
FIRST QUARTER FINANCIAL STATEMENT FOR THE PERIOD ENDED 31 MARCH 2011

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

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

	3 months ended		
	31.03.2011	31.03.2010	% Increase /
	RMB'000	RMB'000	(Decrease)
Turnover	31,129	2,294	1257.0
Cost of services provided	(16,060)	(1,002)	1502.8
Gross profit	15,069	1,292	1066.3
Other income	1,488	1,466	1.5
Administrative expenses	(3,130)	(2,804)	11.6
Other operating expenses	(5,430)	(2,778)	95.5
Profit from operations	7,997	(2,824)	NM
Share of profits of a jointly controlled entity	-	4,808	(100)
Finance costs	(8)	(11)	(27.3)
Profit before tax	7,989	1,973	304.9
Income tax expense	(2,678)	(57)	4598.2
Profit and total comprehensive income for the year	<u>5,311</u>	<u>1,916</u>	177.2
Profit and total comprehensive income for the year			
Attributable to:			
Owners of the Company	1,043	2,093	(50)
Non-controlling interests	<u>4,268</u>	<u>(177)</u>	NM
	<u>5,311</u>	<u>1,916</u>	177.2

NM: Not Meaningful

The Group's profit and total comprehensive income for the year is arrived at after crediting / (charging) the following:

	3 months ended	
	31.03.2011	31.03.2010
	RMB'000	RMB'000
Interest income	1,218	953
Depreciation of property, plant and equipment	(1,416)	(355)
Amortisation of intangible assets	(336)	(263)
Fair value gain on investment properties	-	123
Share of profits of a jointly controlled entity	-	4,808

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	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets				
Property, plant and equipment	66,314	68,635	-	-
Intangible assets	20,545	20,881	-	-
Investment properties	21,500	21,500	-	-
Investment in an associate	39,944	39,944	-	-
Investment in subsidiaries	-	-	220,049	220,049
Deferred tax assets	297	271	-	-
Goodwill	20,303	20,303	-	-
	<u>168,903</u>	<u>171,534</u>	<u>220,049</u>	<u>220,049</u>
Current Assets				
Trade receivables	1,995	2,280	-	-
Prepayments, deposits and other receivables	6,832	7,192	226	312
Refundable deposits	10,000	10,000	-	-
Inventories	1,989	1,172	-	-
Properties for development	210,719	210,142	-	-
Gross amounts due from customers for contract work	10,062	501	-	-
Due from an associate	427	427	-	-
Due from subsidiaries	-	-	524,781	526,742
Due from related companies	343	268	-	-
Due from non-controlling shareholders	8,323	7,783	-	-
Cash and bank balances	458,853	455,145	1	1
	<u>709,543</u>	<u>694,910</u>	<u>525,008</u>	<u>527,055</u>
Current Liabilities				
Trade payables	8,690	2,816	-	-
Other payables and accruals	14,396	15,555	830	2,293
Receipt in advance	8,340	11,328	-	-
Gross amounts due to customers for contract work	18,969	16,003	-	-
Due to subsidiaries	-	-	130,328	129,026
Current tax liabilities	11,278	9,950	-	-
Due to non-controlling shareholders	46,011	46,003	-	-
	<u>107,684</u>	<u>101,655</u>	<u>131,158</u>	<u>131,319</u>
Non-Current Liabilities				
Deferred tax liabilities	3,198	3,172	-	-
Net assets	<u>767,564</u>	<u>761,617</u>	<u>613,899</u>	<u>615,785</u>

	Group		Company	
	31.03.2011	31.12.2010	31.03.2011	31.12.2010
	RMB'000	RMB'000	RMB'000	RMB'000
Capital and reserves				
Share capital	219,943	219,943	219,943	219,943
Reserves	479,624	477,946	393,956	395,842
Equity attributable to owners of the Company	<u>699,567</u>	<u>697,889</u>	<u>613,899</u>	<u>615,785</u>
Non-controlling interests	<u>67,997</u>	<u>63,728</u>	<u>-</u>	<u>-</u>
Total Equity	<u><u>767,564</u></u>	<u><u>761,617</u></u>	<u><u>613,899</u></u>	<u><u>615,785</u></u>

