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中国核建

CHINA NUCLEAR INDUSTRY 23 INTERNATIONAL CORPORATION LIMITED

中國核工業二三國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 611)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

SUMMARY

- During the six months ended 30 June 2014, the Group's turnover amounted to HK\$131,491,000, representing a decrease of 19%.
- During the six months ended 30 June 2014, the Group's core business recorded a loss after tax of HK\$40,861,000.
- Loss for the period amounted to HK\$52,152,000, including net fair value gains on derivative financial instruments of HK\$1,471,000, imputed interest on the convertible bonds of HK\$7,025,000 and net loss on early redemption of convertible bonds of HK\$5,737,000.
- The Group has been developing the Hong Kong market and exploring the PRC and overseas markets actively.

The board of directors (the “Board”) of China Nuclear Industry 23 International Corporation Limited (the “Company”) is pleased to present the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2014, together with the comparative figures for the six months ended 30 June 2013. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	Notes	For the six months ended	
		30 June 2014 (Unaudited) HK\$'000	30 June 2013 (Unaudited) HK\$'000
Revenue		131,491	163,432
Other revenue and gains		1,028	1,646
Cost of inventories used		(61,420)	(69,340)
Construction costs		—	(769)
Staff costs		(49,561)	(49,853)
Rental expenses		(23,701)	(21,723)
Utility expenses		(9,210)	(10,149)
Depreciation		(3,147)	(2,831)
Other operating expenses		(31,087)	(31,621)
Fair value gains on derivative financial instruments, net		1,471	38,533
Loss on early redemption of convertible bonds		(5,737)	—
Finance costs	5	(7,025)	(9,891)
Share of results of associates, net		6,018	5,017
(Loss)/profit before taxation	6	(50,880)	12,451
Income tax expense	7	(1,272)	(770)
(Loss)/profit for the period		(52,152)	11,681
Other comprehensive (loss)/income for the period, net of tax			
<i>Item that will not be reclassified to profit or loss:</i>			
Loss on property revaluation		(30)	(31)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising during the period		(587)	(152)
Share of other comprehensive (loss)/income of associates		(1,959)	2,681
Total comprehensive (loss)/income for the period		(54,728)	14,179

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*

For the six months ended 30 June 2014

		For the six months ended	
		30 June	30 June
		2014	2013
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss)/profit for the period attributable to:			
Owners of the Company		(33,959)	18,197
Non-controlling interests		(18,193)	(6,516)
		<u>(52,152)</u>	<u>11,681</u>
Total comprehensive (loss)/income attributable to:			
Owners of the Company		(36,248)	20,695
Non-controlling interests		(18,480)	(6,516)
		<u>(54,728)</u>	<u>14,179</u>
(Loss)/earnings per share attributable to owners of the Company			
Basic (HK cents per share)	8	<u>(3.10)</u>	<u>1.68</u>
Diluted (HK cents per share)	8	<u>(3.10)</u>	<u>1.68</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	10	22,776	24,783
Investment property		38,000	38,000
Prepaid land lease payments		6,745	6,796
Available-for-sale investment		500	500
Interest in an associate	11	68,148	76,958
Deferred tax assets, net		3,560	3,560
		<u>139,729</u>	<u>150,597</u>
Current assets			
Inventories		12,346	59,033
Trade and bills receivables	12	96,141	221,330
Prepayments, deposits and other receivables		48,305	144,288
Amounts due from customers for contract work		2,083	6,725
Tax prepayment		349	349
Cash and cash equivalents		243,314	198,456
		<u>402,538</u>	<u>630,181</u>
Less: Current liabilities			
Trade payables	13	70,089	192,242
Other payables and accruals	14	57,449	58,457
Provision for long service payments		2,294	1,928
Tax payable		9,308	9,650
Convertible bonds	15	—	56,172
Derivative financial instruments	16	—	4,537
		<u>139,140</u>	<u>322,986</u>
Net current assets		<u>263,398</u>	<u>307,195</u>
Total assets less current liabilities		<u>403,127</u>	<u>457,792</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**As at 30 June 2014*

	30 June 2014 (Unaudited) <i>Notes</i> <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
Less: Non-current liability		
Receipt in advance	<u>713</u>	<u>650</u>
Net assets	<u>402,414</u>	<u>457,142</u>
Capital and reserves		
Share capital	110,166	110,166
Reserves	<u>304,253</u>	<u>340,501</u>
Equity attributable to owners of the Company	414,419	450,667
Non-controlling interests	<u>(12,005)</u>	<u>6,475</u>
Total equity	<u>402,414</u>	<u>457,142</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2014

