

SECOND QUARTER AND HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

PART I – INFORMATION REQUIRED FOR QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR ANNOUNCEMENTS

1(a) A Consolidated Statement of Comprehensive Income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 months ended		Increase / (Decrease) %	6 months ended		Increase / (Decrease) %
	30.06.2017 RMB'000	30.06.2016 RMB'000		30.06.2017 RMB'000	30.06.2016 RMB'000	
Revenue	400,771	31,150	1,186.6	442,957	65,074	580.7
Cost of sales and services provided	(379,375)	(22,001)	1,624.4	(408,838)	(37,292)	996.3
Gross profit	21,396	9,149	133.9	34,119	27,782	22.8
Other income - net	6,766	2,297	194.6	24,120	2,214	989.4
Expenses						
-Administrative	(2,650)	(2,337)	13.4	(5,098)	(5,408)	(5.7)
-Other operating	(7,466)	(393)	1,799.7	(13,899)	(7,134)	94.8
-Selling and marketing	(1,314)	(2,122)	(38.1)	(3,341)	(3,112)	7.4
-Finance	(2,026)	(7,457)	(72.8)	(5,134)	(15,371)	(66.6)
Share of profit of associated companies accounted for using the equity method	5,214	-	NM	5,214	-	NM
Profit / (loss) before income tax	19,920	(863)	2,408.2	35,981	(1,029)	3,596.7
Income tax expense	(6,111)	(2,919)	109.4	(10,241)	(8,506)	20.4
Profit / (loss) for the financial period	13,809	(3,782)	465.1	25,740	(9,535)	370.0
Profit / (loss) for the financial period attributable to:						
Owners of the parent	4,707	(6,960)	167.6	15,870	(15,196)	204.4
Non-controlling interests	9,102	3,178	186.4	9,870	5,661	74.4
	13,809	(3,782)	465.1	25,740	(9,535)	370.0

NM: Not Meaningful

Notes:

Disposal of the 5% interest in Yichang Project: Beijing Kaiyuan Wanjia Management Consulting Company Limited and its subsidiaries.

On 8 May 2017, the Company had announced that CIHL (Tianjin) City Development Limited, a wholly owned subsidiary of the Company, would on 7 May 2017 enter into a conditional sale and purchase agreement with Beijing Hongkunweiyue Property Development Co. Ltd (“Purchaser”) in relation to the disposal of its 5% equity and debt interests in its subsidiaries, Beijing Kaiyuan Wanjia Management Consulting Company Limited and its subsidiaries (“KYWJ Group” or the “Yichang Project”) to the Purchaser.

On 1 June 2017, the Company completed the disposal of its 5% equity interest in KYWJ Group. Following the disposal, KYWJ Group ceased to be subsidiaries and instead became associated companies of the Company.

The Group's profit / (loss) for the financial period is arrived at after crediting / (charging) the following:

	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RMB'000	RMB'000	RMB'000	RMB'000
Interest (credit) / income	(70)	80	6,107	158
Rental income, net	-	339	-	674
Employee share option expense	-	-	-	(335)
Depreciation of property, plant and equipment	(2,155)	(2,246)	(4,250)	(4,467)
Currency translation loss	(165)	(377)	(203)	(401)
Auditors' remuneration	(290)	(266)	(508)	(474)
Reversal of loss incurred as guarantor	-	4,933	-	4,933
Gain on partial waiver of amount payable	-	-	11,000	-
Gain on disposal of KYWJ Group	5,559	-	5,559	-
Share of profit of associated companies	5,214	-	5,214	-