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

Amount repayable in one year or less, or on demand

As at 31.03.2011 (RMB'000)		As at 31.12.2010 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 31.03.2011 (RMB'000)		As at 31.12.2010 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 31 March 2011, bank and cash balances included restricted bank balances of approximately RMB143,000 (31 December 2010: RMB143,000) for securing the performance and fund utilization for a land redevelopment project 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	
	31.03.2011	31.03.2010
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before tax	7,989	1,973
Adjustments for:		
Amortisation of intangible assets	336	263
Depreciation of property, plant and equipment	1,416	355
Interest income	(1,432)	(953)
Share options granted to employees and directors	635	304
Gain on fair value changes of investment properties	-	(123)
Share of profits of a jointly controlled entity	-	(4,808)
Operating profit/(loss) before working capital changes	8,944	(2,989)
Increase in properties for development	(577)	-
Decrease /(Increase) in prepayments, deposits and other receivables	491	(48)
Increase in inventories	(817)	-
Decrease in trade receivables	285	-
Increase in gross amount due from customers for construction work	(9,561)	-
Increase in due from related companies	-	(67)
Increase in trade payable	5,875	-
Decrease in accounts payables, other payables and accruals	(198)	(6,274)
Decrease in receipt in advance	(2,987)	-
Increase in gross amount due to customers for construction work	8	-
Decrease in due to related companies	(75)	-
Increase/(Decrease) in amount due to non-controlling shareholders	2,966	(250)
Cash generated from/(used in) operations	4,354	(9,628)
PRC income tax paid	(1,350)	(1,081)
Net cash generated from/(used in) operating activities	3,004	(10,709)
Cash flows from investing activities		
Interest received	1,300	7,848
Payments of property, plant and equipment	(57)	(7)
Proceeds on disposal of operating right of a toll bridge and its ancillary facilities	-	55,000
Proceeds on fund of refundable deposits	-	150,000
Net cash generated from investing activities	1,243	212,841
Cash flows from financing activities		
Loans granted to a non-controlling shareholder	(540)	(1,000)
Settlement of loans and receivables due from third parties	-	191,899
Loans repaid from non-controlling shareholders	-	380
Short term loan advanced by a third party	-	215
Short term loan repaid to a third party	-	(700)
Loans advanced by related companies	-	13,319
Loans repaid to related companies	-	(1,556)
Loans advanced to a related company	-	(1,000)
Loans repaid from related companies	-	13,029
Loans advanced by a director	-	876
Loans repaid to a director	-	(876)
Dividends paid to non-controlling shareholders	-	(117)
Net cash (used in)/generated from financing activities	(540)	214,469

	3 months ended	
	31.03.2011	31.03.2010
	RMB'000	RMB'000
Net increase in cash and cash equivalents	3,707	416,601
Cash and cash equivalents at beginning of period	455,145	171,119
Cash and cash equivalents at end of period	<u>458,852</u>	<u>587,720</u>
Analysis of Cash and Cash Equivalents		
Cash and bank balances	<u>458,852</u>	<u>587,720</u>

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 capitalisation 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 Company											Non-controlling Interests	Total Equity
	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 option reserve RMB'000	Accumulated loss RMB'000	Proposed final dividend RMB'000	Subtotal RMB'000	RMB'000	RMB'000
At 1 Jan 2010	218,820	44,553	565,589	6,955	13,084	8,324	(8)	1,280	(194,916)	14,757	678,438	41,704	720,142
Total comprehensive income for the period	-	-	-	-	-	-	-	-	2,093	-	2,093	(177)	1,916
Payment of dividends	-	-	-	-	-	-	-	-	-	-	-	(177)	(177)
Transfer	-	-	-	-	13	-	-	-	(13)	-	-	-	-
Recognition of share-based payment	-	-	-	-	-	-	-	304	-	-	304	-	304
At 31 Mar 2010	218,820	44,553	565,589	6,955	13,097	8,324	(8)	1,584	(192,836)	14,757	680,835	41,410	722,245
At 1 Jan 2011	219,943	45,312	565,589	7,764	14,732	8,324	(8)	2,890	(182,415)	15,758	697,889	63,728	761,617
Total comprehensive income for the period	-	-	-	-	-	-	-	-	1,043	-	1,043	4,269	5,312
Transfer	-	-	-	-	739	-	-	-	(739)	-	-	-	-
Recognition of share-based payment	-	-	-	-	-	-	-	635	-	-	635	-	635
At 31 Mar 2011	219,943	45,312	565,589	7,764	15,471	8,324	(8)	3,525	(182,111)	15,758	699,567	67,997	767,564

COMPANY

	Share Capital RMB'000	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Share option reserve RMB'000	Accumulated loss RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 Jan 2010	218,820	44,553	565,589	479	8,324	1,280	(227,350)	14,757	626,452
Total comprehensive income for the period	-	-	-	-	-	-	(2,245)	-	(2,425)
Recognition of share-based payment	-	-	-	-	-	304	-	-	304
At 31 Mar 2010	218,820	44,553	565,589	479	8,324	1,584	(229,775)	14,757	624,331
At 1 Jan 2011	219,943	45,312	565,589	479	8,324	2,890	(242,510)	15,758	615,785
Total comprehensive income for the period	-	-	-	-	-	-	(2,521)	-	(2,521)
Recognition of share-based payment	-	-	-	-	-	635	-	-	635
At 31 Mar 2011	219,943	45,312	565,589	479	8,324	3,525	(245,031)	15,758	613,899

- 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, 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.