1. CORPORATE INFORMATION

China Nuclear Industry 23 International Corporation Limited (the “Company”) is incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The principal place of business of the Company is located at Room 2801, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

During the period from 1 January 2014 to 30 June 2014, the Company and its subsidiaries (collectively referred to as the “Group”) were engaged in the following principal activities:

- restaurant operations
- property investments
- hotel operations
- new energy operations

2. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 have been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standards (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The measurement basis used in the preparation of the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 is historical cost convention except for buildings, investment properties and certain financial instruments, which are measured at fair values.

The accounting policies used in the unaudited condensed consolidated interim financial statements for the six months ended 30 June 2014 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2013, and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2014.

HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities
HKAS 32 (Amendments)	Presentation — Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendments)	Novation of Derivatives and Contribution of Hedge Accounting
HK(IFRIC) — Int 21	Levies

The application of the above new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle ²
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011–2013 Cycle ¹
HKFRS 9	Financial Instruments ⁵
HKFRS 9, HKFRS 7 and HKAS 39 (Amendments)	Hedge Accounting and Amendments to HKFRS 9, HKFRS 7 and HKAS 39 ⁵
HKFRS 11 (Amendments)	Accounting for Acquisitions of Interests in Joint Operations ³
HKFRS 14	Regulatory Deferral Accounts ³
HKFRS 15	Revenue from Contracts with Customers ⁴
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation ³
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants ³
HKAS 19 (Amendments)	Defined Benefits Plans: Employee Contributions ¹

¹ Effective for annual periods beginning on or after 1 July 2014.

² Effective for annual periods beginning on or after 1 July 2014, with limited exceptions.

³ Effective for annual periods beginning on or after 1 January 2016.

⁴ Effective for annual periods beginning on or after 1 January 2017.

⁵ No mandatory effective date yet determined but is available for adoption.

3. FINANCIAL INSTRUMENTS

The Group's financial instruments that are measured subsequent to initial recognition at fair value are grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 30 June 2014 and 31 December 2013, the Group has financial assets and financial liabilities which are measured at fair value in Level 3 as follow:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Financial liabilities		
— financial liabilities at fair value through profit or loss		
Derivative financial instruments		
— Embedded derivative of convertible bonds	—	4,537

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial statements approximate to their fair value:

	30 June 2014		31 December 2013	
	Carrying amount (Unaudited) <i>HK\$'000</i>	Fair value (Unaudited) <i>HK\$'000</i>	Carrying amount (Audited) <i>HK\$'000</i>	Fair value (Audited) <i>HK\$'000</i>
Financial liabilities				
— financial liabilities at amortised cost				
Convertible bonds	—	—	56,172	64,493

As at 30 June 2014, the derivative financial instruments are measured at fair value in Level 3 and the movement under the Level 3 fair value measurements during the period/year are as follow:

	Derivative financial instruments	
	30 June 2014 (Unaudited) <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
At the beginning of the period/year	4,537	76,452
Fair value gains recognised in the consolidated statement of profit or loss	(1,471)	(40,833)
Conversion of convertible bonds	—	(31,082)
Redemptions of convertible bonds	(3,066)	—
At the end of the period/year	—	4,537

There were no transfer of instruments between Level 1 and Level 2 for the six months ended 30 June 2014 and year ended 31 December 2013.

4. SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products they provided. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments.

