
SECOND QUARTER AND HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

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

	3 months ended		Increase / (Decrease) %	6 months ended		Increase / (Decrease) %
	30.06.2018 RMB'000	30.06.2017 RMB'000		30.06.2018 RMB'000	30.06.2017 RMB'000	
Continuing operations						
Revenue	21,477	30,566	(29.7)	36,898	50,518	(27.0)
Cost of sales and services provided	(10,888)	(12,722)	(14.4)	(16,744)	(17,812)	(6.0)
Gross profit	10,589	17,844	(40.7)	20,154	32,706	(38.4)
Other income - net	2,677	5,812	(53.9)	5,660	23,029	(75.4)
Expenses						
-Administrative	(1,907)	(2,650)	(28.0)	(4,300)	(5,098)	(15.7)
-Other operating	(4,616)	(5,669)	(18.6)	(12,585)	(9,896)	27.2
-Finance	(509)	(2,026)	(74.9)	(1,853)	(5,134)	(63.9)
Share of (loss) / profit from associated companies accounted for using the equity method	(3,027)	5,214	(158.1)	(2,663)	5,214	(151.1)
Profit before income tax	3,207	18,525	(82.7)	4,413	40,821	(89.2)
Income tax expense	(3,142)	(14,649)	(78.6)	(4,711)	(17,975)	(73.8)
Profit / (loss) for the financial period from continuing operations	65	3,876	(98.3)	(298)	22,846	(101.3)
Discontinued operations						
Profit for the financial period from discontinued operations	-	9,933	(100.0)	-	2,894	(100.0)
Profit / (loss) for the financial period	65	13,809	(99.5)	(298)	25,740	(101.2)
(Loss) / profit for the financial period attributable to:						
Owners of the parent	(1,915)	4,707	(140.7)	(4,386)	15,870	(127.6)
Non-controlling interests	1,980	9,102	(78.2)	4,088	9,870	(58.6)
	65	13,809	(99.5)	(298)	25,740	(101.2)

Notes:

1. Operation of significant associated companies, the KYWJ Group

(i) The summary results of the KYWJ Group for Q2 2018 and Q2 2017 are as follow:

	KYWJ Group					
	3 months ended		Increase / (Decrease) %	6 months ended		Increase / (Decrease) %
	30.06.2018 RMB'000	30.06.2017 RMB'000		30.06.2018 RMB'000	30.06.2017 RMB'000	
Revenue	39,925	391,242	(89.8)	107,913	413,476	(73.9)
Cost of sales	<u>(39,624)</u>	<u>(380,015)</u>	(89.6)	<u>(103,595)</u>	<u>(404,388)</u>	(74.4)
Gross profit	301	11,227	(97.3)	4,318	9,088	(52.5)
Other income - net	(407)	1,616	(125.2)	(388)	1,753	(122.1)
Operating expenses	(837)	311	369.1	(2,117)	(1,894)	11.8
Selling and marketing expenses	<u>(6,334)</u>	<u>(1,341)</u>	372.3	<u>(9,104)</u>	<u>(3,368)</u>	170.3
(Loss) / profit before income tax	(7,277)	11,813	(161.6)	(7,291)	5,579	(230.7)
Income tax credit	<u>1,223</u>	<u>8,548</u>	(85.7)	<u>1,965</u>	<u>7,743</u>	(74.6)
(Loss) / profit for the financial period	<u>(6,054)</u>	<u>20,361</u>	(129.7)	<u>(5,326)</u>	<u>13,322</u>	(140.0)

(ii) Statement of Financial Position as at 30 June 2018 for the KYWJ Group is as follows:

	30.06.2018 RMB'000	31.12.2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	162,961	161,726
	162,961	161,726
CURRENT ASSETS		
Property for development	670,908	693,033
Trade and other receivables	637,349	15,857
Cash and bank balances	119,583	44,481
Deferred tax assets	10,394	9,291
	1,438,234	762,662
CURRENT LIABILITIES		
Borrowings	-	-
Trade and other payables	1,359,453	674,768
	1,359,453	674,768
Net Current Assets	78,781	87,894
Total assets less current liabilities	241,742	249,620
NON-CURRENT LIABILITIES		
Deferred tax liabilities	42,328	44,880
Net Assets	199,414	204,740
Equity		
Share capital	4,444	4,444
Reserves	140,816	140,816
Accumulated profit	54,154	59,480
	199,414	204,740

