
SECOND QUARTER AND HALF-YEAR FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

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		Group Increase / (Decrease) %	6 months ended		Increase / (Decrease) %
	30.06.2012 RMB'000	30.06.2011 RMB'000		30.06.2012 RMB'000	30.06.2011 RMB'000	
Turnover	19,274	21,438	(10.1)	29,056	52,567	(44.7)
Cost of services provided	(6,905)	(5,538)	24.7	(12,164)	(21,598)	(43.7)
Gross profit	12,369	15,900	(22.2)	16,892	30,969	(45.5)
Other income	4,276	570	650.2	6,489	2,058	215.3
Administrative expenses	(3,396)	(2,913)	16.6	(6,259)	(6,043)	3.6
Other operating expenses	(4,729)	(3,826)	23.6	(10,266)	(9,256)	10.9
Profit from operations	8,520	9,731	(12.4)	6,856	17,728	(61.3)
Share of loss of associates	-	-	-	(34)	-	NM
Finance costs	(765)	(16)	4681.3	(772)	(24)	3116.7
Profit before income tax	7,755	9,715	(20.2)	6,050	17,704	(65.8)
Income tax expense	(2,118)	(4,194)	(49.5)	(2,902)	(6,872)	(57.8)
Net profit, representing total comprehensive income for the period	5,637	5,521	2.1	3,148	10,832	(70.9)
Owners of the Company	2,125	557	281.5	(867)	1,600	(154.2)
Non-controlling interests	3,512	4,964	(29.3)	4,015	9,232	(56.5)
	5,637	5,521	2.1	3,148	10,832	(70.9)

NM: Not Meaningful

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	
	30.06.2012 RMB'000	30.06.2011 RMB'000	30.06.2012 RMB'000	30.06.2011 RMB'000
Interest income	4,010	1,178	6,098	2,396
Depreciation of property, plant and equipment	(1,389)	(1,269)	(2,834)	(2,685)
Amortisation of intangible assets	(362)	(430)	(623)	(766)
Loss on exchange, net	(9)	(1,241)	(138)	(1,245)
Auditors' remuneration	(464)	(413)	(634)	(577)
Gain / (loss) on disposal of property, plant and equipment	-	4	(6)	4
Share of losses of associates	-	-	(34)	-

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	
	30.06.2012	31.12.2011	30.06.2012	31.12.2011
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets				
Property, plant and equipment	84,541	80,757	-	-
Intangible assets	18,662	19,285	-	-
Investment properties	22,900	22,900	-	-
Goodwill	20,303	20,303	-	-
Investment in subsidiaries	-	-	220,049	220,049
Investment in associates	101,727	97,025	-	-
Long term loan receivable	150,000	-	-	-
Deferred tax assets	519	519	-	-
	<u>398,652</u>	<u>240,789</u>	<u>220,049</u>	<u>220,049</u>
Current Assets				
Properties for development	237,943	235,207	-	-
Refundable deposits	-	10,000	-	-
Deposit for property development	20,000	-	-	-
Prepayments, deposits, and other receivables	9,210	7,180	154	293
Inventories	-	939	-	-
Trade receivables	6,375	6,974	-	-
Gross amounts due from customers for contract work	18,855	15,341	-	-
Due from associates	48,591	45,175	-	-
Due from related companies	691	517	-	-
Due from subsidiaries	-	-	500,473	504,193
Due from non-controlling shareholders	585	589	-	-
Restricted bank balances	143	8,463	-	-
Cash and bank balances	<u>266,179</u>	<u>300,140</u>	<u>1</u>	<u>1</u>
	<u>608,572</u>	<u>630,525</u>	<u>500,628</u>	<u>504,487</u>
Current Liabilities				
Trade payables	14,448	11,980	-	-
Other payables and accruals	11,467	19,737	1,528	2,140
Receipts in advance	16,607	18,440	-	-
Gross amounts due to customers for contract work	2,047	4,678	-	-
Due to an subsidiary	-	-	128,712	128,712
Due to an associate	-	5,469	-	-
Due to non-controlling shareholders	38,199	38,188	-	-
Current tax liabilities	<u>8,368</u>	<u>12,509</u>	<u>-</u>	<u>-</u>
	<u>91,136</u>	<u>111,001</u>	<u>130,240</u>	<u>130,852</u>
Net Current Assets	<u>517,436</u>	<u>519,524</u>	<u>370,388</u>	<u>373,635</u>
Total Assets Less Current Liabilities	<u>916,088</u>	<u>760,313</u>	<u>590,437</u>	<u>593,684</u>
Non-Current Liabilities				
Deferred tax liabilities	7,753	6,926	-	-
Long term loan payable	<u>151,149</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>158,902</u>	<u>6,926</u>	<u>-</u>	<u>-</u>
Net Assets	<u>757,186</u>	<u>753,387</u>	<u>590,437</u>	<u>593,684</u>

