CHINA INTERNATIONAL HOLDINGS LIMITED

(Bermuda Company Registration No. 23356)

SECOND QUARTER AND HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019

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

1(a) An income statement and statement of comprehensive income or a statement of comprehensive income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group					
	3 months ended		Increase /	6 months ended		Increase /
	30.06.2019 RMB'000	30.06.2018 RMB'000	(Decrease) %	30.06.2019 RMB'000	30.06.2018 RMB'000	(Decrease) %
Revenue	14,093	21,477	(34.4)	26,267	36,898	(28.8)
Cost of sales and services provided	(9,005)	(10,888)	(17.3)	(17,721)	(16,744)	5.8
Gross profit	5,088	10,589	(52.0)	8,546	20,154	(57.6)
Other income - net	321	2,677	(88.0)	1,025	5,660	(81.9)
Expenses						
-Administrative	(2,011)	(1,907)	5.5	(4,592)	(4,300)	6.8
-Other operating	(4,725)	(4,616)	2.4	(10,797)	(12,585)	(14.2)
-Finance	-	(509)	(100.0)	-	(1,853)	(100.0)
Share of loss from associated companies accounted for using the equity method	(4,195)	(3,027)	38.6	(6,951)	(2,663)	161.0
(Loss) / profit before income tax	(5,522)	3,207	(272.2)	(12,769)	4,413	(389.3)
Income tax expense	(1,566)	(3,142)	(50.2)	(1,383)	(4,711)	(70.6)
(Loss) / profit for the financial period	(7,088)	65	NM	(14,152)	(298)	4,649.0
(Loss) / profit for the financial period attributable to:						
Owners of the parent	(7,739)	(1,915)	304.1	(14,907)	(4,386)	239.9
Non-controlling interests	651	1,980	(67.1)	755	4,088	(81.5)
	(7,088)	65	NM	(14,152)	(298)	4,649.0

NM: Not Meaningful

Note: Operation of associated companies, the KYWJ Group

On 1 June 2017, the Company completed the disposal of its 5% equity interest and debt interest in the KYWJ Group, which resulted in a loss of control in KYWJ Group. Consequently, even through the Group has lost its control in KYWJ Group, it still remains a significant influence by virtue of its remaining 50% equity interests and its board representation on KYWJ Group. Accordingly, the Group has deconsolidated the KYWJ Group and reclassified the investment as associates, which would be accounted for using equity method.

(i) The summary results of the KYWJ Group for Q2 2019 and Q2 2018 are as follow:

	KYWJ Group					
	3 months ended		Increase /	6 months ended		Increase /
	30.06.2019	30.06.2018	(Decrease)	30.06.2019	30.06.2018	(Decrease)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue	13,233	39,925	(66.9)	42,937	107,913	(60.2)
Cost of sales	(11,760)	(39,624)	(70.3)	(39,259)	(103,595)	(62.1)
Gross profit	1,473	301	389.4	3,678	4,318	(14.8)
Other income / (loss) - net	816	(407)	300.5	474	(388)	222.2
Operating expenses	(4,301)	(837)	413.9	(7,571)	(2,117)	(257.7)
Selling and marketing expenses	(6,870)	(6,334)	8.5	(12,092)	(9,104)	32.8
Loss before income tax	(8,882)	(7,277)	22.1	(15,511)	(7,291)	112.8
Income tax credit	492	1,223	(59.8)	1,609	1,965	(18.1)
Loss for the financial period	(8,390)	(6,054)	38.6	(13,902)	(5,326)	161.0

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(ii) Statement of Financial Position as at 30 June 2019 for the KYWJ Group is as follows:

	30.06.2019 RMB'000	31.12.2018 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	161,581	161,262
	161,581	**161,262**
CURRENT ASSETS		
Property for development	999,670	849,912
Trade and other receivables	256,894	61,379
Cash and bank balances	141,230	113,594
Deferred tax assets	20,819	12,073
	1,418,613	**1,036,958**
CURRENT LIABILITIES		
Borrowing	103,552	23,053
Trade and other payables	1,251,239	934,251
	1,354,791	**957,304**
Net Current Assets	**63,822**	**79,654**
Total assets less current liabilities	**225,403**	**240,916**
NON-CURRENT LIABILITIES		
Deferred tax liabilities	40,366	41,977
	40,366	41,977
Net Assets	**185,037**	**198,939**
Equity		
Share capital	4,444	4,444
Reserves	140,817	140,817
Accumulated profit	39,776	53,678
	185,037	**198,939**

(iii) The development properties in the Yichang Project comprise of units in completed Phases 1 and 2 and "new" Phase 3 (formerly named Phases 3 and 4):

a. The total saleable area for the Phase 1, Phase 2, "new" Phase 3-1 and "new" Phase 3-2 is approximately 404,773 square meters. As at 30 June 2019, the take-up rates for Phase 1-1, Phase 1-2, Phase 1-3, Phase 2, "new" Phase 3-1 and "new" Phase 3-2 are 97.55%, 94.05%, 90.74%, 89.41%, 80.62% and 52.38% respectively. The total saleable area for "new" Phase 3-3 has not yet been approved.

b. The cumulative revenue recognised in the income statement up to the current period is approximately RMB1,390 million. The cumulative sales and pre-sales amount to approximately RMB2,431 million, of which approximately RMB1,041 million belonging to pre-sales revenue which will only be recognised in income statement upon completion in a later period.

c. Phase 2-3 is in the process of construction, with 10% of work remaining planned to complete by 2019. The "new" Phase 3-1 is in the process of construction, with 15% of work remaining planned to complete by 2020. The "new" Phases 3-2 and 3-3 are in the process of construction, with 75% and 85% of work remaining to complete respectively. The KYWJ Group expects to complete the development of "new" Phases 3-2 and 3-3 by Quarter 4 of 2020.

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

	3 months ended		6 months ended	
	30.06.2019 RMB'000	30.06.2018 RMB'000	30.06.2019 RMB'000	30.06.2018 RMB'000
Interest income	124	2,718	429	5,699
Rental income, net	244	180	567	503
Depreciation of property, plant and equipment	(2,432)	(2,468)	(4,817)	(4,923)
Currency translation loss	(61)	(53)	(39)	(161)
Auditors' remuneration	(301)	(261)	(524)	(478)
Share of loss of associated companies	(4,195)	(3,027)	(6,951)	(2,663)

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	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets				
Property, plant and equipment	205,019	172,572	-	-
Intangible assets	243	243	-	-
Investment properties	34,800	34,800	-	-
Goodwill arising on consolidation	20,303	20,303	-	-
Investment in subsidiaries	-	-	196,000	196,000
Investment in associates	92,518	99,469	-	-
Deferred income tax assets	7,863	7,733	-	-
	360,746	**335,120**	**196,000**	**196,000**
Current Assets				
Inventories	4,197	1,750	-	-
Trade and other receivables	191,235	219,682	447,979	452,415
Other current assets	55,431	27,809	-	-
Cash and bank balances	102,071	64,266	1	1
	352,934	**313,507**	**447,980**	**452,416**
Current Liabilities				
Borrowings	28,000	28,000	-	-
Trade and other payables	162,108	143,709	139,740	142,387
Current income tax liabilities	19,514	25,853	-	-
	209,622	**197,562**	**139,740**	**142,387**
NET CURRENT ASSETS	**143,312**	**115,945**	**308,240**	**310,029**
TOTAL ASSETS LESS CURRENT LIABILITIES	**504,058**	**451,065**	**504,240**	**506,029**
Non-Current Liabilities				
Borrowing	67,155	-	-	-
Deferred income	16,300	16,300	-	-
Deferred income tax liabilities	19,384	19,394	-	-
	102,839	**35,694**	-	-
NET ASSETS	**401,219**	**415,371**	**504,240**	**506,029**
EQUITY				
Equity attributable to owners of the parent				
Share capital	17,779	17,779	17,779	17,779
Reserves	915,385	922,366	884,559	891,673
Accumulated losses	(635,534)	(627,608)	(398,098)	(403,423)
	297,630	312,537	504,240	506,029
Non-controlling interests	103,589	102,834	-	-
TOTAL EQUITY	**401,219**	**415,371**	**504,240**	**506,029**