There was no change in the Company's share capital during the financial period under review. As at 31 March 2011, 27.5 million options issued in accordance with CIHL Share Option Schemes 2004 and 2010 ("the Schemes") are outstanding for conversion into 27.5 million shares in the capital of the Company (27.5 million as at 31 December 2010). According to the Schemes, 12.4 million options, representing approximately 45.1% options granted, could be exercised as at 31 March 2011 (6.3 million as at 31 March 2010). The Company did not hold any of its issued shares as treasury shares as at 31 March 2011.

- 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 2011, the number of issued shares excluding treasury shares was 874,603,750 ordinary shares (874,603,750 ordinary shares as at 31 December 2010).

- 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 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.

The same accounting policies and methods of computation have been applied since the last audited annual financial statements.

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

Not applicable

- 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.

	31.03.2011		31.03.2010	
	Basic RMB'000	Diluted RMB'000	Basic RMB'000	Diluted RMB'000
Total comprehensive income attributable to owners of the parent	1,043	1,043	2,093	2,093
Number of shares (weighted average) ('000)	874,604	874,604	870,104	871,343
Earnings per share (fen)	0.12	0.12	0.24	0.24

- 7 Net asset value (for 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>31.03.2011</u>	<u>31.12.2010</u>	<u>31.03.2011</u>	<u>31.12.2010</u>
Net asset value (RMB'000)	699,567	697,889	613,899	615,785
Number of shares ('000)	874,604	874,604	874,604	874,604
Net asset per share (RMB)	0.800	0.798	0.702	0.704

- 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

The turnover of the Group was RMB31.1 million for the financial period ended 31 March 2011 ("Q1 2011"), representing an increase of 1,257% as compared to RMB2.3 million for the corresponding period of last year ("Q1 2010"), due to turnover generated of RMB28.69 million at CIHL (Tianjin) Water Development Company Limited ("CIHL Water") (formerly a jointly controlled entity). The Company obtained control over CIHL Water as a result of the lapse of minority veto right through revisions made to the M&A of CIHL Water in October 2010.

In line with the higher turnover, cost of services provided in Q1 2011 increased by 1,503% to RMB16.1 million as compared to RMB1.0 million for Q1 2010.

The Group recorded a gross profit of RMB15.1 million for Q1 2011, representing an increase of 1,066% as compared to RMB1.3 million for Q1 2010.

Other operating expenses in Q1 2011 were RMB5.6 million, representing an increase of 100% as compared to RMB2.8 million for Q1 2010. The increase was mainly due to the increase in administrative staff expenses at CIHL Water and Beijing Shiji Longquan Real Estate Development Co. Limited, two subsidiaries controlled and acquired in second half of 2010.

Income tax expenses for Q1 2011 were RMB2.7 million, representing an increase of 4,598% mainly due to the increase in turnover of CIHL Water.

As a result of the above, the Group recorded a profit after tax of RMB5.3 million for Q1 2011 as compare to RMB1.9 million for Q1 2010, an increase of 177%.

Analysis on Statement of Financial Position

Cash and bank balance increased from RMB455,145 million as at 31 December 2010 to RMB458,853 million as at 31 March 2011 mainly due to cash generated from operating activities during the period.

Gross amounts due from customers for contract work increased from RMB0.5 million as at 31 December 2010 to RMB10.1 million as at 31 March 2011 due to increase of construction projects at CIHL Water during the period.

Cashflow Analysis

Net cash generated from operating activities of RMB3 million for Q1 2011 was mainly due to profit generated at CIHL Water.

Net cash generated from investing activities for Q1 2011 was RMB1.2 million mainly due to interest income.

Cash and bank balance as at 31 March 2011 was RMB458.85 million, an increase of RMB3.7 million as compared to the balance of RMB455.15 million at the beginning of the period.

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

Not applicable

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

In the property development sector, the Group has evaluated certain business opportunities but management believes it is prudent to closely monitor the development of government policies affecting the property market in China before making additional significant investment decisions.

The Group believes natural resources sector offers high growth potential for the Group. The Group will continue to make additional investment in natural resources sector likely in the

next reporting period.

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.

The directors do not recommend any dividend for the quarter ended 31 March 2011.

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 first quarter ended 31 March 2011 unaudited financial results of the Group and of the Company 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

BY ORDER OF THE BOARD

Zhang Rong Xiang
Managing Director

10 May 2011