group's total debts included borrowings and convertible notes, in which the borrowings of approximately HK$496.4 million (31 December 2016: approximately HK$1,104.1 million) and liability component of convertible notes of approximately HK$20.4 million (31 December 2016: approximately HK$138.5 million). Amongst the borrowings, approximately HK$333.1 million (31 December 2016: approximately HK$791.4 million) will be repayable within one year and approximately HK$163.3 million (31 December 2016: approximately HK$312.7 million) will be repayable after one year. The non-current convertible notes are due in June 2019.

At 31 December 2017, certain inventory of properties together with relevant land use rights and certain investment properties with an aggregate carrying amount of approximately HK$2,129.0 million were pledged as security for certain banking facilities granted to the Group.

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 28.1% as at 31 December 2017 (31 December 2016: 78.0%). 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 in gearing ratio was mainly due to a decrease in borrowings of approximately HK$608 million and a decrease in convertible notes of approximately HK$118 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 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 2017.

The Group is exposed to interest rate risks, primarily related to the borrowings with floating interest rates as at 31 December 2017. 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 property related business and started to dedicate to the infrastructure businesses in late 2014, and looking forward to benefiting from China's vast market opportunities, rapid urbanisation, and the Belt and Road Initiative. The Group will give special priority to urbanisation development and other infrastructure-related projects.

Property Business

Although the real estate control policies were further tightened in the prior year, the overall transaction volumes in the real estate market at a steady growth trend. To reduce its inventory of properties, the Group expects to seize the market trend and adjust the progress according to the market changes and market value of the property portfolio.

Natural Gas Business

Operation of concession right in natural gas business is the first infrastructure sector that the Group entered. Before the disposal of the Natural Gas Business in December 2017, the Group acquired four natural gas companies, two in Hunan Province, and two in Guangxi. The disposal has improved the financial position of the Group and has enriched the experience of managing in other infrastructure business in the future.

Other Infrastructure Business

The Belt and Road initiative is a significant development strategy launched by the Chinese government with the intention of promoting economic co-operation among countries along the proposed Belt and Road routes. The Group is looking for different infrastructure business which may benefit from the government strategy and policy.

CONTINGENT LIABILITIES AND COMMITMENTS

(a) At 31 December 2017, 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$62.4 million (31 December 2016: approximately HK$17.8 million).

(b) 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.

(c) As at 31 December 2017, the Group had provided guarantees to banks for loans of approximately HK$12.6 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.

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the total number of employees stood at approximately 288. Total staff costs for the year from continuing and discontinued operations was approximately HK$52.1 million. 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 2017 (2016: 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 2017.

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 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.

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 2017.

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31 December 2017, 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 as 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 role of the chairman provides the Group with strong and consistent leadership and allows 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. During the year ended 31 December 2017, the Audit Committee comprised Mr. Wang Jian, Mr. Ng Chi Ho, Dennis and Mr. Ji Yehong, who are the independent non-executive Directors. On 16 March 2017, Mr. Ng Chi Ho, Dennis was appointed as an independent non-executive Director and the Chairman of the Audit Committee. On 5 June 2017, Mr. Ji Yehong was appointed as an independent non-executive Director and a member of the Audit Committee.

The audit committee has reviewed the audited consolidated results and the risk management and internal control system of the Group for the year ended 31 December 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.

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 2017 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
Li Chao Bo
Chairman

Hong Kong, 28 March 2018

* *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. Wang Jian, Mr. Ng Chi Ho, Dennis and Mr. Ji Yehong as independent non-executive Directors.