Capital and reserves

Share capital	219,943	219,943	219,943	219,943
Reserves	462,818	462,344	370,494	373,741
Shareholder's equity	682,761	682,287	590,437	593,684
Non-controlling interests	74,425	71,100	-	-
Total Equity	757,186	753,387	590,437	593,684

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

Amount repayable in one year or less, or on demand

As at 30.06.2012 (RMB'000)		As at 31.12.2011(RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 30.06.2012 (RMB'000)		As at 31.12.2011(RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	151,149	-	-

Details of any collateral

As at 30 June 2012, bank and cash balances excluded restricted bank balances of approximately RMB143,000 (31 Dec 2011: RMB8,463,000 for securing the performance and fund utilization for a land development project of the Group and purchases of property, plant and equipment) for securing the performance and fund utilization for a land development 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	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit / (loss) before tax	7,755	9,716	6,050	17,705
Adjustments for:				
Amortisation of intangible assets	362	430	623	766
Depreciation of property, plant and equipment	1,389	1,269	2,834	2,685
Interest expenses and other finance costs	717	-	717	-
Interest income	(4,010)	(1,382)	(6,098)	(2,814)
Share options granted to employees and directors	607	486	1,340	1,121
Loss on disposal of property, plant and equipment	21	-	27	-
Share of losses of associates	-	-	34	-
Operating profit before working capital changes	6,841	10,519	5,527	19,463
Increase in properties for development	(1,155)	(1,592)	(2,681)	(2,169)
Decrease in refundable deposit	-	-	10,000	-
(Increase) / Decrease in deposit for property development project	30,000	-	(20,000)	-
Increase in prepayments, deposits and Other receivables	(1,958)	(2,732)	(339)	(2,241)
(Increase) / Decrease in inventories	-	396	939	(421)
(Increase) / Decrease in trade receivables	2,545	(393)	600	(108)
(Increase) / Decrease in gross amount due from customers for contract work	(3,488)	974	(3,514)	(8,587)
(Increase) / Decrease in due from related companies	(87)	17	(174)	(58)
Decrease in amount due from non-controlling shareholders	71	-	4	-
(Decrease) / Increase in trade payables	3,635	(1,207)	2,468	4,668
(Decrease) / Increase in accounts payables, other payables and accruals	319	6	3	(192)
Decrease in receipt in advance	6,444	4,346	(1,833)	1,359
(Decrease) / Increase in gross amount due to customers for contract work	(10,148)	(9,672)	(2,631)	(9,664)
(Decrease) / Increase in amount due to non-controlling shareholders	11	(2,958)	11	8
Cash generated from / (used in) operating activities	33,030	(2,296)	(11,620)	2,058
PRC income tax paid	(1,162)	(481)	(6,216)	(1,831)
Net cash generated from / (used in) operating activities	31,868	(2,777)	(17,836)	227
Cash flows from investing activities				
Interests received	3,879	1,242	4,407	2,542
Payment for structured bank deposits	(20,000)	-	(20,000)	-
Proceeds on settlement of structured bank deposits	20,000	-	20,000	-
Payments of property, plant and equipment	(13,890)	(656)	(15,067)	(713)
Decrease in restricted bank deposits	8,320	-	8,320	-
Capital contribution to associates	(4,736)	-	(10,205)	-
Loan advanced to other parties	(150,000)	-	(150,000)	-
Increase in loans to a non-controlling shareholder	-	-	-	(540)
Increase in loans to associates	(1,159)	(9,733)	(3,416)	(9,733)
Net cash used in investing activities	(157,586)	(9,147)	(165,961)	(8,444)

