
SECOND QUARTER AND HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2011

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

- 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		Increase / (Decrease) %	6 months ended		Increase / (Decrease) %
	30.06.2011 RMB'000	30.06.2010 RMB'000		30.06.2011 RMB'000	30.06.2010 RMB'000	
TURNOVER	21,438	5,892	263.8	52,567	8,186	542.2
Cost of services provided	(5,538)	(1,394)	297.3	(21,598)	(2,396)	801.4
Gross profit	15,900	4,498	253.5	30,969	5,790	434.9
Other income	570	5,873	(90.3)	2,058	7,339	(71.5)
Administrative expenses	(2,913)	(4,337)	(32.8)	(6,043)	(7,141)	(15.4)
Other operating expenses	(3,826)	(2,451)	56.1	(9,256)	(5,229)	77.0
Profit from operations	9,731	3,583	171.6	17,728	759	2687.4
Share of (losses) / profits of a jointly controlled entity / entities	(0)	1,640	NM	(0)	6,448	NM
Finance costs	(16)	(15)	6.7	(24)	(26)	(7.7)
PROFIT BEFORE TAX	9,715	5,208	86.5	17,704	7,181	150.8
Income tax expense	(4,194)	(1,158)	262.2	(6,872)	(1,215)	465.6
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	5,521	4,050	36.3	10,832	5,966	85.4
PROFIT AND TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:						
Owners of the Company	557	3,287	(83.1)	1,600	5,380	(70.3)
Non-controlling interests	4964	763	550.6	9,232	586	1475.4
	5,521	4,050	36.3	10,832	5,966	81.6

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

	3 months ended		6 months ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RMB'000	RMB'000	RMB'000	RMB'000
Interest income	1,178	1,797	2,396	2,750
Depreciation	(1,238)	(357)	(2,654)	(712)
Amortisation of intangible assets	(430)	(491)	(766)	(754)
Loss on exchange, net	(1,241)	(137)	(1,245)	(172)
Share of (losses) / profits of a jointly controlled entity / entities	-	1640	-	-
Gain on disposal of a subsidiary	-	3,911	-	3,911

