

THIRD QUARTER AND NINE-MONTHS FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 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) %	Group 9 months ended		Increase / (Decrease) %
	30.09.2018 RMB'000	30.09.2017 RMB'000		30.09.2018 RMB'000	30.09.2017 RMB'000	
Continuing operations						
Revenue	21,205	28,422	(25.4)	58,103	78,940	(26.4)
Cost of sales and services provided	(8,281)	(12,974)	(36.2)	(25,025)	(30,786)	(18.7)
Gross profit	12,924	15,448	(16.3)	33,078	48,154	(31.3)
Other income - net	1,404	4,431	(68.3)	7,064	27,460	(74.3)
Expenses						
-Administrative	(2,069)	(2,885)	(28.3)	(6,369)	(7,983)	(20.2)
-Other operating	(5,035)	(5,009)	0.5	(17,620)	(14,905)	18.2
-Finance	(314)	(1,820)	(82.7)	(2,167)	(6,954)	(68.8)
Share of (loss) / profit from associated companies accounted for using the equity method	(2,809)	(1,188)	136.4	(5,472)	4,026	(235.9)
Profit before income tax	4,101	8,977	(54.3)	8,514	49,798	(82.9)
Income tax expense	(2,655)	(3,953)	(32.8)	(7,366)	(21,928)	(66.4)
Profit for the financial period from continuing operations	1,446	5,024	(71.2)	1,148	27,870	(95.9)
Discontinued operations						
Profit for the financial period from discontinued operations	-	-	NM	-	2,894	(100.0)
Profit for the financial period (Loss) / profit for the financial period attributable to:						
Owners of the parent	(1,651)	965	(271.1)	(6,037)	16,835	(135.9)
Non-controlling interests	3,097	4,059	(23.7)	7,185	13,929	(48.4)
	1,446	5,024	(71.2)	1,148	30,764	(96.3)

NM: Not meaningful

Notes:

1. Operation of significant associated companies, the KYWJ Group

(i) The summary results of the KYWJ Group for Q3 2018 and Q3 2017 are as follow:

	KYWJ Group					
	3 months ended		Increase / (Decrease) %	9 months ended		Increase / (Decrease) %
	30.09.2018 RMB'000	30.09.2017 RMB'000		30.09.2018 RMB'000	30.09.2017 RMB'000	
Revenue	23,751	(350)	6,886.0	131,664	413,126	(68.1)
Cost of sales	<u>(22,428)</u>	<u>4,184</u>	636.0	<u>(126,023)</u>	<u>(400,205)</u>	(68.5)
Gross profit	<u>1,323</u>	<u>3,834</u>	(65.5)	<u>5,641</u>	<u>12,921</u>	(56.3)
Other income / (loss) - net	9	2,798	(99.7)	(379)	4,551	(108.3)
Operating expenses	(1,532)	(7,208)	(78.7)	(3,649)	(9,103)	(59.9)
Selling and marketing expenses	<u>(6,106)</u>	<u>(1,883)</u>	224.3	<u>(15,210)</u>	<u>(5,248)</u>	189.8
(Loss) / profit before income tax	(6,306)	(2,459)	156.4	(13,597)	3,121	(535.7)
Income tax credit	<u>688</u>	<u>83</u>	728.9	<u>2,653</u>	<u>7,825</u>	(66.1)
(Loss) / profit for the financial period	<u>(5,618)</u>	<u>(2,376)</u>	136.4	<u>(10,944)</u>	<u>10,946</u>	(200.0)

Notes (Cont'd):

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

	30.09.2018 RMB'000	31.12.2017 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	163,395	161,726
	163,395	161,726
CURRENT ASSETS		
Property for development	722,549	693,033
Trade and other receivables	651,417	15,857
Cash and bank balances	101,666	44,481
Deferred tax assets	11,504	9,291
	1,487,136	762,662
CURRENT LIABILITIES		
Trade and other payables	1,415,094	674,768
	1,415,094	674,768
Net Current Assets	72,042	87,894
Total assets less current liabilities	235,437	249,620
NON-CURRENT LIABILITIES		
Deferred tax liabilities	41,639	44,880
Net Assets	193,798	204,740
Equity		
Share capital	4,444	4,444
Reserves	140,816	140,816
Accumulated profit	48,538	59,480
	193,798	204,740

(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 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 91.54%, 88.15%, 90.63%, 89.06% and 53.34% respectively as at 30 September 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 RMB1,336 million. The cumulative sales and pre-sales amount to approximately RMB1,922 million, of which approximately RMB586 million belonging to pre-sales revenue will only be recognized upon completion in a later period.

