

FIRST QUARTER FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017
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) %
	31.03.2017 RMB'000	31.03.2016 RMB'000	
Revenue	42,186	33,924	24.4
Cost of sales and services provided	<u>(29,463)</u>	<u>(15,291)</u>	92.7
Gross profit	12,723	18,633	(31.7)
Other income / (loss) - net	17,354	(83)	21,008.4
Expenses			
- Administrative	(2,448)	(3,071)	(20.3)
- Other operating	(6,433)	(6,741)	(4.6)
- Selling and marketing	(2,027)	(990)	104.7
- Finance	<u>(3,108)</u>	<u>(7,914)</u>	(60.7)
Profit / (loss) before income tax	16,061	(166)	9,775.3
Income tax expense	<u>(4,130)</u>	<u>(5,587)</u>	(26.1)
Profit / (loss) for the financial period	<u>11,931</u>	<u>(5,753)</u>	307.4
Profit / (loss) for the financial period attributable to:			
Owners of the parent	11,163	(8,236)	235.5
Non-controlling interests	<u>768</u>	<u>2,483</u>	(69.1)
	<u>11,931</u>	<u>(5,753)</u>	307.4

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

	3 months ended	
	31.03.2017 RMB'000	31.03.2016 RMB'000
Interest income	6,177	78
Rental income, net	-	335
Employee share option expense	-	(335)
Depreciation of property, plant and equipment	(2,095)	(2,221)
Currency translation loss	(38)	(24)
Auditors' remuneration	(218)	(208)
Penalty on breach of contract	(214)	-
Payable waived by a non-controlling shareholder	11,000	-

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	
	31.03.2017 RMB'000	31.12.2016 RMB'000	31.03.2017 RMB'000	31.12.2016 RMB'000
Non-Current Assets				
Property, plant and equipment	264,327	256,303	-	-
Intangible assets	122	122	-	-
Investment properties	32,100	32,100	-	-
Goodwill arising on consolidation	20,303	20,303	-	-
Investment in subsidiaries	-	-	196,000	196,000
Investment in associates	-	-	-	-
Deferred income tax assets	4,542	4,492	-	-
	321,394	313,320	196,000	196,000
Current Assets				
Development properties	976,066	895,747	-	-
Inventories	3,489	3,569	-	-
Trade and other receivables	72,888	93,830	491,862	494,747
Cash and cash equivalents	59,600	156,975	1	1
	1,112,043	1,150,121	491,863	494,748
Current Liabilities				
Borrowings	85,760	149,563	-	-
Trade and other payables	693,648	658,720	123,131	124,754
Current income tax liabilities	14,060	16,403	-	-
	793,468	824,686	123,131	124,754
NET CURRENT ASSETS	318,575	325,435	368,732	369,994
TOTAL ASSETS LESS CURRENT LIABILITIES	639,969	638,755	564,732	565,994
Non-Current Liabilities				
Borrowings	11,993	23,749	-	-
Deferred income tax liabilities	73,715	72,676	-	-
	85,708	96,425	-	-
NET ASSETS	554,261	542,330	564,732	565,994
EQUITY				
Equity attributable to owners of the parent				
Share capital	257,321	257,321	257,321	257,321
Reserves	656,848	656,270	627,861	627,861
Accumulated losses	(562,989)	(573,574)	(320,450)	(319,188)
	351,180	340,017	564,732	565,994
Non-controlling interests	203,081	202,313	-	-
TOTAL EQUITY	554,261	542,330	564,732	565,994

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

Amount repayable in one year or less, or on demand

As at 31.03.2017 (RMB'000)		As at 31.12.2016 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
45,660	40,100	109,463	40,100

Amount repayable after one year

As at 31.03.2017 (RMB'000)		As at 31.12.2016 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
11,993	-	23,749	-

Details of any collateral

The borrowings of the Group are secured as follows:

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

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

	3 months ended	
	31.03.2017 RMB'000	31.03.2016 RMB'000
Cash flows from operating activities		
Profit / (loss) before income tax	16,061	(166)
Adjustments for:		
Depreciation of property, plant and equipment	2,095	2,221
Interest expenses and other finance costs	3,106	7,914
Interest income	(6,177)	(78)
Employee share option expense	-	335
Loss on disposal of property, plant and equipment	-	6
Gain on payable waived by a non-controlling shareholder	(11,000)	-
	4,085	10,232
Changes in working capital		
Development properties	(85,014)	(3,567)
Inventories	79	23
Trade and other receivables	10,933	(52,591)
Trade and other payables	72,075	31,967
Cash used in operations	2,158	(13,936)
Interest paid	(5,955)	(5,298)
PRC income tax paid	(5,483)	(4,845)
Net cash used in operating activities	(9,280)	(24,079)
Cash flows from investing activities		
Interest received	222	29,422
Purchases of property, plant and equipment	(10,446)	(2,712)
Increased of restricted bank balances pledged	(2,218)	(4,460)
Proceed from disposal of property, plant and equipment	-	4
Net cash (used in) / provided by investing activities	(12,442)	22,254
Cash flows from financing activities		
Interest and other finance costs paid	(7,009)	(2,277)
Borrowings from non-related parties	-	60,000
Borrowings from a related party	-	21,800
Repayment of borrowings from non- related parties	(70,862)	(59,834)
Net cash (used in) / provided by financing activities	(77,871)	19,689
Net (decrease) / increase in cash and cash equivalents	(99,593)	17,864
CASH AND CASH EQUIVALENTS:		
BEGINNING OF FINANCIAL PERIOD	146,399	15,878
END OF FINANCIAL PERIOD	46,806	33,742
Analysis of Cash and Cash Equivalents		
Cash and bank balances	59,600	41,184
Restricted bank balances	(12,794)	(7,442)
	46,806	33,742