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	
	30.06.2011	31.12.2010	30.06.2011	31.12.2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets				
Property, plant and equipment	65,732	68,635	-	-
Intangible assets	20,115	20,881	-	-
Investment properties	21,500	21,500	-	-
Goodwill	20,303	20,303	-	-
Interest in subsidiaries	-	-	220,049	220,049
Investment in an associate	39,944	39,944	-	-
Deferred tax assets	658	271	-	-
	<u>168,252</u>	<u>171,534</u>	<u>220,049</u>	<u>220,049</u>
Current Assets				
Properties for development	212,281	210,142	-	-
Refundable deposits	10,000	10,000	-	-
Prepayments, deposits, and other receivables	9,787	7,192	264	312
Inventories	1,593	1,172	-	-
Trade receivables	2,388	2,280	-	-
Gross amounts due from customers for contract work	9,088	501	-	-
Due from an associate	10,161	427	-	-
Due from related companies	402	268	-	-
Due from subsidiaries	-	-	512,061	526,742
Due from non-controlling shareholders	8,323	7,783	-	-
Cash and bank balances	428,551	455,145	1	1
	<u>692,574</u>	<u>694,910</u>	<u>512,326</u>	<u>527,055</u>
Current Liabilities				
Trade payables	7,483	2,816	-	-
Other payables and accruals	14,401	15,555	468	2,293
Receipts in advance	12,686	11,328	-	-
Gross amounts due to customers for contract work	6,339	16,003	-	-
Due to subsidiaries	163	-	136,630	129,026
Due to non-controlling shareholders	46,011	46,003	-	-
Current tax liabilities	14,738	9,950	-	-
	<u>101,821</u>	<u>101,655</u>	<u>137,098</u>	<u>131,319</u>
Non-Current Liabilities				
Deferred tax liabilities	3,811	3,172	-	-
	<u>3,811</u>	<u>3,172</u>	<u>-</u>	<u>-</u>
Net Assets	<u>755,194</u>	<u>761,617</u>	<u>595,277</u>	<u>615,785</u>
Capital and reserves				
Share capital	219,943	219,943	219,943	219,943
Reserves	464,909	477,946	375,334	395,842
Equity attributable to owners of the Company	<u>684,852</u>	<u>697,889</u>	<u>595,277</u>	<u>615,785</u>
Non-controlling interests	<u>70,342</u>	<u>63,728</u>	<u>-</u>	<u>-</u>
Total Equity	<u>755,194</u>	<u>761,617</u>	<u>595,277</u>	<u>615,785</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 30.06.2011 (RMB'000)		As at 31.12.2010 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 30.06.2011 (RMB'000)		As at 31.12.2010 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 30 June 2011, bank and cash balances included restricted bank balances a 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		6 months ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before tax	9,716	5,208	17,705	7,181
Adjustments for:				
Amortisation of intangible assets	430	491	766	754
Depreciation of property, plant and equipment	1,269	357	2,685	712
Interest income	(1,382)	(1,797)	(2,814)	(2,750)
Share options granted to employees and directors	486	872	1,121	1,176
Gain on disposal of property, plant and equipment	-	(2)	-	(2)
Gain on disposal of a subsidiary	-	(3,911)	-	(3,911)
Gain on fair value changes of investment properties	-	-	-	(123)
Share of (profits) / losses of a jointly controlled entity / entities	-	(1,640)	-	(6,448)
Operating profit/(loss) before working capital changes	10,519	(422)	19,463	(3,411)
Increase in properties for development	(1,592)	-	(2,169)	-
Increase in prepayments, deposits and other receivables	(2,732)	(1,214)	(2,241)	(1,262)
Increase/(Decrease) in inventories	396	-	(421)	-
Increase in trade receivables	(393)	-	(108)	-
(Increase)/Decrease in gross amount due from customers for construction work	974	-	(8,887)	-
Increase in due from related companies	-	(66)	-	(133)
(Decrease)/Increase in trade payable	(1,207)	-	4,668	-
Decrease/(Increase) in accounts payables, other payables and accruals	6	(89)	(192)	(6,363)
Decrease in receipt in advance	4,346	-	1,359	-
Decrease in gross amount due to customers for construction work	(9,672)	-	(9,664)	-
Increase/(Decrease) in due to related companies	17	-	(58)	-
Increase/(Decrease) in amount due to non-controlling shareholders	(2,958)	-	8	-
Cash (used in)/generated from operating activities	(2,296)	(1,971)	2,058	(11,169)
PRC income tax paid	(481)	(205)	(1,831)	(1,286)
Net cash (used in)/generated from operating activities	(2,777)	(1,996)	227	(12,455)
Cash flows from investing activities				
Interest received	1,242	1,796	2,542	9,644
Payments of property, plant and equipment	(656)	(17)	(713)	(24)
Proceeds on disposal of operating right of a toll bridge and its ancillary facilities	-	85,000	-	140,000
Proceeds on disposal of property, plant and equipment	-	5	-	5
Payment of land auction deposit	-	(7,600)	-	(7,600)
Refund of land auction deposit	-	7,600	-	7,600
Proceeds on refund of refundable deposits	-	-	-	150,000
Proceeds on disposal of a subsidiary, net	-	12,000	-	12,000
Cash reduction on disposal of a subsidiary	-	(8,142)	-	(8,142)
Net cash generated from investing activities	586	90,642	1,829	303,483
Cash flows from financing activities				
Proceeds from issuance of shares on share options exercised	-	1,123	-	1,123
Loans granted to a non-controlling shareholder	-	(1000)	(540)	(2,250)
Settlement of loans and receivables due from third parties	-	-	-	191,899
Loans repaid from non-controlling shareholders	-	718	-	1,098
Short term loan advanced by a third party	-	150,000	-	150,215
Short term loan repaid to a third party	-	(150,000)	-	(150,700)

Cash advanced from related companies	-	218	-	13,537
Cash repaid to a related company	-	(12,981)	-	(14,537)
Loans advanced to related companies	-	-	-	(1,000)
Loans repaid from related companies	-	-	-	13,029
Loans advanced to an associate	(9,733)	-	(9,733)	-
Short term working capital loan to a subsidiary	-	(50,000)	-	(50,000)
Cash received on behalf of a non-controlling shareholder	-	20,000	-	20,000
Loan advanced by a director	-	876	-	1,752
Loan repaid to a director	-	(876)	-	(1,752)
Dividend paid to owners of the Company	(15,758)	(14,833)	(15,758)	(14,833)
Dividends paid to non-controlling shareholders	(2,619)	(484)	(2,619)	(601)
Net cash (used in) / generated from financing activities	(28,110)	(57,239)	(28,650)	156,980
Net increase / (decrease) in cash and cash equivalents	(30,301)	31,407	(26,594)	448,008
Cash and cash equivalents at beginning of period	458,852	587,720	455,145	171,119
Cash and cash equivalents at end of period	428,551	619,127	428,551	619,127
Analysis of Cash and Cash Equivalents				
Cash and bank balances	428,551	619,127	428,551	619,127