1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.06.2017 RMB'000	31.12.2016 RMB'000	30.06.2017 RMB'000	31.12.2016 RMB'000
Non-Current Assets				
Property, plant and equipment	119,426	256,303	-	-
Intangible assets	122	122	-	-
Investment properties	32,100	32,100	-	-
Goodwill arising on consolidation	20,303	20,303	-	-
Investment in subsidiaries	-	-	196,000	196,000
Investment in associates	100,293	-	-	-
Deferred income tax assets	3,330	4,492	-	-
	275,574	313,320	196,000	196,000
Current Assets				
Development properties	-	895,747	-	-
Inventories	2,530	3,569	-	-
Trade and other receivables	432,506	93,830	463,307	494,747
Cash and cash equivalents	35,853	156,975	1	1
	470,889	1,150,121	463,308	494,748
Current Liabilities				
Borrowings	114,674	149,563	-	-
Trade and other payables	199,217	658,720	147,065	124,754
Current income tax liabilities	17,558	16,403	-	-
	331,449	824,686	147,065	124,754
NET CURRENT ASSETS	139,440	325,435	316,243	369,994
TOTAL ASSETS LESS CURRENT LIABILITIES	415,014	638,755	512,243	565,994
Non-Current Liabilities				
Borrowings	-	23,749	-	-
Deferred income tax liabilities	26,782	72,676	-	-
	26,782	96,425	-	-
NET ASSETS	388,232	542,330	512,243	565,994
EQUITY				
Equity attributable to owners of the parent				
Share capital	17,779	257,321	17,779	257,321
Reserves	920,058	656,270	891,968	627,861
Accumulated losses	(634,667)	(573,574)	(397,504)	(319,188)
	303,170	340,017	512,243	565,994
Non-controlling interests	85,062	202,313	-	-
TOTAL EQUITY	388,232	542,330	512,243	565,994

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30.06.2017 (RMB'000)		As at 31.12.2016 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
46,574	68,100	109,463	40,100

Amount repayable after one year

As at 30.06.2017 (RMB'000)		As at 31.12.2016 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	-	23,749	-

Details of any collateral

The borrowings of the Group are secured as follows:

- (i) First legal mortgage over the entire pipeline network of the Group;
- (ii) First legal mortgage over certain investment properties, land and buildings of the Group;

1 (c) A Statement of Cash Flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 months ended		6 months ended	
	30.06.2017 RMB'000	30.06.2016 RMB'000	30.06.2017 RMB'000	30.06.2016 RMB'000
Cash flows from operating activities				
Profit / (loss) before income tax	19,920	(863)	35,981	(1,029)
Adjustments for:				
Depreciation of property, plant and equipment	2,155	2,246	4,250	4,467
Interest expenses and other financial costs	2,028	7,457	5,134	15,371
Interest income	(4,960)	(80)	(11,137)	(158)
Employee share option expense	-	-	-	335
Gain on disposal of property, plant and equipment	-	(11)	-	(5)
Gain on disposal of 5% interest in subsidiaries	(5,559)	-	(5,559)	-
Share of profit of associated companies	(5,214)	-	(5,214)	-
Gain on partial waiver of amount payable	-	-	(11,000)	-
	<u>8,370</u>	<u>8,749</u>	<u>12,455</u>	<u>18,981</u>
Changes in working capital				
Development properties	(19,753)	(83,101)	(104,767)	(83,560)
Inventories	960	22	1,039	44
Trade and other receivables	(24,755)	57,156	(13,822)	4,566
Trade and other payables	73,548	40,035	145,623	72,002
Cash provided by operations	<u>38,370</u>	<u>22,861</u>	<u>40,528</u>	<u>12,033</u>
Interest paid	-	(2,091)	(5,955)	(11,089)
PRC income tax paid	<u>(15,412)</u>	<u>(4,214)</u>	<u>(20,895)</u>	<u>(9,059)</u>
Net cash provided by / (used in) operating activities	<u>22,958</u>	<u>16,556</u>	<u>13,678</u>	<u>(8,115)</u>
Cash flows from investing activities				
Interest received	308	81	530	29,503
Purchases of property, plant and equipment	(13,601)	(6,519)	(24,047)	(9,231)
Increased of restricted bank balances pledged	(3,636)	(961)	(5,854)	(5,421)
Proceed from disposal of property, plant and equipment	-	9	-	13
Loans to associated companies	(200)	-	(200)	-
Net proceeds from disposal of subsidiaries	20,109	-	20,109	-
Net cash provided by / (used in) investing activities	<u>2,980</u>	<u>(7,390)</u>	<u>(9,462)</u>	<u>14,864</u>
Cash flows from financing activities				
Interest and other finance costs paid	(1,243)	-	(8,252)	(1,685)
Borrowings from non-related parties	28,000	-	28,000	60,000
Borrowings from a related party	-	-	-	21,800
Special dividends paid	(52,715)	-	(52,715)	-
Repayments of borrowings from non-related parties	(11,078)	(10,235)	(81,940)	(70,069)
Repayments of borrowings from a related party	-	(3,000)	-	(3,000)
Net cash (used in) / provided by financing activities	<u>(37,036)</u>	<u>(13,235)</u>	<u>(114,907)</u>	<u>7,046</u>
Net (decrease) / increase in cash and cash equivalents	<u>(11,098)</u>	<u>(4,069)</u>	<u>(110,691)</u>	<u>13,795</u>
CASH AND CASH EQUIVALENTS:				
BEGINNING OF FINANCIAL PERIOD	<u>46,806</u>	<u>33,742</u>	<u>146,399</u>	<u>15,878</u>
END OF FINANCIAL PERIOD	<u>35,708</u>	<u>29,673</u>	<u>35,708</u>	<u>29,673</u>

