

FIRST QUARTER FINANCIAL STATEMENT FOR THE PERIOD ENDED 31 MARCH 2012

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

	Group 31.03.2012 RMB'000	31.03.2011 RMB'000	Increase / (Decrease) %
Turnover	9,782	31,129	(68.6)
Cost of services provided	<u>(5,259)</u>	<u>(16,060)</u>	(67.3)
Gross profit	4,523	15,069	(70.0)
Other income	2,213	1,488	48.7
Administrative expenses	(2,863)	(3,130)	(8.5)
Other operating expenses	<u>(5,537)</u>	<u>(5,430)</u>	2.0
Profit from operations	(1,664)	7,997	(120.8)
Share of loss of associates	(7)	(8)	(12.5)
Finance costs	<u>(34)</u>	<u>-</u>	NM
(Loss) / Profit before income tax	(1,705)	7,989	(121.3)
Income tax expense	<u>(784)</u>	<u>(2,678)</u>	(70.7)
(Loss) / Profit and total comprehensive income for the period	<u>(2,489)</u>	<u>5,311</u>	(146.9)
Total (loss) / profit and total comprehensive income attributable to			
Owners of the Company	(2,992)	1,043	(386.9)
Non-controlling interests	503	4,268	(88.2)
	<u>(2,489)</u>	<u>5,311</u>	(146.9)

NM: Not Meaningful

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

	3 months ended		Increase /
	31.03.2012	31.03.2011	(Decrease)
	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	(1,445)	(1,416)	2.0
Amortisation of intangible assets	(261)	(336)	(22.3)
Loss on exchange, net	(129)	(4)	3,125.0
Loss on disposal of property, plant and equipment	(6)	-	NM
Interest income	2,088	1,218	71.4
Auditors' remuneration	(170)	(164)	3.7
Share of losses of associates	(34)	-	NM

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	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011
	RMB'000	RMB'000	RMB'000	RMB'000
Non-Current Assets				
Property, plant and equipment	80,408	80,757	-	-
Intangible assets	19,024	19,285	-	-
Investment properties	22,900	22,900	-	-
Goodwill	20,303	20,303	-	-
Investments in associates	96,991	97,025	-	-
Investments in subsidiaries	-	-	220,049	220,049
Deferred tax assets	519	519	-	-
	<u>240,145</u>	<u>240,789</u>	<u>220,049</u>	<u>220,049</u>
Current Assets				
Properties for development	236,760	235,207	-	-
Refundable deposits	-	10,000	-	-
Deposit for property development	50,000	-	-	-
Prepayments, deposits and other receivables	7,149	7,180	213	293
Inventories	-	939	-	-
Trade receivables	8,919	6,974	-	-
Gross amounts due from customers for contract work	15,367	15,341	-	-
Due from subsidiaries	-	-	502,740	504,193
Due from associates	47,436	45,175	-	-
Due from related companies	604	517	-	-
Due from non-controlling shareholders	656	589	-	-
Restricted bank balances	8,463	8,463	-	-
Cash and bank balances	241,339	300,140	1	1
	<u>616,693</u>	<u>630,525</u>	<u>502,954</u>	<u>504,487</u>
Current Liabilities				
Trade payables	10,813	11,980	-	-
Other payables and accruals	19,373	19,737	1,906	2,140
Receipts in advance	10,163	18,440	-	-
Gross amounts due to customers for contract work	12,195	4,678	-	-
Due to an associate	-	5,469	-	-
Due to an subsidiary	-	-	128,712	128,712
Current tax liabilities	8,146	12,509	-	-
Due to non-controlling shareholders	38,188	38,188	-	-
	<u>98,878</u>	<u>111,001</u>	<u>130,618</u>	<u>130,852</u>
NET CURRENT ASSETS	<u>517,815</u>	<u>519,524</u>	<u>372,336</u>	<u>373,635</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>757,960</u>	<u>760,313</u>	<u>592,385</u>	<u>593,684</u>
Non-Current Liabilities				
Deferred tax liabilities	7,019	6,926	-	-
	<u>7,019</u>	<u>6,926</u>	<u>-</u>	<u>-</u>
NET ASSETS	<u>750,941</u>	<u>753,387</u>	<u>592,385</u>	<u>593,684</u>