Notes (Cont'd):

1. (iii)

- c. Phase 2-3 and the “new” Phase 3-1 are in the process of construction, with remaining of 60% of works planned to complete by 2019. The “new” Phase 3-2 is in the process of construction, with 90% of work remaining. The “new” Phase 3-3 is in the process of design, with plans to start construction in December 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 RMB2.81 million in respect of the associated companies, KYWJ Group in Q3 2018.

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

	3 months ended					
	Q3 - 2018			Q3 - 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	1,156	-	1,156	3,695	-	3,695
Rental income, net	367	-	367	705	-	705
Depreciation of property, plant and equipment	(2,468)	-	(2,468)	(2,062)	-	(2,062)
Currency translation (loss) / gain	(66)	-	(66)	7	-	7
Auditors' remuneration	(280)	-	(280)	(221)	-	(221)
Share of loss of associated companies	(2,809)	-	(2,809)	(1,188)	-	(1,188)

	9 months ended					
	Q3 - 2018			Q3 - 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	6,855	-	6,855	9,565	237	9,802
Rental income, net	870	-	870	705	-	705
Depreciation of property, plant and equipment	(7,391)	-	(7,391)	(5,941)	(371)	(6,312)
Currency translation loss	(227)	-	(227)	(196)	-	(196)
Auditors' remuneration	(758)	-	(758)	(724)	(5)	(729)
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	(5,472)	-	(5,472)	4,026	-	4,026

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	
	30.09.2018 RMB'000	31.12.2017 RMB'000	30.09.2018 RMB'000	31.12.2017 RMB'000
Non-Current Assets				
Property, plant and equipment	173,841	143,877	-	-
Intangible assets	243	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	96,899	102,371	-	-
Deferred income tax assets	3,591	3,425	-	-
	329,677	304,898	196,000	196,000
Current Assets				
Inventories	1,829	2,165	-	-
Trade and other receivables	273,023	351,422	453,311	460,799
Cash and bank balances	56,222	57,063	1	1
	331,074	410,650	453,312	460,800
Current Liabilities				
Borrowings	42,000	90,848	-	-
Trade and other payables	167,295	180,291	142,205	146,932
Current income tax liabilities	21,171	15,235	-	-
	230,466	286,374	142,205	146,932
NET CURRENT ASSETS	100,608	124,276	311,107	313,868
TOTAL ASSETS LESS CURRENT LIABILITIES	430,285	429,174	507,107	509,868
Non-Current Liabilities				
Deferred income tax liabilities	29,403	29,440	-	-
	29,403	29,440	-	-
NET ASSETS	400,882	399,734	507,107	509,868
EQUITY				
Equity attributable to owners of the parent				
Share capital	17,779	17,779	17,779	17,779
Reserves	920,412	920,842	890,933	891,968
Accumulated losses	(637,125)	(631,518)	(401,605)	(399,879)
	301,066	307,103	507,107	509,868
Non-controlling interests	99,816	92,631	-	-
TOTAL EQUITY	400,882	399,734	507,107	509,868