	3 months ended		6 months ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from financing activities				
Interest and other finance costs paid	(623)	-	(623)	-
Loans advanced by other parties	151,149	-	151,149	-
Dividend paid to owners of the Company	-	(15,758)	-	(15,758)
Dividends paid to non-controlling shareholders	-	(2,619)	(690)	(2,619)
Net cash generated from / (used in) financing activities	150,526	(18,377)	149,836	(18,377)
Net increase / (decrease) in cash and cash equivalents	24,808	(30,301)	(33,961)	(26,594)
Cash and Cash Equivalents at Beginning of Period	241,339	458,852	300,140	455,145
Effect of foreign exchange rate changes,net	32	-	-	-
Cash and Cash Equivalents at End of Period	266,179	428,551	266,179	428,551
Analysis of Cash and Cash Equivalents				
Cash and bank balances	266,179	428,551	266,179	428,551

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											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 losses RMB'000	Proposed final dividend RMB'000	Subtotal RMB'000	RMB'000	RMB'000
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
At 1 Jan 2012	219,943	45,312	565,589	7,764	16,836	8,324	(2,503)	5,406	(184,384)	-	682,287	71,100	753,387
Total comprehensive (losses)/ income for the period	-	-	-	-	-	-	-	-	(867)	-	(867)	4,015	3,148
Payment of dividends	-	-	-	-	-	-	-	-	-	-	-	(690)	(690)
Recognition of share-based payments	-	-	-	-	-	-	-	1,340	-	-	1,340	-	1,340
At 30 Jun 2012	219,943	45,312	565,589	7,764	16,836	8,324	(2,503)	6,746	(185,251)	-	682,760	74,425	757,185

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 losses RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 Jan 2011	219,943	45,312	565,589	479	8,324	2,890	(242,510)	15,758	615,785
Total comprehensive losses 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
At 1 Jan 2012	219,943	45,312	565,589	479	8,324	5,406	(251,369)	-	593,684
Total comprehensive losses for the period	-	-	-	-	-	-	(4,587)	-	(4,587)
Recognition of share-based payments	-	-	-	-	-	1,340	-	-	1,340
At 30 Jun 2012	219,943	45,312	565,589	479	8,324	6,746	(255,956)	-	590,437

- 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 30 June 2012, 52 million options issued in accordance with CIHL Share Option Schemes 2004 and 2010 ("the Schemes") are outstanding for conversion into 52 million shares in the capital of the Company (52 million as at 31 December 2011). According to the schemes, 39,000,000 options representing approximately 75% options granted, could be exercised as at 30 June 2012 (13.9 million as at 30 June 2011). The Company did not hold any of its issued shares as treasury shares as at 30 June 2012.

- 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 2012, the number of issued shares excluding treasury shares was 874,603,750 ordinary shares (874,603,750 ordinary shares as at 31 December 2011).

- 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	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
Earnings per share based on weighted average number of ordinary shares in issue (RMB fen)	0.24	0.06	(0.10)	0.18
Weighted average number of ordinary shares ('000)	874,604	870,104	874,604	874,604
Earnings per share based on fully diluted basis (RMB fen)	0.24	0.06	(0.10)	0.18
Weighted average number of ordinary shares ('000)	875,069	870,104	875,940	874,604

- 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>30.06.2012</u>	<u>31.12.2011</u>	<u>30.06.2012</u>	<u>31.12.2011</u>
Net asset value (RMB'000)	682,761	682,287	590,437	593,684
Number of shares ('000)	874,604	874,604	874,604	874,604
Net asset per share (RMB)	0.781	0.780	0.675	0.679

- 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 2012 versus Q2 2011

The turnover of Q2 2012 of the Group was RMB19.27 million, a decrease of RMB2.16 million compared with the turnover of RMB21.44 million in Q2 2011, representing a decrease of 10.1%, due to decrease of pipeline connection fees in association with the slow down of residential real estate development projects in the market.

The cost of services provided in Q2 2012 increased by 24.7% to RMB6.91 million, an increase of RMB1.37 million versus the cost of services provided of RMB5.54 million in Q2 2011 due to increased operating costs at the subsidiaries.

The Group recorded a gross profit of RMB12.37 million in Q2 2012, representing a decrease of 22.2% as compared to RMB15.90 million in Q2 2011.

Other income in Q2 2012 was RMB4.28 million, representing an increase of 650% as compared to RMB0.57 million for Q2 2011 mainly due to increase in interest income associated with the loan receivables as announced on 9 April 2012.

Finance costs in Q2 2012 was RMB 0.77 million, an increase of RMB0.75 million as compared to Q2 2011 representing an increase of 4,681% due to interest expenses associated with the loan payables as announced on 9 April 2012.