	Group		Company	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011
	RMB'000	RMB'000	RMB'000	RMB'000
Capital and reserves				
Share capital	219,943	219,943	219,943	219,943
Reserves	460,085	462,344	372,442	373,741
Shareholder's equity	680,028	682,287	592,385	593,684
Non-controlling interests	70,913	71,100	-	-
TOTAL EQUITY	750,941	753,387	592,385	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 31.3.2012 (RMB'000)		As at 31.12.2011 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 31.3.2012 (RMB'000)		As at 31.12.2011 (RMB'000)	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 31 March 2012, cash and bank balances included restricted bank balances of approximately RMB8,463,000 (2011: RMB8,463,000) for securing the performance and fund utilisation for a land development project of the Group and purchases of property, plant and equipment.

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	
	31.03.2012	31.03.2011
	RMB'000	RMB'000
Cash flows from operating activities		
Profit / (loss) before tax	(1,705)	7,989
Adjustments for:		
Amortisation of intangible assets	261	336
Depreciation of property, plant and equipment	1,445	1,416
Interest income	(2,088)	(1,432)
Share options granted to employees and directors	733	635
Loss on disposal of property, plant and equipment	6	-
Share of losses of associates	34	-
Operating (loss) / profit before working capital changes	(1,314)	8,944
(Increase) / Decrease in trade receivables	(1,945)	285
Decrease in prepayments, deposits and other receivables	1,619	491
Increase in gross amounts due from customers for contract work	(26)	(9,561)
Decrease / (Increase) in inventories	939	(817)
Increase in properties for development	(1,526)	(577)
Decrease in refundable deposit	10,000	-
Increase in deposit for property development project	(50,000)	-
Increase in due from related companies	(87)	(75)
Increase in due from non-controlling shareholders	(67)	-
Increase in due to non-controlling shareholders	-	2,966
Decrease in receipts in advance	(8,277)	(2,987)
Increase in gross amounts due to customers for contract work	7,517	8
Decrease in accounts payable, other payables and accruals	(316)	(198)
(Decrease) / Increase in trade payables	(1,167)	5,875
Cash (used in) / generated from operations	(44,650)	4,354
PRC income tax paid	(5,054)	(1,350)
Net cash (used in) / generated from operating activities	(49,704)	3,004
Cash flows from investing activities		
Interests received	528	1,300
Payments for structured bank deposits	(10,000)	-
Proceeds on settlement of structured bank deposits	10,000	-
Payments of property, plant and equipment	(1,177)	(57)
Capital contribution to an associate	(5,469)	-
Increase in loans to a non-controlling shareholder	-	(540)
Increase in loans to associates	(2,257)	-
Net cash (used in) / generated from investing activities	(8,375)	703
Cash flows from financing activities		
Dividends paid to non-controlling shareholders	(690)	-
Net cash used in financing activities	(690)	-
Net (decrease) / increase in cash and cash equivalents	(58,769)	3,707
Cash and cash equivalents at beginning of period	300,140	455,145
Effect of foreign exchange rate charges, net	(32)	-
Cash and cash equivalents at end of period	241,339	458,852
Analysis of cash and cash equivalents		
Cash and bank balances	241,339	458,852

- 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 options reserve RMB'000	Accumulated losses RMB'000	Proposed final dividend RMB'000	Subtotal 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	-	-	-	-	-	-	-	-	1,043	-	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
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 income for the period	-	-	-	-	-	-	-	-	(2,992)	-	(2,992)	503	(2,489)
Payment of dividends to PRC JV Partner	-	-	-	-	-	-	-	-	-	-	-	(690)	(690)
Recognition of share-based payments	-	-	-	-	-	-	-	733	-	-	733	-	733
At 31 Mar 2012	219,943	45,312	565,589	7,764	16,836	8,324	(2,503)	6,139	(187,376)	-	680,028	70,913	750,941

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	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 income for the period	-	-	-	-	-	-	(2,521)	-	(2,521)
Recognition of share-based payments	-	-	-	-	-	635	-	-	635
At 31 Mar 2011	219,943	45,312	565,589	479	8,324	3,525	(245,031)	15,758	613,899
At 1 Jan 2012	219,943	45,312	565,589	479	8,324	5,406	(251,369)	-	593,684
Total comprehensive income for the period	-	-	-	-	-	-	(2,032)	-	(2,032)
Recognition of share-based payments	-	-	-	-	-	733	-	-	733
At 31 Mar 2012	219,943	45,312	565,589	479	8,324	6,139	(253,401)	-	592,385

- 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.