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

Amount repayable in one year or less, or on demand

As at 30.06.2019 (RMB'000)		As at 31.12.2018 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	28,000	-	28,000

Amount repayable after one year

As at 30.06.2019 (RMB'000)		As at 31.12.2018 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
67,155	-	-	-

Details of any collateral

The borrowing of the Group is secured as follows:

(i) First legal mortgage over certain investment properties, land and buildings of the Group;

(ii) First legal mortgage over buildings in a related company.

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	
	30.06.2019 RMB'000	30.06.2018 RMB'000	30.06.2019 RMB'000	30.06.2018 RMB'000
Cash flows from operating activities				
(Loss) / profit before income tax	(5,522)	3,207	(12,769)	4,413
Adjustments for:				
-Depreciation of property, plant and equipment	2,432	2,468	4,817	4,923
-Interest expenses and other financial costs	-	509	-	1,853
-Interest income	(124)	(2,718)	(429)	(5,699)
-Gain on disposal of property, plant and equipment	(5)	-	(9)	-
-Share of loss of associated companies	4,195	3,027	6,951	2,663
	976	6,493	(1,439)	8,153
Changes in working capital				
-Other current assets	(12,082)	-	(27,623)	-
-Inventories	(2,438)	637	(2,447)	175
-Trade and other receivables	1,062	(34,641)	8,292	(36,385)
-Trade and other payables	(11,910)	10,780	18,618	(2,630)
Cash used in operations	(24,392)	(16,731)	(4,599)	(30,687)
PRC income tax (paid) / credit	(2,370)	1,807	(7,862)	(826)
Net cash used in operating activities	(26,762)	(14,924)	(12,461)	(31,513)
Cash flows from investing activities				
Interest received	334	82	407	188
Purchases of property, plant and equipment	(17,424)	(8,263)	(37,264)	(26,768)
Increased of restricted bank balances pledged	-	(1)	-	(1)
Proceed from disposal of property, plant and equipment	5	-	9	-
Repayment of loans from associated companies	-	78,980	20,180	118,980
Net cash (used in) / provided by investing activities	(17,085)	70,798	(16,668)	92,399
Cash flows from financing activities				
Interest and other finance costs paid	-	(5,240)	(221)	(5,569)
Proceeds from borrowings	67,155	-	67,155	-
Purchase of treasury shares	-	(4)	-	(7)
Dividend paid to a non-controlling shareholder	-	-	-	(10,000)
Repayments of borrowings from non-related parties	-	(11,756)	-	(23,748)
Repayments of borrowings from a related party	-	(25,100)	-	(25,100)
Net cash provided by / (used in) financing activities	67,155	(42,100)	66,934	(64,424)
Net increase / (decrease) in cash and cash equivalents	23,308	13,774	37,805	(3,538)
CASH AND CASH EQUIVALENTS:				
BEGINNING OF FINANCIAL PERIOD	78,617	39,606	64,120	56,918
END OF FINANCIAL PERIOD	101,925	53,380	101,925	53,380

	3 months ended		6 months ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analysis of Cash and Cash Equivalents				
Cash and bank balances	102,071	53,526	102,071	53,526
Restricted bank balances	(146)	(146)	(146)	(146)
	101,925	53,380	101,925	53,380

As at 30 June 2019 and 2018, cash equivalents include restricted bank balances of approximately RMB146,000 for securing the performance and fund utilization for a land development project of the Company.