	Restaurant (Unaudited) HK\$'000	Property (Unaudited) HK\$'000	Hotel (Unaudited) HK\$'000	New energy (Unaudited) HK\$'000	Corporate (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Six months ended 30 June 2014						
Segment revenue:						
Sales to external customers	110,456	—	13,358	7,572	105	131,491
Intersegment sales	4,027	7,729	—	—	4,202	15,958
Other revenue and gains	51	—	720	64	5	840
Intersegment other revenue and gains	—	—	—	—	—	—
	<u>114,534</u>	<u>7,729</u>	<u>14,078</u>	<u>7,636</u>	<u>4,312</u>	<u>148,289</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						(15,958)
Elimination of intersegment other revenue and gains						—
Total						<u>132,331</u>
Segment results	(5,811)	(266)	3,569	(33,986)	(9,301)	(45,795)
<i>Reconciliation:</i>						
Interest income and unallocated gains						188
Finance costs						(7,025)
Fair value gains on derivative financial instruments, net						1,471
Loss on early redemption of convertible bonds						(5,737)
Share of result of an associate, net						6,018
Loss before taxation						(50,880)
Income tax expense						(1,272)
Loss for the period						<u>(52,152)</u>
At 30 June 2014						
Segment assets	38,100	53,153	6,584	256,100	115,773	469,710
<i>Reconciliation:</i>						
Unallocated assets						72,557
Total assets						<u>542,267</u>
Segment liabilities	16,225	134	5,632	105,532	3,022	130,545
<i>Reconciliation:</i>						
Unallocated liabilities						9,308
Total liabilities						<u>139,853</u>

	Restaurant (Unaudited) HK\$'000	Property (Unaudited) HK\$'000	Hotel (Unaudited) HK\$'000	New energy (Unaudited) HK\$'000	Corporate (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Six months ended 30 June 2013						
Segment revenue:						
Sales to external customers	121,126	—	12,551	29,755	—	163,432
Intersegment sales	—	8,491	—	—	4,388	12,879
Other revenue and gains	1,106	—	—	7	31	1,144
Intersegment other revenue and gains	38	—	—	—	—	38
	<u>122,270</u>	<u>8,491</u>	<u>12,551</u>	<u>29,762</u>	<u>4,419</u>	<u>177,493</u>
<i>Reconciliation:</i>						
Elimination of intersegment sales						(12,879)
Elimination of intersegment other revenue and gains						<u>(38)</u>
Total						<u><u>164,576</u></u>
Segment results	(1,006)	(135)	4,280	(14,389)	(10,460)	(21,710)
<i>Reconciliation:</i>						
Interest income and unallocated gains						502
Finance costs						(9,891)
Fair value gains on derivative financial instruments, net						38,533
Share of results of associates, net						<u>5,017</u>
Profit before taxation						12,451
Income tax expense						<u>(770)</u>
Profit for the period						<u><u>11,681</u></u>
At 31 December 2013						
Segment assets	47,870	45,568	5,845	377,492	222,636	699,411
<i>Reconciliation:</i>						
Unallocated assets						<u>81,367</u>
Total assets						<u><u>780,778</u></u>
Segment liabilities	17,409	127	5,939	227,674	2,128	253,277
<i>Reconciliation:</i>						
Unallocated liabilities						<u>70,359</u>
Total liabilities						<u><u>323,636</u></u>

5. FINANCE COSTS

For the six months ended

30 June 30 June
2014 2013

(Unaudited) (Unaudited)
HK\$'000 HK\$'000

Imputed interest on convertible bonds (note 15)	7,025	9,884
Interest on other borrowings (note 18(a))	—	7
	<u>7,025</u>	<u>9,891</u>

6. (LOSS)/PROFIT BEFORE TAXATION

The Group's (loss)/profit before taxation is arrived at after charging:

For the six months ended

30 June 30 June
2014 2013

(Unaudited) (Unaudited)
HK\$'000 HK\$'000

Minimum lease payments under operating leases:		
Land and buildings	23,701	21,723
Office equipment*	148	143
	<u>23,849</u>	<u>21,866</u>
Staff costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	47,729	46,723
Provision for long service payments, net	768	560
Pension scheme contributions	1,064	2,570
	<u>49,561</u>	<u>49,853</u>
Recognition of prepaid land lease payments*	<u>51</u>	<u>51</u>

* Items included in other operating expenses

7. INCOME TAX EXPENSE

Hong Kong Profits Tax has been provided at the rate of 16.5% (six months ended 30 June 2013: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. PRC subsidiaries are subject to Corporate Income Tax at 25% (six months ended 30 June 2013: 25%).

	For the six months ended	
	30 June 2014 (Unaudited) HK\$'000	30 June 2013 (Unaudited) HK\$'000
Current tax for the period		
Hong Kong	—	704
Other than Hong Kong	1,272	—
Deferred tax	—	66
	<hr/>	<hr/>
Tax charge for the period	1,272	770

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted (loss)/earnings per share is based on the unaudited loss for the six months ended 30 June 2014 attributable to owners of the Company of approximately HK\$33,959,000 (six months ended 30 June 2013: profit of HK\$18,197,000), and the weighted average number of ordinary shares of 1,093,665,620 (six months ended 30 June 2013: 1,085,533,023) in issue during the six months ended 30 June 2014.