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

Amount repayable in one year or less, or on demand

As at 30.09.2018 (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 30.09.2018 (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		9 months ended	
	30.09.2018 RMB'000	30.09.2017 RMB'000	30.09.2018 RMB'000	30.09.2017 RMB'000
Cash flows from operating activities				
Profit before income tax including discontinued operations	4,101	8,977	8,514	44,958
Adjustments for:				
Depreciation of property, plant and equipment	2,468	2,062	7,391	6,312
Interest expenses and other financial costs	314	1,820	2,167	6,954
Interest income	(1,156)	(3,939)	(6,855)	(15,076)
Gain on disposal of property, plant and equipment	(15)	(80)	(15)	(80)
Gain on disposal of 5% interest in subsidiaries	-	-	-	(5,559)
Share of loss / (profit) of associated companies	2,809	1,188	5,472	(4,026)
Gain on partial waiver of amount payable	-	-	-	(11,000)
	8,521	10,028	16,674	22,483
Changes in working capital				
Development properties	-	-	-	(104,767)
Inventories	159	254	335	1,293
Trade and other receivables	(7,627)	22,780	(44,019)	8,958
Trade and other payables	13,037	(10,011)	10,407	135,612
Cash provided by / (used in) operations	14,090	23,051	(16,603)	63,579
Interest paid	-	-	-	(5,955)
PRC income tax paid	(808)	(3,641)	(1,634)	(24,536)
Net cash provided by / (used in) operating activities	13,282	19,410	(18,237)	33,088
Cash flows from investing activities				
Interest received	106	141	294	671
Purchases of property, plant and equipment	(10,586)	(24,757)	(37,355)	(48,804)
Increased of restricted bank balances pledged	-	-	(1)	(5,854)
Proceed from disposal of property, plant and equipment	15	80	15	80
Repayment of loans from associated companies	10,000	60,000	128,980	59,800
Net proceeds from disposal of subsidiaries	-	-	-	20,109
Purchase of intangible assets	(121)	-	(121)	-
Net cash (used in) / provided by investing activities	(586)	35,464	91,812	26,002
Cash flows from financing activities				
Interest and other finance costs paid	-	(1,021)	(5,569)	(9,273)
Borrowings from non-related parties	-	-	-	28,000
Dividend paid to a non-controlling shareholder	(10,000)	(10,000)	(20,000)	(10,000)
Special dividend paid	-	-	-	(52,715)
Repayments of borrowings from non-related parties	-	(11,299)	(23,748)	(93,239)
Repayments of borrowings from a related party	-	-	(25,100)	-
Net cash used in financing activities	(10,000)	(22,320)	(74,417)	(137,227)
Net increase / (decrease) in cash and cash equivalents	2,696	32,554	(842)	(78,137)
CASH AND CASH EQUIVALENTS:				
BEGINNING OF FINANCIAL PERIOD	53,380	35,708	56,918	146,399
END OF FINANCIAL PERIOD	56,076	68,262	56,076	68,262

	3 months ended		9 months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	RMB'000	RMB'000	RMB'000	RMB'000
Analysis of Cash and Cash Equivalents				
Cash and bank balances	56,222	68,407	56,222	68,407
Restricted bank balances	(146)	(145)	(146)	(145)
	<u>56,076</u>	<u>68,262</u>	<u>56,076</u>	<u>68,262</u>

As at 30 September 2018, cash equivalents include restricted bank balances of approximately RMB146,000 (30 September 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	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	-	-	-	-	-	-	-	-	16,835	16,835	13,929	30,764
Transfer	-	-	-	-	1,872	-	-	-	(1,872)	-	-	-
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	23,557	8,324	(2,147)	7,409	(634,307)	304,135	89,121	393,256
2018												
Beginning of financial period	17,779	65,712	810,044	7,764	23,736	8,324	(2,147)	7,409	(631,518)	307,103	92,631	399,734
Total comprehensive (loss) / income for the financial period	-	-	-	-	-	-	-	-	(6,037)	(6,037)	7,185	1,148
Transfer	-	-	-	-	605	-	-	-	(605)	-	-	-
Share options lapsed	-	-	-	-	-	-	-	(1,035)	1,035	-	-	-
End of financial period	17,779	65,712	810,044	7,764	24,341	8,324	(2,147)	6,374	(637,125)	301,066	99,816	400,882

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	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	-	-	-	-	-	-	(4,186)	(4,186)
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	<u>17,779</u>	<u>65,712</u>	<u>810,044</u>	<u>479</u>	<u>8,324</u>	<u>7,409</u>	<u>(399,070)</u>	<u>510,677</u>
2018								
Beginning of financial period	17,779	65,712	810,044	479	8,324	7,409	(399,879)	509,868
Total comprehensive loss for the financial period	-	-	-	-	-	-	(2,761)	(2,761)
Share options lapsed	-	-	-	-	-	(1,035)	1,035	-
End of financial period	<u>17,779</u>	<u>65,712</u>	<u>810,044</u>	<u>479</u>	<u>8,324</u>	<u>6,374</u>	<u>(401,605)</u>	<u>507,107</u>

- 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 September 2018, 400,000 options granted in accordance with CIHL Share Option Scheme 2010 have lapsed and 2.3 million options remain outstanding (30 September 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 September 2018 (30 September 2017: 2,700,000, 100%).

The Company did not hold any of its issued shares as treasury shares as at 30 September 2018 and 30 September 2017.

The Company did not hold any of its issued shares as subsidiary holdings as at 30 September 2018 and 30 September 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 September 2018, the number of issued shares excluding treasury shares and subsidiary holdings was 71,233,533 ordinary shares (31 December 2017: 71,233,533).

- 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 September 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 September 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 or 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.