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	Treasury shares RMB'000	Accumulated Losses RMB'000	Subtotal RMB'000	Non-controlling Interests RMB'000	Total Equity RMB'000
2018													
Beginning of financial period	17,779	65,712	810,044	7,764	23,736	8,324	(2,147)	7,409	(1)	(631,518)	307,102	92,631	399,733
Total comprehensive (loss) /profit for the financial period	-	-	-	-	-	-	-	-	-	(4,386)	(4,386)	4,088	(298)
Transfer	-	-	-	-	236	-	-	-	-	(236)	-	-	-
Share options lapsed	-	-	-	-	-	-	-	(1,035)	-	1,035	-	-	-
Share buybacks	-	-	-	-	-	-	-	-	(7)	-	(7)	-	(7)
End of financial period	17,779	65,712	810,044	7,764	23,972	8,324	(2,147)	6,374	(8)	(635,105)	302,709	96,719	399,428
2019													
Beginning of financial period	17,779	65,712	810,044	7,764	25,555	8,324	(2,147)	7,114	-	(627,608)	312,537	102,834	415,371
Total comprehensive (loss) /profit for the financial period	-	-	-	-	-	-	-	-	-	(14,907)	(14,907)	755	(14,152)
Transfer	-	-	-	-	133	-	-	-	-	(133)	-	-	-
Share options lapsed	-	-	-	-	-	-	-	(7,114)	-	7,114	-	-	-
End of financial period	17,779	65,712	810,044	7,764	25,688	8,324	(2,147)	-	-	(635,534)	297,630	103,589	401,219

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.

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	Treasury shares RMB'000	Accumulated Losses RMB'000	Total Equity RMB'000
2018									
Beginning of financial period	17,779	65,712	810,044	479	8,324	7,409	(1)	(399,879)	509,867
Total comprehensive loss for the financial period	-	-	-	-	-	-	-	(1,921)	(1,921)
Share options lapsed	-	-	-	-	-	(1,035)	-	1,035	-
Shares buybacks	-	-	-	-	-	-	(7)	-	(7)
End of financial period	17,779	65,712	810,044	479	8,324	6,374	(8)	(400,765)	507,939
2019									
Beginning of financial period	17,779	65,712	810,044	479	8,324	7,114	-	(403,423)	506,029
Total comprehensive loss for the financial period	-	-	-	-	-	-	-	(1,789)	(1,789)
Share options lapsed	-	-	-	-	-	(7,114)	-	7,114	-
End of financial period	17,779	65,712	810,044	479	8,324	-	-	(398,098)	504,240

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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.

As announced on 01 December 2018, the Company repurchased 3,600 unit of shares during the period 21 December 2017 to 16 October 2018.

As at 30 June 2019, there are no share options remain outstanding, as the remaining 2,300,000 options granted in accordance with CIHL Share Option Scheme 2010 have expired on 9 March 2019 (30 June 2018: 2,300,000 outstanding options).

The Company did not hold any of its issued shares as treasury shares as at 30 June 2019 (30 June 2018: 3,200 shares).

The Company did not hold any of its issued shares as subsidiary holdings as at 30 June 2019 and 2018.

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 2019 and 31 December 2018, the number of issued shares excluding treasury shares and subsidiary holdings was 71,233,533 ordinary shares.

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.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings 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 external auditors.

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 2019. 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 2019. 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 2019 are the same as those used in the annual financial statements of the Group for the financial year ended 31 December 2018.

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 2019. 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.

	30.06.2019	30.06.2018
Loss attributable to owners of the parent (RMB'000)	(14,907)	(4,386)
Weighted average number of ordinary shares in issue ('000)	71,234	71,233
Basic and diluted loss per share (RMB fen)	(20.92)	(6.16)

Basic loss per share is calculated by dividing the loss for the financial periods attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares in issue during the financial periods.

Diluted loss per share is calculated by dividing the 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 periods have been issued at no consideration.