(iii) In relation to the KYWJ Group's sales of available units in completed Phases 1 and 2 and pre-sales of "new" Phase 3 (formerly named Phases 3 and 4):

- a. The total saleable area for the Phases 1 and 2, and "new" Phase 3-1 is approximately 345,000 square meters. The take-up rates for Phase 1-1, Phase 1-2, Phase 1-3, Phase 2 and "new" Phase 3-1 of the Yichang Project are 87.99%, 84.35%, 90.63%, 89.06% and 38.44% respectively as at 30 June 2018. The total saleable area for "new" Phases 3-2 and 3-3 remains to be approved.
- b. The cumulative revenue recognized up to the current period is approximately RMB1,310 million. The cumulative sales and pre-sales amount to approximately RMB1,780 million, of which approximately RMB470 million belonging to pre-sales revenue will only be recognized upon completion in a later period.
- c. Phase 2-3 and the "new" Phase 3-1 are in the process of construction, with remaining of 75% of work which planned to complete by 2019. The "new" Phases 3-2 and 3-3 are in the process of design, with plans to start construction in the later part of 2018. The KYWJ Group expects to complete all units of "new" Phases 3-2 and 3-3 by Quarter 4 of 2020.

2. Discontinued operations and disposal of the 5% interest in Yichang Project:

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 Hongkunweiye 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 the KYWJ Group. Following the disposal, the KYWJ Group ceased to be subsidiaries and instead became associated companies of the Company.

The financial results of the KYWJ Group from 01 January 2017 to 31 May 2017 have been accounted for as discontinued operations whereby the results of operations of the KYWJ Group have been excluded from the results of continuing operations and reported as discontinued operations.

The Company recognized its share of loss of RMB3.027 million in respect of the associated companies, KYWJ Group in Q2 2018.

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

	3 months ended					
	Q2 - 2018			Q2 - 2017		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	2,718	-	2,718	(285)	215	(70)
Rental income, net	180	-	180	-	-	-
Depreciation of property, plant and equipment	(2,468)	-	(2,468)	(1,997)	(158)	(2,155)
Currency translation loss	(53)	-	(53)	(165)	-	(165)
Auditors' remuneration	(261)	-	(261)	(285)	(5)	(290)
Gain on waiver of amount payable	-	-	-	11,000	-	11,000
Gain on disposal of the KYWJ Group	-	-	-	5,559	-	5,559
Share of (loss) / profit of associated companies	(3,027)	-	(3,027)	5,214	-	5,214

	6 months ended					
	Q2 - 2018			Q2 - 2017		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	5,699	-	5,699	5,870	237	6,107
Rental income, net	503	-	503	-	-	-
Depreciation of property, plant and equipment	(4,923)	-	(4,923)	(3,879)	(371)	(4,250)
Currency translation loss	(161)	-	(161)	(203)	-	(203)
Auditors' remuneration	(478)	-	(478)	(503)	(5)	(508)
Gain on waiver of amount payable	-	-	-	11,000	-	11,000
Gain on disposal of the KYWJ Group	-	-	-	5,559	-	5,559
Share of (loss) / profit of associated companies	(2,663)	-	(2,663)	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	
	30.06.2018 RMB'000	31.12.2017 RMB'000	30.06.2018 RMB'000	31.12.2017 RMB'000
Non-Current Assets				
Property, plant and equipment	165,646	143,877	-	-
Intangible assets	122	122	-	-
Investment properties	34,800	34,800	-	-
Goodwill arising on consolidation	20,303	20,303	-	-
Investment in subsidiaries	-	-	196,000	196,000
Investment in associates	99,708	102,371	-	-
Deferred income tax assets	3,611	3,425	-	-
	324,190	304,898	196,000	196,000
Current Assets				
Development properties	-	-	-	-
Inventories	1,989	2,165	-	-
Trade and other receivables	274,336	351,421	457,131	460,798
Cash and cash equivalents	53,526	57,063	1	1
	329,851	410,649	457,132	460,799
Current Liabilities				
Borrowings	42,000	90,848	-	-
Trade and other payables	163,868	180,291	145,193	146,932
Current income tax liabilities	19,333	15,235	-	-
	225,201	286,374	145,193	146,932
NET CURRENT ASSETS	104,650	124,275	311,939	313,867
TOTAL ASSETS LESS CURRENT LIABILITIES	428,840	429,173	507,939	509,867
Non-Current Liabilities				
Borrowings	-	-	-	-
Deferred income tax liabilities	29,412	29,440	-	-
	29,412	29,440	-	-
NET ASSETS	399,428	399,733	507,939	509,867
EQUITY				
Equity attributable to owners of the parent				
Share capital	17,779	17,779	17,779	17,779
Reserves	920,035	920,841	890,925	891,967
Accumulated losses	(635,105)	(631,518)	(400,765)	(399,879)
	302,709	307,102	507,939	509,867
Non-controlling interests	96,719	92,631	-	-
TOTAL EQUITY	399,428	399,733	507,939	509,867