	30.09.2018	30.09.2017
(Loss) / earnings attributable to owners of the parent (RMB’000)		
-Continuing operations	(6,037)	15,243
-Discontinued operations	-	1,592
	<u>(6,037)</u>	<u>16,835</u>
Weighted average number of ordinary shares in issue (’000)	<u>71,234</u>	<u>58,264</u>
Basic and diluted (loss) / earnings per share (RMB fen)		
-Continuing operations	(8.47)	26.16
-Discontinued operations	-	2.73
	<u>(8.47)</u>	<u>28.89</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 September 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 September 2018 and 30 September 2017 and (ii) the Group recorded loss for the financial period ended 30 September 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	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
Net asset value * (RMB'000)	301,066	307,103	507,107	509,868
Number of shares ('000)	71,234	71,234	71,234	71,234
Net asset per share (RMB)	4.226	4.311	7.119	7.158

* 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

Revenue in Q3 2018 of the Group was RMB21.21 million, a decrease of RMB7.22 million or 25.4% compared RMB28.42 million in Q3 2017. The decrease of 25.4% was mainly due to lower revenue from construction of water pipelines.

A breakdown of revenue in 3Q2018 and 3Q2017 is shown below:

	3Q2018	3Q2017	Increase / (decrease)	
	RMB'000	RMB'000	RMB'000	%
Revenue				
- Water supply revenue	9,556	9,344	212	2.3
- Revenue on construction of water pipeline	11,649	19,078	(7,429)	(38.9)
	<u>21,205</u>	<u>28,422</u>	<u>(7,217)</u>	<u>(25.4)</u>

The decrease of revenue on construction of water pipelines of 38.9% is within normal fluctuations of such water business, which are affected by changes in the local economic environment and the state of the property development industry. Furthermore, pipeline construction projects comprised mainly new projects, which were mainly still at initial stages as of Q3 2018, as compared to Q3 of prior year, which had more completed projects.

Cost of sales and services provided in Q3 2018 decreased by 36.2% to RMB8.28 million, a decrease of RMB4.69 million as compared to RMB12.97 million in Q3 2017 as lower cost of construction of water pipeline were recorded to conjunction with the lower revenue.

The Group recorded a gross profit of RMB12.92 million in Q3 2018, a decrease of 16.3% compared to RMB15.45 million in Q3 2017.

Other income in Q3 2018 was RMB1.40 million, representing a decrease of RMB3.03 million as compared to the RMB4.43 million in Q3 2017. The decrease of 68.3% was attributed mainly from a lower interest income in CIHL (Tianjin) City Development Limited following the repayment of loans from an associated company.

Finance cost in Q3 2018 was RMB0.31 million, a decrease of RMB1.51 million as compared to RMB1.82 million in Q3 2017. The decrease of 82.7% was mainly due to lower interest expenses in CIHL (Tianjin) City Development Limited.

Share of loss from associated companies in Q3 2018 was RMB2.81 million while a share of loss of RMB1.19 million recorded in Q3 2017. A higher loss in Q3 2018 are attributed from the KYWJ Group due to a higher general advertising / marketing activities by the new operating company, Hong Kun which focused more on advertising and marketing to attract new buyers. A different sales strategy led to more staff being employed and hence higher staff cost for Q3 2018.

The Group recorded a profit of RMB1.45 million in Q3 2018 compared to RMB5.02 million in Q3 2017.

Analysis on Statement of Financial Position

Property, plant and equipment increased from RMB143.88 million as at 31 December 2017 to RMB173.84 million as at 30 September 2018, which was mainly due to the construction of the new project (新河再生水厂项目) in CIHL (Tianjin) Water Development Company Limited.

Trade and other receivables decreased from RMB351.42 million as at 31 December 2017 to RMB273.02 million as at 30 September 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 September 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 RMB167.30 million as at 30 September 2018, which was mainly due to dividend payment to a non-controlling shareholder.

Cash and bank balances as at 30 September 2018 was RMB56.22 million as compared to RMB57.06 million as at 31 December 2017.

Cash Flows Analysis

As at 30 September 2018, included in cash and bank balances 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 generated from operating activities was RMB13.28 million in Q3 2018, mainly from revenue in advance on construction of water pipeline in CIHL (Tianjin) Water Development Company Limited.

Net cash used in investing activities in Q3 2018 was RMB0.59 million, mainly for the payment of construction of the new project (新河再生水厂项目) in CIHL (Tianjin) Water Development Company Limited.

Net cash used in financing activities in Q3 2018 was RMB10.00 million, mainly for the payment of dividend to a non-controlling shareholder.

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.

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 focusing on the execution of 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 from 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 to dispose 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 to dispose 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?

Not applicable.

(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 third quarter and nine months financial period ended 30 September 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 September 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
13 November 2018