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 Company											Minority 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	-	-	-	-	-	-	-	-	5,380	-	5,380	586	5,966
Share options exercised	1,123	759	-	-	-	-	-	(759)	-	-	1,123	-	1,123
Payment of dividends	-	-	-	-	-	-	-	-	-	(14,833)	(14,833)	(601)	(15,434)
Adjustment on 2009 proposed final dividends upon exercise of share options	-	-	-	-	-	-	-	-	(76)	76	-	-	-
Transfer	-	-	-	-	200	-	-	-	(200)	-	-	-	-
Recognition of share-based payments	-	-	-	-	-	-	-	1,176	-	-	1,176	-	1,176
At 30 Jun 2010	219,943	45,312	565,589	6,955	13,284	8,324	(8)	1,697	(189,812)	-	671,284	41,689	712,973
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	-	-	-	-	-	-	-	-	1,600	-	1,600	9,233	10,833
Payment of dividends	-	-	-	-	-	-	-	-	-	(15,758)	(15,758)	(2,619)	(18,377)
Transfer	-	-	-	-	1,613	-	-	-	(1,613)	-	-	-	-
Recognition of share-based payments	-	-	-	-	-	-	-	1,120	-	-	1,120	-	1,120
At 30 Jun 2011	219,943	45,312	565,589	7,764	16,345	8,324	(8)	4,010	(182,428)	-	684,851	70,342	755,193

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	-	-	-	-	-	-	6,155	-	6,155
Issue of shares on share options exercised	1,123	759	-	-	-	(759)	-	-	1,123
Adjustment on 2009 proposed final dividends upon exercise of share options	-	-	-	-	-	-	(76)	76	-
Payment of dividends	-	-	-	-	-	-	-	(14,833)	(14,833)
Recognition of share-based payments	-	-	-	-	-	1,176	-	-	1,176
At 30 Jun 2010	219,943	45,312	565,589	479	8,324	1,697	(221,271)	-	620,073
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	-	-	-	-	-	-	(5,872)	-	(5,872)
Payment of dividends	-	-	-	-	-	-	-	(15,758)	(15,758)
Recognition of share-based payments	-	-	-	-	-	1,120	-	-	1,120
At 30 Jun 2011	219,943	45,312	565,589	479	8,324	4,010	(248,382)	-	595,275

- 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

The Company has on 2 June 2011 made an offer to grant the options pursuant to the rules of CIHL Share Option Scheme (the "2010 Scheme"). As at 30 June 2011, a total of 52 million options issued in accordance with CIHL Share Option Scheme 2004 and 2010 (the "Schemes") are outstanding for conversion into 52 million shares in the capital of the Company (27.5 million as at 31 December 2010). According to the Schemes, 13.9 million options, representing approximately 26.7% options granted, could be exercised as at 30 June 2011 (1.8 million as at 30 June 2010). The Company did not hold any of its issued shares as treasury shares as at 30 June 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 30 June 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.

	3 months ended		6 months ended	
	30.06.2011	30.06.2010	30.06.2011	30.06.2010
Earnings per share based on weighted average number of ordinary shares in issue (RMB fen)	0.06	0.38	0.18	0.62
Weighted average number of ordinary shares ('000)	874,604	871,720	874,604	871,720
Earnings per share based on fully diluted basis (RMB fen)	0.06	0.38	0.18	0.62
Weighted average number of ordinary shares ('000)	875,069	871,720	875,069	871,720

- 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>30.06.2011</u>	<u>31.12.2010</u>	<u>30.06.2011</u>	<u>31.12.2010</u>
Net asset value (RMB'000)	684,852	697,889	595,277	615,785
Number of shares ('000)	874,604	874,604	874,604	874,604
Net asset per share (RMB)	0.783	0.798	0.681	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

Q2 2011 versus Q2 2010

The turnover of Q2 2011 of the Group was RMB21.44 million, an increase of RMB15.55 million compared with the turnover of RMB5.89 million in Q2 2010, representing an increase of 263%. The increase was mainly due to the turnover of RMB18.27 million generated at CIHL (Tianjin) Water Development Company Limited (formerly a jointly controlled entity).