	3 months ended		6 months ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RMB'000	RMB'000	RMB'000	RMB'000
Analysis of Cash and Cash Equivalents				
Cash and bank balances	35,853	38,076	35,853	38,076
Restricted bank balances	(145)	(8,403)	(145)	(8,403)
	<u>35,708</u>	<u>29,673</u>	<u>35,708</u>	<u>29,673</u>

As at 30 June 2017, cash and cash equivalents include restricted bank balances of approximately RMB145,000 (30 June 2016: RMB8,403,000).

The restricted cash mainly comprise of:

- (i) Restricted bank balances of approximately RMB145,000 (30 June 2016: RMB145,000) for securing the performance and fund utilisation for a land development project of the Group;
- (ii) Cash of RMB nil (30 June 2016: RMB7,530,000) deposited in certain banks as guarantee deposits for mortgage loan facilities granted by the banks to the buyers of the Group's development properties. Such guarantees will only be released after the loan has been settled or issue of the real estate ownership certificate to the buyers, whichever is earlier; and
- (iii) Short-term bank deposits of RMB nil (30 June 2016: RMB728,000) in a PRC subsidiary pledged to a lender as security for RMB borrowings granted to a PRC subsidiary.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP

← Attributable to owners of the parent →

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Statutory reserves RMB'000	Capital Redemption reserve RMB'000	Exchange reserve RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
2016												
Beginning of financial period	257,321	46,060	565,589	7,268	21,506	8,324	(2,147)	9,833	(638,254)	275,500	207,197	482,697
Total comprehensive (loss) / income for the financial period	-	-	-	-	-	-	-	-	(15,196)	(15,196)	5,661	(9,535)
Transfer	-	-	-	-	1,080	-	-	-	(1,080)	-	-	-
Share option lapsed	-	-	-	-	-	-	-	(2,759)	2,759	-	-	-
Recognition of share-based payments	-	-	-	-	-	-	-	335	-	335	-	335
End of financial period	257,321	46,060	565,589	7,268	22,586	8,324	(2,147)	7,409	(651,771)	260,639	212,858	473,497
2017												
Beginning of financial period	257,321	46,060	565,589	7,268	23,767	8,324	(2,147)	7,409	(573,574)	340,017	202,313	542,330
Total comprehensive income for the financial period	-	-	-	-	-	-	-	-	15,870	15,870	9,870	25,740
Transfer	-	-	-	-	1,267	-	-	-	(1,267)	-	-	-
Disposal of subsidiaries	-	-	-	496	(2,082)	-	-	-	-	(1,586)	(87,121)	(88,707)
Capital reorganisation	(244,455)	-	244,455	-	-	-	-	-	-	-	-	-
Special dividend	-	-	-	-	-	-	-	-	(75,696)	(75,696)	(40,000)	(115,696)
Scrip share issued	4,913	19,652	-	-	-	-	-	-	-	24,565	-	24,565
End of financial period	17,779	65,712	810,044	7,764	22,952	8,324	(2,147)	7,409	(634,667)	303,170	85,062	388,232