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

Amount repayable in one year or less, or on demand

As at 30.06.2018 (RMB'000)		As at 31.12.2017 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	42,000	23,748	67,100

Amount repayable after one year

As at 30.06.2018 (RMB'000)		As at 31.12.2017 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

Not applicable.

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	
	30.06.2018 RMB'000	30.06.2017 RMB'000	30.06.2018 RMB'000	30.06.2017 RMB'000
Cash flows from operating activities				
Profit before income tax including discontinued operations	3,207	19,920	4,413	35,981
Adjustments for:				
Depreciation of property, plant and equipment	2,468	2,155	4,923	4,250
Interest expenses and other financial costs	509	2,028	1,853	5,134
Interest income	(2,718)	(4,960)	(5,699)	(11,137)
Gain on disposal of 5% interest in subsidiaries	-	(5,559)	-	(5,559)
Share of loss / (profit) of associated companies	3,027	(5,214)	2,663	(5,214)
Gain on partial waiver of amount payable	-	-	-	(11,000)
	6,493	8,370	8,153	12,455
Changes in working capital				
Development properties	-	(19,753)	-	(104,767)
Inventories	637	960	175	1,039
Trade and other receivables	(34,641)	(24,755)	(36,385)	(13,822)
Trade and other payables	10,780	73,548	(2,630)	145,623
Cash provided by operations	(16,731)	38,370	(30,687)	40,528
Interest paid	-	-	-	(5,955)
PRC income tax paid	1,807	(15,412)	(826)	(20,895)
Net cash (used in) /provided by operating activities	(14,924)	22,958	(31,513)	13,678
Cash flows from investing activities				
Interest received	82	308	188	530
Purchases of property, plant and equipment	(8,263)	(13,601)	(26,768)	(24,047)
Increased of restricted bank balances pledged	(1)	(3,636)	(1)	(5,854)
Repayment (payment) of loans from associated companies	78,980	(200)	118,980	(200)
Net proceeds from disposal of subsidiaries	-	20,109	-	20,109
Net cash provided by / (used in) investing activities	70,798	2,980	92,399	(9,462)
Cash flows from financing activities				
Interest and other finance costs paid	(5,240)	(1,243)	(5,569)	(8,252)
Borrowings from non-related parties	-	28,000	-	28,000
Dividend paid to a non-controlling shareholder	-	-	(10,000)	-
Special dividend paid	-	(52,715)	-	(52,715)
Repayments of borrowings from non-related parties	(11,756)	(11,078)	(23,748)	(81,940)
Repayments of borrowings from a related party	(25,100)	-	(25,100)	-
Purchase of treasury shares	(4)	-	(7)	-
Net cash used in financing activities	(42,100)	(37,036)	(64,424)	(114,907)
Net increase / (decrease) in cash and cash equivalents	13,774	(11,098)	(3,538)	(110,691)
CASH AND CASH EQUIVALENTS:				
BEGINNING OF FINANCIAL PERIOD	39,606	46,806	56,918	146,399
END OF FINANCIAL PERIOD	53,380	35,708	53,380	35,708

	3 months ended		6 months ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RMB'000	RMB'000	RMB'000	RMB'000
Analysis of Cash and Cash Equivalents				
Cash and bank balances	53,526	35,853	53,526	35,853
Restricted bank balances	(146)	(145)	(146)	(145)
	<u>53,380</u>	<u>35,708</u>	<u>53,380</u>	<u>35,708</u>

As at 30 June 2018, cash equivalents include restricted bank balances of approximately RMB146,000 (30 June 2017, RMB145,000) 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 →											Non-controlling Interests RMB'000	Total Equity RMB'000
	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		
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
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 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

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
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
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

- 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.

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 in the sum of S\$5,000,528 (approximately equivalent to RMB24,565,000) to eligible shareholders of the Company who have elected to participate in the Scrip Dividend Scheme.