As at 31 March 2017, cash and cash equivalents include restricted bank balances of approximately RMB12,794,000 (31 March 2016: RMB7,442,000).

The restricted cash mainly comprise of:

- (i) Cash deposited in certain banks as guarantee deposits for the mortgage loan facilities granted by the banks to the buyers of the Group's development properties. Such guarantees will only be released after the loan has been settled or issued of the real estate ownership certificate to the buyers, whichever is earlier; and
- (ii) Restricted bank balances of approximately RMB143,000 (31 March 2016: RMB143,000) for securing the performance and fund utilization for a land development project of the Group.

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	Total RMB'000		
2016												
Beginning of financial period	257,321	46,060	565,589	7,268	21,506	8,324	(2,147)	9,833	(638,254)	275,500	207,197	482,697
Total comprehensive (loss) / income for the financial period	-	-	-	-	-	-	-	-	(8,236)	(8,236)	2,483	(5,753)
Transfer	-	-	-	-	628	-	-	-	(628)	-	-	-
Recognition of share-based payments	-	-	-	-	-	-	-	335	-	335	-	335
End of financial period	257,321	46,060	565,589	7,268	22,134	8,324	(2,147)	10,168	(647,118)	267,599	209,680	477,279
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	-	-	-	-	-	-	-	-	11,163	11,163	768	11,931
Transfer	-	-	-	-	578	-	-	-	(578)	-	-	-
End of financial period	257,321	46,060	565,589	7,268	24,345	8,324	(2,147)	7,409	(562,989)	351,180	203,081	554,261

COMPANY

	Share capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Total equity RMB'000
2016								
Beginning of financial period	257,321	46,060	565,589	479	8,324	9,833	(316,331)	571,275
Total comprehensive loss for the financial period	-	-	-	-	-	-	(1,710)	(1,710)
Recognition of share-based payments	-	-	-	-	-	335	-	335
End of financial period	257,321	46,060	565,589	479	8,324	10,168	(318,041)	569,900
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	-	-	-	-	-	-	(1,262)	(1,262)
End of financial period	257,321	46,060	565,589	479	8,324	7,409	(320,450)	564,732

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

As at 31 March 2017, 2,700,000 options granted in accordance with CIHL Share Option Scheme 2010 remained outstanding. If all of these options are exercised, 2,700,000 shares in the capital of the Company may be issued on conversion (31 March 2016: 3,850,000). Under the 2010 scheme, 2,700,000 options representing 100% (of all options granted under the Scheme) could be exercised as at 31 March 2017 (31 March 2016: 3,850,000, 100%).

The Company did not hold any of its issued shares as treasury shares as at 31 March 2017 and 31 March 2016.

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

As at 31 March 2017, the number of issued shares excluding treasury shares was 51,230,187 ordinary shares (31 December 2016: 51,230,187).

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

Not applicable.

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

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

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

Not applicable.

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

There are a number of new or revised International Financial Reporting Standards ("IFRSs") and related interpretations promulgated by International Financial Reporting Interpretations Committee ("IFRICs") that are effective for accounting periods beginning on or after 1 January 2016. The adoption of these new IFRSs did not have any material impact on the financial information of the Group for the financial period ended 31 March 2017. Save as aforesaid, the accounting policies and methods of computation used in the preparation of the financial information of the Group for the financial period ended 31 March 2017 are the same as those used in the annual financial statements of the Group for the financial year ended 31 December 2016.

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

The Group adopted the new or amended IFRSs and IFRICs that are mandatory for application for

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

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

	<u>31.03.2017</u>	<u>31.03.2016</u>
Profit / (loss) attributable to owners of the parent (RMB'000)	11,163	(8,236)
Weighted average number of ordinary shares in issue ('000)	51,230	51,230
Basic and diluted earnings / (loss) per share (RMB' fen)	21.79	(16.08)

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

The share options of 2,700,000 (31 March 2016: 3,850,000) 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 31 March 2017 and 31 March 2016 and (ii) the Group recorded loss for the financial period ended 31 March 2016.