COMPANY

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
2016								
Beginning of financial period	257,321	46,060	565,589	479	8,324	9,833	(316,331)	571,275
Total comprehensive loss for the financial period	-	-	-	-	-	-	(2,838)	(2,838)
Share option lapsed	-	-	-	-	-	(2,759)	2,759	-
Recognition of share-based payments	-	-	-	-	-	335	-	335
End of financial period	257,321	46,060	565,589	479	8,324	7,409	(316,410)	568,772
2017								
Beginning of financial period	257,321	46,060	565,589	479	8,324	7,409	(319,188)	565,994
Total comprehensive loss for the financial period	-	-	-	-	-	-	(2,620)	(2,620)
Capital reorganisation	(244,455)	-	244,455	-	-	-	-	-
Special dividend	-	-	-	-	-	-	(75,696)	(75,696)
Scrip share issued	4,913	19,652	-	-	-	-	-	24,565
End of financial period	17,779	65,712	810,044	479	8,324	7,409	(397,504)	512,243

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

On 27 June 2017, 20,003,350 new shares (“New Shares”) were allotted and issued at an issue price of S\$0.25 per New Share to eligible shareholders of the Company who have elected to participate in the Scrip Dividend Scheme.

The Capital Reorganisation of reducing the par value of each share from S\$1.00 to S\$0.05 was completed and became effective on 20 May 2017.

As at 30 June 2017 and 30 June 2016, 2,700,000 options granted in accordance with CIHL Share Option Scheme 2010 remained outstanding. If all of these options are exercised, 2,700,000 shares in the capital of the Company would be issued on conversion. Under the 2010 scheme, 2,700,000 options representing 100% (of all options granted under the Scheme) could be exercised as at 30 June 2017 and 30 June 2016.

The Company did not hold any of its issued shares as treasury shares as at 30 June 2017 and 30 June 2016.

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 30 June 2017, the number of issued shares excluding treasury shares was 71,233,533 ordinary shares (31 December 2016: 51,230,183)

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company’s auditor.

- 3 Where the figures have been audited or reviewed, the auditors’ report (including any qualifications or emphasis of a matter).

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer’s most recently audited annual financial statements have been applied.

There are a number of new or revised International Financial Reporting Standards (“IFRSs”) and related interpretations promulgated by International Financial Reporting Interpretations Committee (“IFRICs”) that are effective for accounting periods beginning on or after 1 January 2016. The adoption of these new IFRSs did not have any material impact on the financial information of the Group for the financial period ended 30 June 2017. Save as aforesaid, the accounting policies and methods of computation used in the preparation of the financial information of the Group for the

financial period ended 30 June 2017 are the same as those used in the annual financial statements of the Group for the financial year ended 31 December 2016.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted the new or amended IFRSs and IFRICs that are mandatory for application for financial year beginning on or after 1 January 2017. The adoption of these new or amended IFRSs and IFRICs did not result in substantial changes to the Group's accounting policies nor any significant impact on the consolidated financial statements.

- 6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	<u>30.06.2017</u>	<u>30.06.2016</u>
Profit / (loss) attributable to owners of the parent (RMB'000)	15,870	(15,196)
Weighted average number of ordinary shares in issue ('000)	51,672	51,230
Basic and diluted earnings / (loss) per share (RMB' fen)	30.71	(29.66)

Basic earnings / (loss) per share is calculated by dividing the profit / (loss) for the financial period attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial period.

Diluted earnings / (loss) per share is calculated by dividing the earnings / (loss) attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding and to assume the deemed exercise of the share options outstanding during the financial period have been issued at no consideration.

The share options of 2,700,000 (30 June 2016: 2,700,000) are anti-dilutive as: (i) the exercise price of the share options was higher than the average market price of the Company's ordinary shares during the financial periods ended 30 June 2017 and 30 June 2016, and (ii) the Group recorded a loss for the financial period ended 30 June 2016.