In line with the higher turnover, the cost of services provided of Q2 2011 increased by 297% to RMB5.54 million, an increase of RMB4.15 million versus the cost of services provided of RMB1.39 million in Q2 2010.

The gross profit of Q2 2011 of the Group was RMB15.90 million, an increase of RMB11.40 million compared with the gross profit of RMB4.50 million in Q2 2010, representing an increase of 253%.

Income tax expenses for Q2 2011 was RMB4.19 million, representing an increase of 262% as compared to RMB1.16 million for Q2 2010 mainly due to the increase in turnover at CIHL (Tianjin) Water Development Company Limited.

As a result of the above, the Group recorded after tax profit of RMB5.52 million for Q2 2011 as compare to RMB4.05 million for Q2 2010, an increase of 36%.

1H 2011 versus 1H 2010

The turnover of 1H 2011 of the Group was RMB52.57 million, an increase of RMB44.38 million compared with the turnover of RMB8.19 million in 1H 2010, representing an increase of 542%. The increase in turnover was mainly due to the turnover of RMB46.96 million generated at CIHL (Tianjin) Water Development Company Limited.

In line with the higher turnover, the cost of services provided of 1H 2011 was RMB21.60 million, an increase of RMB19.20 million versus the cost of services provided of RMB2.4 million in 1H 2010, representing an increase of 800%.

The gross profit of 1H 2011 of the Group was RMB30.97 million, an increase of RMB25.18 million compared with the gross profit of RMB5.79 million in 1H 2010, representing an increase of 435%.

Operating expenses increased by RMB4.03 million in 1H 2011 compared with operating expenses of RMB5.23 million in 1H 2010 mainly due to the increases in administrative staff expenses at CIHL (Tianjin) Water Development Company Limited.

The income tax expenses increased from RMB1.21 million in 1H 2010 to RMB6.87 million in 1H 2011 mainly due to the increase in turnover at CIHL (Tianjin) Water Development Company Limited.

As a result of the above, the total comprehensive income for 1H 2011 increased to RMB10.83 million compared with the total comprehensive income of RMB5.97 million in 1H 2010, representing an increase of 85%.

Analysis on Statement of Financial Position

Gross amounts due from customers for contract work increased from RMB0.5 million as at 31 December 2010 to RMB9.09 million as at 30 June 2011 due to increase of construction projects at CIHL (Tianjin) Water Development Company Limited.

The amount due from an associate company increased from RMB0.43 million as at 31 December 2010 to RMB10.16 million as at 30 June 2011 due to the loan drawn down by an associate company in accordance to the loan agreement dated 27 May 2011 as announced on 27 May 2011.

Cash and bank balance as at 30 June 2011 was RMB 428,551 million.

Cashflow Analysis

Net cash generated from operating activities of RMB2.06 million for 1H 2011 was mainly due to profit generated at CIHL (Tianjin) Water Development Company Limited.

Net cash generated from investing activities for 1H 2011 was RMB1.83 million mainly due to interest income.

Net cash used in financing activities for 1H 2011 was RMB28.11 million mainly due to loan drawn down by an associate company and dividend payments to the shareholders.

- 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.

The Group has been closely monitoring the macro economic conditions in China and proceeding prudently before making investment decisions. The Group made an announcement on 18 July 2011 of its acquisition of 20% of the equity interest in Liuhe County Yukun Mining Co. at the total acquisition price of RMB32,000,000; and the assumption of the pro rata share of Liuhe's existing debts to the seller in the amount of RMB6,862,700.

This is a strategic investment of the Group to venture into natural resources business in China and to allow the Group to participate in the growth prospects of natural resources industry and China's next phase of economic growth through meeting its resources requirements.

The Group expects the current conditions in the PRC property market will remain in the next 12 months or so, which will affect the pace of development of the many projects in China, including our project in Tianjin. The Group expects the global oil and gas industry will experience certain degree of volatility due to the changes in the global macro economic conditions. However, the growth in the expenditure for oil and gas exploration will remain strong, reflecting the positive outlook for the global oil and gas demand. The Group will continue to invest in existing oil and gas exploration project in PNG which requires initial high capital investment.

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 second quarter and half-year financial period ended 30 June 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 unaudited financial results of the Group and of the Company for the second quarter and half-year financial period ended 30 June 2011 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
12 August 2011