A capital reorganization exercise 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 2018, 400,000 options granted in accordance with CIHL Share Option Scheme 2010 have lapsed and 2.3 million options remain outstanding (30 June 2017, 2.7 million). If all of these options are exercised, 2,300,000 shares in the capital of the Company would be issued on conversion. Under the 2010 scheme, 2,300,000 options representing 100% (of all options granted under the Scheme) could be exercised as at 30 June 2018 (30 June 2017: 2,700,000, 100%).

The Company held 3,200 unit of its issued shares as treasury shares as at 30 June 2018 (30 June 2017: nil).

The Company did not hold any of its issued shares as subsidiary holdings as at 30 June 2018 and 30 June 2017.

- 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 2018, the number of issued shares excluding treasury shares and subsidiary holdings was 71,230,333 ordinary shares (31 December 2017: 71,233,133).

- 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 2018. 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 2018. 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 2018 are the same as those used in the annual financial statements of the Group for the financial year ended 31 December 2017.

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 2018. 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.

	30.06.2018	30.06.2017
(Loss) / earnings attributable to owners of the parent (RMB’000)		
-Continuing operations	(4,386)	14,278
-Discontinued operations	-	1,592
	<u>(4,386)</u>	<u>15,870</u>
Weighted average number of ordinary shares in issue (’000)	<u>71,233</u>	<u>51,672</u>
Basic and diluted (loss) / earnings per share (RMB fen)		
-Continuing operations	(6.16)	27.63
-Discontinued operations	-	3.08
	<u>(6.16)</u>	<u>30.71</u>

Basic (loss) / earnings per share is calculated by dividing the (loss) / profit 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) / earnings per share is calculated by dividing the (loss) / earnings 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.

The share options of 2,300,000 (30 June 2017: 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 2018 and 30 June 2017 and (ii) the Group recorded loss for the financial period ended 30 June 2018.

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	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Net asset value (RMB'000)	302,709	307,102	507,939	509,867
Number of shares ('000)	71,230	71,233	71,230	71,233
Net asset per share (RMB)	4.250	4.311	7.131	7.158

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 2018 versus Q2 2017

Revenue in Q2 2018 of the Group was RMB21.48 million, a decrease of RMB9.09 million or 29.7% compared RMB30.57 million in Q2 2017. The decrease of 29.7% came mainly from lower revenue on construction of water pipelines. The Group believes it is within the normal fluctuations of such operations, and may increase or decrease with the change in the local economic environment, including the property development industry.

Cost of sales and services provided in Q2 2018 decreased by 14.4% to RMB10.89 million, a decrease of RMB1.83 million as compared to RMB12.72 million in Q2 2017 with lower cost of water operations.

A breakdown of revenue and Cost of sales and services provided in 2Q2018 and 2Q2017 is shown below:

	2Q2018	2Q2017	Increase / (decrease)	
	RMB'000	RMB'000	RMB'000	%
Revenue				
- Water supply revenue	10,021	11,747	(1,726)	(14.7)
- Revenue on construction of water pipeline	11,456	18,819	(7,363)	(39.1)
	<u>21,477</u>	<u>30,566</u>	<u>(9,089)</u>	<u>(29.7)</u>
Cost of sales and services provided				
- Water supply cost (*)	6,865	6,383	482	7.6
- Cost on construction of water pipeline	4,023	6,339	(2,316)	(36.5)
	<u>10,888</u>	<u>12,722</u>	<u>(1,834)</u>	<u>(14.4)</u>

(*)Water supply cost in Q2 2018 of the Group was RMB6.87 million, an increase of RMB0.48 million or 7.6% compared RMB6.38 million in Q2 2017. The increase of 7.6% was mainly due to an increase in staff costs recorded in Q2 2018 as the Company employed more workers for operating the new project.

The Group recorded a gross profit of RMB10.59 million in Q2 2018, a decrease of 40.7% compared to RMB17.84 million in Q2 2017.

Other income in Q2 2018 was RMB2.68 million, representing a decrease of RMB3.13 million as compared to the RMB5.81 million in Q2 2017. The decrease of 53.9% was attributed mainly to gain on disposal of the company's 5% interest of the KYWJ Group in Q2 2017.

Share of loss from associated companies in Q2 2018 was RMB3.03 million while a share of profit of RMB5.21 million recorded in Q2 2017. The loss attributed to the KYWJ Group was mainly caused by sales-related expenses arising from the pre-sales units being recognized for the current period. The corresponding revenue will only be recognized when the pre-sales units are completed in a later period.

The Group recorded an after tax profit of RMB0.07 million in Q2 2018 compared to RMB13.81 million in Q2 2017.