There was no change in the Company's share capital during the financial period under review. As at 31 March 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, 25,250,000 options representing approximately 48.56% of the options granted, could be exercised as at 31 March 2012 (12.4 million as at 31 March 2011). The Company did not hold any of its issued shares as treasury shares as at 31 March 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 31 March 2012, the number of issued shares excluding treasury shares was 874,603,750 ordinary shares (2011: 874,603,750).

- 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 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.

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

- 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.

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.

	Group	
	31.03.2012	31.03.2011
(Loss) / Earnings per share based on weighted average number of ordinary shares in issue (RMB fen)	(0.34)	0.12
Weighted average number of ordinary shares ('000)	874,604	874,604
(Loss) / Earnings per share based on fully diluted basis (RMB fen)	(0.34)	0.12
Weighted average number of ordinary shares for diluted earnings per share ('000)	875,940	874,604

- 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	
	31.03.2012	31.12.2011	31.03.2012	31.12.2011
Net asset value (RMB'000)	680,028	682,287	592,385	593,684
Number of shares ('000)	874,604	874,604	874,604	874,604
Net asset per share (RMB)	0.778	0.780	0.677	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

The turnover of the Group was RMB9.8 million for the financial period ended 31 March 2012 ("Q1 2012"), representing a decrease of 68.6% as compared to RMB31.1 million for the corresponding period of last year ("Q1 2011"), due to decrease of pipeline connection fees in association with the slow down of residential real estate development projects at CIHL (Tianjin) Water Development Company Limited.

In line with the lower turnover, cost of services provided in Q1 2012 decreased by 67.3% to RMB5.3 million as compared to RMB16.1 million for Q1 2011.

The Group recorded a gross profit of RMB4.5 million for Q1 2012, representing a decrease of 70% as compared to RMB15.1 million for Q1 2011.

Other income in Q1 2012 was RMB2.2 million, representing an increase of 48.7% as

compared to RMB1.5 million for Q1 2011 mainly due to increase of interest income.

Income tax expenses for Q1 2012 were RMB0.8 million, representing a decrease of 70.7% mainly due to the decrease in turnover at CIHL (Tianjin) water Development Company Limited.

Resulting from the above, the Group recorded an after tax loss of RMB2.5 million for Q1 2012 as compared to profit of RMB5.3 million for Q1 2011, representing a decrease of 146.9%.

Analysis on Statement of Financial Position

The changes in receipts in advance and gross amounts due to customers for contract work are due to the decrease and increase respectively, of prepaid water supply fees and pipeline connection fees at the water plant.

Cash and bank balance decreased from RMB300.1 million as at 31 December 2011 to RMB241.3 million as at 31 March 2012, mainly due to cash used in operating activities during the period.

The increase of deposit for property development in the amount of RMB50 million represents a deposit made for property development project in association with bidding of land use rights.

Cashflow Analysis

Net cash used in operating activities of RMB49.7 million for Q1 2012 was mainly due to a deposit made for property development project in association with bidding of land use rights.

Net cash used in investing activities for Q1 2012 was RMB8.4 million, mainly due to capital contribution to an associate.

Cash and bank balance as at 31 March 2012 was RMB241.3 million, a decrease of RMB58.8 million as compared to the balance of RMB300.1 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.

Barring unforeseen circumstances, the Group expects the overall global macro economy to remain challenging and uncertain and the current slowdown in the PRC property market is expected to continue in the next 12 months, which will affect the pace of development of many projects in China, including our real estate development project and water supply services operation.

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.

Subsequent to the announcement made on 3 January 2012, the Group resumed its toll collection operation on 17 January 2012. It is not yet clear as to whether and when the local government will inform the Group to cease the toll collection operation, though the Group will seek compensation from the government through normal channels if it is so informed in the Future.

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.

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 first quarter and the three-month financial period ended 31 March 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

10 May 2012