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

	<u>GROUP</u>		<u>COMPANY</u>	
	<u>31.03.2017</u>	<u>31.12.2016</u>	<u>31.03.2017</u>	<u>31.12.2016</u>
Net asset value (RMB'000)	351,180	340,017	564,732	565,994
Number of shares ('000)	51,230	51,230	51,230	51,230
Net asset per share (RMB)	6.855	6.637	11.023	11.048

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

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Profit and Loss Analysis

Revenue during Q1 2017 of the Group was RMB42.19 million, an increase of RMB8.27 million as compared to RMB33.92 million in Q1 2016. This represents an increase of 24.4%, mainly due to an increase in property sales by Yichang Xinshougang Property Development Company Limited.

Cost of services provided in Q1 2017 was RMB29.46 million, an increase of RMB14.17 million as compared to RMB15.29 million in Q1 2016, mainly due to an increase in property development costs in Yichang Xinshougang Property Development Company Limited.

As a result of the above, the Group recorded a gross profit of RMB12.72 million in Q1 2017, which represents a decrease of 31.7% as compared to gross profit of RMB18.63 million in Q1 2016.

Other income in Q1 2017 was RMB17.35 million, which represents an increase of 21,008.4% as compared to other loss of RMB0.083 million in Q1 2016. The increase was mainly due to payables which were partially waived by a non-controlling shareholder of Yichang Xinshougang Property Development Company Limited.

Administrative expenses in Q1 2017 was RMB2.45 million, a decrease of RMB0.62 million compared to RMB3.07 million in Q1 2016, which represents a decrease of 20.3%, mainly due to lower option expenses.

Selling and marketing expenses in Q1 2017 was RMB2.03 million, an increase of RMB1.04 million as compared to RMB0.99 million in Q1 2016, which represents an increase of 104.7%, mainly due to increase in marketing agency fees in Yichang Xinshougang Property Development Company Limited.

Finance costs in Q1 2017 was RMB3.11 million, a decrease of RMB4.80 million compared to RMB7.91 million in Q1 2016. This represents a decrease of 60.7%, mainly due to decrease in interest expense in CIHL (Tianjin) City Development Limited.

Income tax expenses for Q1 2017 was RMB4.13 million, representing a decrease of 26.1% as compared to RMB5.59 million for Q1 2016, mainly due to decrease in tax expenses in CIHL (Tianjin) Water Development Limited.

As a result of the above, the Group recorded an after tax profit of RMB11.93 million for Q1 2017 compared to a loss of RMB5.75 million for Q1 2016.

Analysis on Statement of Financial Position

Development properties increased from RMB895.75 million as at 31 December 2016 to RMB976.07 million as at 31 March 2017, which was mainly due to increase of development properties in a subsidiary, Yichang Xinshougang Property Development Company Limited.

Trade and other receivables decreased from RMB93.83 million as at 31 December 2016 to RMB72.89 million as at 31 March 2017, which was mainly due to decrease of trade receivables in a subsidiary, Yichang Xinshougang Property Development Company Limited.

Total borrowings decreased from RMB173.31 million as at 31 December 2016 to RMB 97.75 million as at 31 March 2017, since the deducted amount has been repaid by the Company.

Trade and other payables increased from RMB658.72 million as at 31 December 2016 to RMB693.65 million as at 31 March 2017, which was mainly due to increase in receipts in advance - presale in Yichang Xinshougang Property Development Company Limited.

Cash and cash equivalents as at 31 March 2017 was RMB59.60 million as compared to RMB156.98 million as at 31 December 2016.

Cash Flows Analysis

As at 31 March 2017, cash and cash equivalents include restricted bank balances of approximately RMB12.79 million. The restricted cash mainly represents cash deposited in certain banks as guarantee deposits for the mortgage loan facilities granted by the banks to the buyers in Yichang Xinshougang Property Development Company Limited.

Net cash used in operating activities is RMB9.28 million for Q1 2017, mainly due to increase of payment of construction cost in Yichang Xinshougang Property Development Company Limited.

Net cash used in investing activities for Q1 2017 was RMB12.44 million, mainly due to payment of construction in progress in Yichang Xinshougang Property Development Company Limited.

Net cash used in financing activities for Q1 2017 was RMB77.87 million, which was mainly due to repayments of borrowings from third parties.

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

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

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

when there is an opportunity.

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

11 Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

None.

(c) Date Payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared nor recommended by the directors on first quarter ended 31 March 2017.

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

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

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

The Board of Directors hereby confirm that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results of the Group and of the Company for the first quarter and the three months financial period ended 31 March 2017 to be false or misleading in any material aspect.

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.

On behalf of the Board of Directors

Zhang Rong Xiang
Managing Director

Zhu Jun
Executive Director

Shen Xia
Executive Director

BY ORDER OF THE BOARD

Zhang Rong Xiang
Managing Director
11 May 2017