Income tax expenses for Q2 2012 was RMB2.12 million, representing a decrease of 49.5% as compared to RMB4.19 million for Q2 2011 mainly due to decrease in turnover at CIHL (Tianjin) Water Development Company Limited.

As a result of the above, the Group recorded after tax profit of RMB5.64 million for Q2 2012 as compare to RMB5.52 million for Q2 2011.

1H 2012 versus 1H 2011

The turnover of 1H 2012 of the Group was RMB29.06 million, a decrease of RMB23.51 million compared with the turnover of RMB52.57 million in 1H 2011, representing a decrease of 44.7%. The decrease in turnover was mainly due to decrease of pipeline connection fees in association with the slow down of residential real estate development projects in the market.

In line with the lower turnover, the cost of services provided of 1H 2012 was RMB12.16 million, a decrease of RMB9.43 million versus the cost of services provided of RMB21.60 million in 1H 2011, representing a decrease of 43.7%.

The gross profit of 1H 2012 of the Group was RMB16.89 million, a decrease of RMB14.08 million compared with the gross profit of RMB30.97 million in 1H 2011, representing a decrease of 45.5%.

Other income in 1H 2012 was RMB6.49 million, representing an increase of 215% as compared to RMB2.06 million for 1H 2011 mainly due to increase in interest income associated with the loan receivables as announced on 9 April 2012.

Finance costs in 1H 2012 was RMB 0.77 million, an increase of RMB0.75 million as compared to 1H 2011 due to interest expenses associated with the loan payables as announced on 9 April 2012.

Other operating expenses increased by RMB1.01 million in 1H 2012 compared with other operating expenses of RMB9.26 million in 1H 2011 mainly due to the increases in legal and professional fee.

The income tax expenses decreased from RMB6.87 million in 1H 2011 to RMB2.90 million in 1H 2012 mainly due to the decrease in turnover at CIHL (Tianjin) Water Development Company Limited.

As a result of the above, the total comprehensive income for 1H 2012 decreased to RMB3.15 million compared with the total comprehensive income of RMB10.83 million in 1H 2011, representing a decrease of 70.9%.

Analysis on Statement of Financial Position

As announced on 9 April 2012, the Company made loan arrangements which resulted in increase of loan receivables of RMB150 million and loan payables of RMB151.1 million accordingly.

Investment in associates increased from RMB97 million as at 31 December 2011 to RMB101.73 million as at 30 June 2012 due to additional investment made in Yukun gold mine project.

The changes in receipts in advance and gross amounts due to and from customers accounts for contract work are due to decrease and increase of prepaid water supply fees and pipeline connections fees at water plant and are in normal course of business.

The amount due from associates increased from RMB45.18 million as at 31 December 2011 to RMB48.59 million as at 30 June 2012 due to loan drawn down by associate company in accordance to the Loan Agreement dated 27 May 2011 as announced on 27 May 2011.

The increase of deposit for property development represents the remaining balance of a deposit made for property development project in association with bidding of land use rights in Q1 2012 in the amount of RMB50 million, of which RMB30 million has been refunded in Q2 2012 with a remaining balance of RMB20 million to be refunded.

Cash and bank balance as at 30 June 2012 was RMB 266.18 million as compared to RMB300.14 million as at 31 December 2011.

Cashflow Analysis

Net cash used in operating activities is RMB16.78 million for 1H 2012 mainly due to deposit for property development project.

Net cash used in investing activities for 1H 2012 was RMB167.02 million mainly due to interest bearing loan advanced to other parties, additional investment in associates and payments on office buildings purchased in 2011.

Net cash generated from financing activities for 1H 2012 was RMB149.84 million mainly due to loan advanced by other parties.

- 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 proceeds prudently before making significant decisions. The Group made an announcement on 2 Aug 2012 of its subsidiary awarded a contract to construct resettlement housing project in Mentougou District, Beijing on a cost-plus project management fee and the cost of project financing basis.

The oil and gas operation is an expensive and high risk operation. The project undertaken by the Group

is still at a preliminary exploration stage. Further exploration and study will be needed to ensure that economically viable resources exist.

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 2012.

13 If the Group has obtained a general mandate from shareholders for interested persons transactions ("IPTs"), the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no mandate has been obtained, a statement to that effect.

The Company does not have a shareholders mandate on Interested Persons 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 second quarter and half-year financial period ended 30 June 2012 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

14 August 2012