- 7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:
(a) current financial period reported on; and
(b) immediately preceding financial year.

	<u>GROUP</u>		<u>COMPANY</u>	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Net asset value (RMB'000)	303,170	340,017	512,243	565,994
Number of shares ('000)	71,234	51,230	71,234	51,230
Net asset per share (RMB)	4.256	6.637	7.191	11.048

- 8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or

- cyclical factors; and
 (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Profit or Loss Analysis

Q2 2017 versus Q2 2016

Revenue in Q2 2017 of the Group was RMB400.77 million, an increase of RMB369.62 million as compared to the revenue of RMB31.15 million in Q2 2016, representing an increase of 1,186.6%, mainly due to higher property sales by Yichang Xinshougang Property Development Company Limited (“Yichang Project Company”).

Cost of sales and services provided in Q2 2017 increased by 1,624.4% to RMB379.38 million, an increase of RMB357.38 million as compared to RMB22.00 million in Q2 2016, mainly due to higher property development costs in Yichang Project Company.

As a result of the above, the Group recorded a gross profit of RMB21.40 million in Q2 2017, an increase of 133.9% as compared to a gross profit of RMB9.15 million in Q2 2016.

A comparison of the revenues and gross profit / (loss) is shown below:

	Q2-2017				Q2-2016			
	Revenue (net)	Cost of service provided	Gross profit	Gross profit rate	Revenue (net)	Cost of service provided	Gross (loss)/ profit	Gross (loss) / profit rate
	RMB'000'	RMB'000'	RMB'000'	%	RMB'000'	RMB'000'	RMB'000	%
Development properties	369,199	(366,275)	2,924	0.79	10,852	(14,017)	(3,165)	(29.17)
Others	31,572	(13,100)	18,472	58.51	20,298	(7,984)	12,314	60.67
	400,771	(379,375)	21,396	5.34	31,150	(22,001)	9,149	29.37

Development property revenue of RMB369.20 million was recorded in Q2 2017, representing 92.1% of total revenue in Q2 2017, which rose 3,302.1% compared to the same quarter of last year. Cost of development property in Q2 2017 was RMB366.28 million, representing 96.5% of total cost of services provided for the quarter, this was 2,513.1% higher than as in Q2 2016.

Bigger weighted rate of 92.1% and minor gross profit rate of 0.79% on development property revenue in Q2 2017 mainly resulted in the significant increase of 1,186.6% of the Company’s revenue to the same quarter in 2016, given that the Company’s gross profit only increased by 133.9% in Q2 2017.

Other income in Q2 2017 was RMB6.77 million, which represents an increase of RMB4.47 million as compared to the RMB2.30 million in Q2 2016. The increase of 194.6% was mainly due to the gains from disposal of the Company’s 5% interest in KYWJ Group.

Other operating expenses in Q2 2017 was RMB7.47 million, an increase of RMB7.07 million as compared to RMB0.39 million recorded in Q2 2016. This increase was primarily due to a reversal of a loss incurred as guarantor amounting to RMB4.93 million in Q2 2016. The reversal of the loss incurred was made after the Group was discharged from its liabilities following a settlement reached between the Yichang Project Company and the defaulted buyer, and the subsequent revocation of the sale and purchase agreement between the said company and the defaulted buyer.

Selling and marketing expenses in Q2 2017 was RMB1.31 million, a decrease of RMB0.81 million mainly due to lower advertising fee and marketing agency fees in the Yichang Project Company.

Finance costs in Q2 2017 was RMB2.03 million, a decrease of RMB5.43 million or 72.8%, mainly due to lower interest expenses in CIHL (Tianjin) City Development Limited.

Share of profit of associated companies in Q2 2017 was RMB5.21 million. Upon completion of the disposal of its 5% interest in KYWJ Group on 1 June 2017, KYWJ Group ceased to be subsidiaries and was treated as associated companies. The Company recorded its share of profit of the KYWJ Group using the equity method.