As at 30 June 2018, the share options of 2,300,000 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 period ended 30 June 2018 and (ii) the Group recorded loss for the financial period ended 30 June 2018. There were no share options outstanding as at 30 June 2019.

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.

	GROUP		COMPANY	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
Net asset value * (RMB'000)	297,630	312,537	504,240	506,029
Number of shares ('000)	71,234	71,234	71,234	71,234
Net asset per share (RMB)	4.178	4.387	7.079	7.104

* Exclude non-controlling interests

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 2019 versus Q2 2018

Revenue in Q2 2019 of the Group was RMB14.09 million, a decrease of RMB7.39 million or 34.4% compared RMB21.48 million in Q2 2018. The decrease of 34.4% came mainly from lower revenue on construction of water pipeline, a breakdown of revenue in 2Q2019 and 2Q2018 is shown below:

	2Q2019	2Q2018	Increase / (decrease)	
	RMB'000	RMB'000	RMB'000	%
Revenue				
- Water supply revenue	13,492	10,021	3,471	34.6
- Revenue on construction of water pipeline	601	11,456	(10,855)	(94.8)
	14,093	21,477	(7,384)	(34.4)

Revenue on construction of water pipeline decreased 94.8% in Q2 2019 compared as in Q2 2018, as the business of water pipeline construction is largely dependent on the local economic environment and the state of the property development industry in the PRC.

Cost of sales and services provided in Q2 2019 decreased by 17.3% to RMB9.01 million, a decrease of RMB1.88 million as compared to RMB10.89 million in Q2 2018 with lower cost of water operations.

The Group recorded a gross profit of RMB5.09 million in Q2 2019, a decrease of 52.0% compared to RMB10.59 million in Q2 2018.

Other income in Q2 2019 was RMB0.32 million, representing a decrease of RMB2.36 million as compared to the RMB2.68 million in Q2 2018. The decrease of 88.0% was mainly due to lower interest income following the recovery of loans.

Share of loss from associated companies in Q2 2019 was RMB4.20 million compared to the share of loss of RMB3.03 million recorded in Q2 2018. Loss in Q2 2019 and 2018 is attributed from the KYWJ Group as it incurred higher expenses for general advertising / marketing activities. The new operating company, HongKun had focused on more advertising and marketing to attract new buyers. Furthermore, the cumulative pre-sales from uncompleted Phase 3 will only be recognised in the income statements by the KYWJ Group upon completion in later periods.

The Group recorded a net loss of RMB7.09 million in Q2 2019 compared to profit of RMB0.07 million in Q2 2018.

1H 2019 versus 1H 2018

Revenue in 1H 2019 of the Group was RMB26.27 million, a decrease of RMB10.63 million or 28.8% compared RMB36.90 million in 1H 2018. The decrease of 28.8% came mainly from lower revenue on construction of water pipeline as local business conditions turned less favourable and the number of new business developments declined compared to the previous year. A breakdown of revenue in 1H 2019 and 1H 2018 is as follows:

	1H2019	1H2018	Increase / (decrease)	
	RMB'000	RMB'000	RMB'000	%
Revenue				
- Water supply revenue	21,735	17,096	4,639	27.1
- Revenue on construction of water pipeline	4,532	19,802	(15,270)	(77.1)
	26,267	36,898	(10,631)	(28.8)

Other income in 1H 2019 was RMB1.03 million, which represents a decrease of RMB4.64 million or 81.9% as compared to the RMB5.66 million in 1H 2018, mainly due to lower interest income following the recovery of outstanding loans.

Share of loss of associated companies in 1H 2019 was RMB6.95 million compared RMB2.66 million recorded in 1H 2018. The higher loss is attributed to higher expenses for general advertising / marketing activities by the KYWJ Group to attract new buyers. Furthermore, cumulative pre-sales from uncompleted phases will only be recognised in the income statements of the KYWJ Group upon completion in a later period even as expenses and overheads continue to be incurred.