1H 2018 versus 1H 2017

Revenue in 1H 2018 of the Group was RMB36.90 million, a decrease of RMB13.62 million as compared to RMB50.52 million in 1H 2017, representing a decrease of 27.0%, mainly from lower revenue on construction of water pipeline.

The Group recorded a gross profit of RMB20.15 million in 1H 2018, a decrease of 38.4% as compared to RMB32.71 million in 1H 2017.

Other income in 1H 2018 was RMB5.66 million, which represents a decrease of RMB17.37 million or 75.4% as compared to the RMB23.03 million in 1H 2017. This was attributed mainly to a gain on waiver of payable and gains from disposal of the Company's 5% interest in the KYWJ group recorded in 1H 2017.

Other operating expenses in 1H 2018 was RMB12.59 million, an increase of RMB2.69 million compared to RMB9.90 million recorded in 1H 2017. This increase of 27.2% arose mainly from legal

and professional expenses in 1H 2018, after the Company paid professional service expenses in respect of disposal of Yichang project.

Finance costs in 1H 2018 was RMB1.85 million, a decrease of RMB3.28 million as compared to RMB5.13 million in 1H 2017. The decrease of 63.9% was mainly due to lower interest expenses in CIHL (Tianjin) City Development Limited.

Share of loss of associated companies in 1H 2018 was RMB2.66 million while a share of profit of RMB5.21 million recorded in 1H 2017. The loss attributed to the KYWJ Group was mainly caused by sales-related expenses arising from the pre-sales units being recognized for the current period. The corresponding revenue will only be recognized when units for sale are completed in a later period.

Income tax expenses in 1H 2018 was RMB4.71 million, representing a decrease of 73.8% as compared to RMB17.98 million in 1H 2017, mainly due to withholding tax expenses incurred in 1H 2017, when a Chinese subsidiary of the Company paid dividend to its foreign owner, another subsidiary of the Company, China (Tianjin) Water Resources Limited.

The Group recorded an after tax loss of RMB0.30 million in 1H 2018 compared to a profit of RMB25.74 million in 1H 2017.

Analysis on Statement of Financial Position

Trade and other receivables decreased from RMB351.42 million as at 31 December 2017 to RMB274.34 million as at 30 June 2018, which was mainly due to decrease of due from an associated company, Yichang Xinshougang Property Development Company Limited.

Total borrowings decreased from RMB90.85 million as at 31 December 2017 to RMB42.00 million as at 30 June 2018, since the deducted amount has been repaid by the Company.

Trade and other payables decreased from RMB180.29 million as at 31 December 2017 to RMB163.87 million as at 30 June 2018, which was mainly due to decrease of receipt in advance in CIHL (Tianjin) Water Development Company Limited.

Cash and cash equivalents as at 30 June 2018 was RMB53.53 million as compared to RMB57.06 million as at 31 December 2017.

Cash Flows Analysis

As at 30 June 2018, 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 RMB14.92 million in Q2 2018, and was paid mainly to refundable deposit in CIHL (Tianjin) City Development Limited.

Net cash provided by investing activities in Q2 2018 was RMB70.80 million, mainly from partial recovery of loans made to the KYWJ Group.

Net cash used in financing activities in Q2 2018 was RMB42.10 million, mainly for the repayment of borrowings.

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.

The Group expects the current operations at the Tianjin Water project to have a positive performance in 2018. The Group has commenced the construction of the new project (新河再生水厂项目) in 2018 and expects to complete the construction of the new project in the first 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 is expected to cost approximately RMB160 million and will be financed from internal cash resources and debt financing.

The Company has no other investment plans at present and is focused on executing the existing plans.

Subsequent to the disposal of its 5% interest, the Group retained 50% shareholding in the KYWJ Group with significant influence and became a significant associated company to the Group. Property development remains a core business of the Group. As of to-date, the property development project is still in development, and has commenced the development in “new” Phase 3-1 during Quarter2 2018. The KYWJ Group is expecting to continuously generate cash inflow through the sales of available units in completed Phases 1 and 2 and pre-sales of Phase 3-1.

The Group has made full impairment in relation to the Liuhe Gold project in Q4 FY2015, and is considering disposing of this investment when there is an opportunity. The project will remain under care and maintenance.

The Group has made full impairment for the related investment in the Group’s project in Papua New Guinea in Q4 FY2015 and is considering disposing of this investment when there is an opportunity.

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?

The Board does not recommend an interim dividend for the current period.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

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.

(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 2018

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 2018 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
28 February 2019