Income tax expenses in Q2 2017 was RMB6.11 million, representing an increase of 109.4% from the RMB2.92 million recorded in Q2 2016, mainly due to withholding tax expenses incurred when a Chinese subsidiary of the Company paid dividends to its foreign owner, another subsidiary of the Company, China (Tianjin) Water Resources Limited.

The Group recorded an after tax profit of RMB13.81 million in Q2 2017 compared to a loss of RMB3.78 million in Q2 2016.

1H 2017 versus 1H 2016

Revenue in 1H 2017 of the Group was RMB442.96 million, an increase of RMB377.88 million as compared to the revenue of RMB65.07 million in 1H 2016, representing an increase of 580.7%, mainly from higher property sales by the Yichang Project Company.

Cost of sales and services provided in 1H 2017 increased by 996.3% to RMB408.84 million, an increase of RMB371.55 million as compared to RMB37.29 million in 1H 2016, mainly from higher property development costs in the Yichang Project Company.

The Group recorded a gross profit of RMB34.12 million in 1H 2017, an increase of 22.8% as compared to a gross profit of RMB27.78 million in 1H 2016.

Other income in 1H 2017 was RMB24.12 million, which represents an increase of RMB21.91 million or 989.4% as compared to the RMB2.21 million in 1H 2016. This was mainly due to a partial waiver by Shu Ren Wood (Shengzhen) Limited (树人木业(深圳)有限公司) of an amount due to it by the Company and gains from disposal of the company's 5% interest in KYWJ group.

Other operating expenses in 1H 2017 was RMB13.90 million, an increase of RMB6.77 million compared to RMB7.13 million recorded in 1H 2016. This increase of 94.8% arose mainly from the reversal of a loss incurred as guarantor of RMB4.93 million in 1H 2016.

Finance costs in 1H 2017 was RMB5.13 million, a decrease of RMB10.24 million as compared to RMB15.37 million in 1H 2016. The decrease of 66.6% was mainly due to lower interest expenses in CIHL (Tianjin) City Development Limited.

Share of profit of associated companies recorded in 1H was RMB5.21 million. Upon completion of the disposal of the Company's 5% interest in KYWJ Group on 1 June 2017, the KYWJ Group ceased to be subsidiaries and became associated companies of the Company. The Company accounted its share of profit in KYWJ Group using the equity method.

Income tax expenses in 1H 2017 was RMB10.24 million, representing an increase of 20.4% as compared to RMB8.51 million in 1H 2016, mainly due to withholding tax expenses incurred, when a

Chinese subsidiary of the Company paid dividends to its foreign owner, another subsidiary of the Company, China (Tianjin) Water Resources Limited.

The Group recorded an after tax profit of RMB25.74 million in 1H 2017 compared to a loss of RMB9.54 million in 1H 2016.

Analysis on Statement of Financial Position

On 1 June 2017, the KYWJ Group ceased to be subsidiaries and became associated companies of the Company. As at 30 June 2017 the company's equity and debt interests have accordingly been reclassified and recognised as investment in associates of RMB100.29 million and other receivables of RMB357.24 million respectively, instead of eliminating them as intercompany balances in the consolidated balance sheet. Details are as follow:

	30.06.2017		
	Others RMB'000	On KYWJ Group RMB'000	Total RMB'000
Investment in associates	-	100,293	100,293
Trade and other receivables	75,262	357,244	432,506

Property, plant and equipment decreased from RMB256.30 million as at 31 December 2016 to RMB119.43 million as at 30 June 2017, property for development decreased from RMB895.75 million as at 31 December 2016 to nil as at 30 June 2017 and trade and other payables decreased from RMB658.72 million to RMB199.22 million as at 30 June 2017. All of the above-mentioned decrease were primarily due to the reclassification of investment in KYWJ Group as an associated company of the Company from 1 June 2017, and as a result its assets and liabilities were no longer consolidated in the consolidated balance sheet of the Group. Details are as follow:

	Consolidated in the consolidated B/S attributable to KYWJ Group								
	30.06.2017			31.12.2016			(Decrease) / Increase		
	To KYWJ Group RMB'000	Others RMB'000	Total RMB'000	To KYWJ Group RMB'000	Others RMB'000	Total RMB'000	To KYWJ Group RMB'000	Others RMB'000	Total RMB'000
Property, plant and equipment	-	119,426	119,426	156,100	100,203	256,303	(156,100)	19,223	(136,877)
Property for development	-	-	-	895,747	-	895,747	(895,747)	-	(895,747)
Trade and other payables	-	199,217	199,217	525,974	132,746	658,720	(525,974)	66,471	(459,503)

Cash and cash equivalents as at 30 June 2017 was RMB35.85 million as compared to RMB156.96 million as at 31 December 2016.

Cash Flows Analysis

As at 30 June 2017, included in cash and cash equivalents are restricted bank balances of approximately RMB145,000, which was deposited for securing the performance and fund utilisation for a land development project of the Group.

Net cash generated from operating activities is RMB22.96 million in Q2 2017, mainly from the higher revenue of the Company.

Net cash provided by investing activities in Q2 2017 was RMB2.98 million, mainly due to proceeds received from the disposal of its 5% interest in the KYWJ Group.

Net cash used in financing activities in Q2 2017 was RMB37.04 million, mainly due to payment of the special dividend.

- 9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

- 10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group expects the Chinese economy to remain challenging in 2017. The property market in the first tier cities, and to some extent, the second tier cities has benefited from decreases in mortgage rates. However we are yet to see any benefits from the reduction in borrowing costs in third tier cities such as Yichang where we operate. The ease in monetary policy has not made it easier for the developers to raise capital. This will affect the pace of development of many projects in China, including our real estate development projects and water supply service operations. However, the credit market is expected to show signs of relief in the next 12 months. The Group has been focused on cash generation from its property development projects as well as other businesses, and will continue such efforts on cash generation in 2017.

The Group's Liuhe Gold project has received all licenses required for commercial operation in 2015, but as at to date has not received the production certificate from the relevant government authorities. Currently, the trial production output has not reached the desired capacity in Q1 FY2017. The Group has made full impairment in relation to the Liuhe Gold project in Q4 FY2015, and the Group is considering disposing of this investment when there is an opportunity.

The oil and gas exploration and exploitation is a high risk and high cost business. The Group's project in Papua New Guinea is still at its early stages of exploration. The Group undertook limited scope of work during the past year in order to minimize expenses in the environment of weak oil prices. The Group expects the current poor market for oil and gas exploration and the inability to obtain new funds to continue. As the situation continues it would not be commercially viable to raise finance for further exploration. The Group has made full impairment for the related investment in the Group's project in Papua New Guinea in Q4 FY2015 And the Group is considering disposing of this investment when there is an opportunity.

The Group will going forward be more focused on the property development and water treatment business in China.

- 11 Dividend

- (a) Current Financial Period Reported On
Any dividend declared for the current financial period reported on?

None.

- (b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

- (c) Date Payable

Not applicable.

- (d) Books closure date

Not applicable.

- 12 If no dividend has been declared / recommended, a statement to that effect.

No dividend has been declared nor recommended by the directors for the second quarter and half year ended 30 June 2017.

The special dividend of 30 Singapore cents per ordinary share in respect of the financial year ended 31 December 2016 was paid in cash or in shares on 27 June 2017.

- 13 If the Group has obtained a general mandate from shareholders for interested persons transactions ('IPT'), the aggregate value of such transaction as required under Rule 902(1)(a)(ii). If non mandate has been obtained, a statement to that effect.

The Group did not obtain a general mandate from shareholders for interested person transactions.

- 14 Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results of the Group and of the Company for the second quarter and half year financial periods ended 30 June 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Zhang Rong Xiang
Managing Director

Zhu Jun
Executive Director

Shen Xia
Executive Director

- 15 Undertakings confirmation pursuant to Rule 720(1)

The Board of Directors of the Company hereby confirms that the undertakings from all its directors and executive officers as required in the format as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual were procured.

BY ORDER OF THE BOARD

Zhang Rong Xiang
Managing Director
11 August 2017