The Group recorded a net loss of RMB14.15 million in 1H 2019 compared to RMB0.30 million in 1H 2018.

Analysis on Statement of Financial Position

Trade and other receivables decreased from RMB219.68 million as at 31 December 2018 to RMB191.24 million as at 30 June 2019, mainly from a lower amount due from an associated company, Yichang Xinshougang Property Development Company Limited.

Other current assets of RMB55.43 million as at 30 June 2019 comprise mainly of direct costs incurred for the supply of temporary wastewater treatment services and pipe line construction in CIHL (Tianjin) Water Development Company Limited.

Trade and other payables increased from RMB143.71 million as at 31 December 2018 to RMB162.11 million as at 30 June 2019. This was mainly due to an increase in receipts in advance on temporary wastewater treatment services supplied and pipe line construction sevices in CIHL (Tianjin) Water Development Company Limited.

Cash and cash equivalents as at 30 June 2019 was RMB102.07 million as compared to RMB64.27 million as at 31 December 2018.

Long term borrowings of RMB67.16 million as at 30 June 2019 represent proceeds from borrowings in CIHL (Tianjin) Water Development Company Limited.

Cash Flows Analysis

As at 30 June 2019, included in cash and cash equivalents are restricted bank balances of approximately RMB146,000 which was deposited for securing the performance and fund utilisation for a land development project of the Group.

Net cash used in operating activities was RMB26.76 million in Q2 2019, which was mainly for the temporary wastewater treatment services costs in CIHL (Tianjin) Water Development Company Limited.

Net cash used in investing activities was RMB17.09 million in Q2 2019, which was mainly paid for construction of the new project (新河再生水厂项目) in CIHL (Tianjin) Water Development Company Limited.

Net cash provided by financing activities in Q2 2019 of RMB67.16 million came from borrowings from a bank.

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

No forecast or prospect statement was previously provided.

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.

Despite of weaker performance in the first half of 2019, the Group expects the current operations of the Tianjin Water project ("Tianjin Water") to have an overall positive performance in whole 2019. The Group commenced the construction of the new project (新河再生水厂项目) in 2018 and expects to complete construction in the second half of 2019. The new project is a water treatment plant for reclaimed water (再生水厂). It will treat the water discharged from a wastewater treatment plant (污水处理厂) to the standard of reclaimed water, to be fed into the network of the Tianjin Water. It is expected to significantly increase the water supply capacity of Tianjin Water when completed. The new project's cost of approximately RMB160 million has been financed from internal cash resources and debt financing.

The Company has no other investment plans at present and is focusing on the execution of the existing plans.

In FY2018, the KYWJ Group (50% owned associated companies by the Group) has commenced the development in "new" Phases 3-1, 3-2 and 3-3. To-date, the property development projects are still on-going. The KYWJ Group expects to continuously generate cash inflow through sales of available units from completed Phases 1 and 2 and pre-sales of Phases 3-1 and Phase 3-2. The KYWJ Group is seeking the planning approval for the development of Phase 3-3 and expects to commence construction of Phase 3-3 before the end of 2019.

The Group has made full impairment in relation to the Liuhe Gold project in Q4 FY2015, and Company has not found an opportunity to dispose this investment for our share of ownership. The project will meanwhile remain under care.

The Group has made full impairment for the related investment in the Group's project in Papua New Guinea in Q4 FY2015 and intends to support the project company apply to update its exploration rights within the next year. It will also consider disposal of this investment when there is an opportunity. The project will remain under care and maintenance.

The Group will going forward be focused on cash generation from property development and further developing the 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 on second quarter and 1H ended 30 June 2019. The Board does not recommend a dividend as the Group recorded loss in Q2 and 1H 2019, and the Group needs to set its resources to fund the investment in the new project (新河再生水厂项目).

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 financial period ended 30 June 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Zhang Rong Xiang	Zhu Jun	Shen Xia
Managing Director	Executive Director	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
9 August 2019