	For the six months ended	
	30 June 2014 (Unaudited) HK\$'000	30 June 2013 (Unaudited) HK\$'000
(Loss)/earnings		
Unaudited (loss)/profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share calculation	(33,959)	18,197
Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share calculation	1,093,665,620	1,085,533,023

The Company's zero coupon convertible bonds issued on 1 September 2011 were not included in the calculation of diluted loss per share for the six months ended 30 June 2014 because the effects of the aforesaid convertible bonds were anti-dilutive.

9. DIVIDEND

No dividend has been declared or proposed by the directors of the Company in respect of the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2014, the Group incurred approximately HK\$1,549,000 (six months ended 30 June 2013: HK\$3,144,000) on the acquisition of property, plant and equipment.

11. INTEREST IN AN ASSOCIATE

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Cost of investment in an associate	61,966	61,966
Share of post-acquisition profit and other comprehensive income and loss, net of dividends	6,182	14,992
	<u>68,148</u>	<u>76,958</u>

Notes:

- (a) Included in the cost of investment as at 30 June 2014 is goodwill arising on acquisition of interest in an associate of approximately HK\$23,216,000 (31 December 2013: HK\$23,216,000).
- (b) On 17 August 2012, CNI23 Holdings Company Limited, a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with China Nuclear Industry 23 Construction (Hong Kong) Company Limited (“CNI23(HK)”), to acquire 26.5% equity interest of 深圳中核二三核電檢修有限公司 (transliterated as Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd.), from CNI23(HK) at a total consideration of RMB50,000,000. The acquisition was completed on 15 October 2012. The principal activities of Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd. were engaged in inspection, maintenance, repair, construction, installation and provision of expertise in such work for nuclear power plants and also provision of construction work for non-nuclear power companies.
- (c) Particulars of the Group’s interest in an associate as at 30 June 2014 are as follows:

Company name	Place and date of registration and operation	Issued and Percentage of paid-in/ equity registered attributable capital to the Group	Principal activities
深圳中核二三核電檢修有限公司 (transliterated as Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd.)	The PRC/ 9 January 1988	RMB36,700,000 Indirect: 26.5%	Inspection, maintenance, repair, construction, installation and provision of expertise in such work for nuclear power plants and also provision of construction work for non-nuclear power companies

12. TRADE AND BILLS RECEIVABLES

The Group normally allows a credit period of 30–180 days with its customers for new energy operations depending on the customers' creditworthiness and the length of business relationship with the customers. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Company.

The Group's trading terms with its customers in restaurant and hotel operations are mainly by cash and credit card settlement, except for certain well-established customers where the terms vary with these customers.

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Trade receivables	94,882	138,256
Bills receivables	1,259	83,074
	<u>96,141</u>	<u>221,330</u>

An aged analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
0–90 days	46,756	221,307
91–180 days	49,385	23
	<u>96,141</u>	<u>221,330</u>

Trade receivables are non-interest-bearing. The Group does not hold any collateral or other credit enhancements over these balances.

Bills receivables are due within six months from date of billing.

Included in trade and bills receivables was an amount of approximately HK\$92,132,000 (31 December 2013: HK\$135,899,000) which represents amounts due from related parties of the Group arising from new energy operations.

13. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
0–90 days	38,527	180,166
91–180 days	31,562	12,076
	<u>70,089</u>	<u>192,242</u>

The trade payables are non-interest bearing and are normally settled on 30 days term.

Included in trade payables was an amount of approximately HK\$4,585,000 (31 December 2013: HK\$4,585,000) which represents an amount due to a related party of the Group arising from new energy operations.

14. OTHER PAYABLES AND ACCRUALS

Included in other payables was an amount of approximately HK\$31,073,000 (31 December 2013: HK\$31,073,000) which represents the non-interest bearing shareholders' loan from two non-controlling interest shareholders of Guoxin Energy Limited, a 51% owned subsidiary of the Company. Details of the shareholders' loan were set out in the Company's announcement dated 6 January 2013.

15. CONVERTIBLE BONDS

The convertible bonds issued have been split as to the embedded derivative and the liability components. The following tables summarise the movements in the liability and embedded derivative components of the Group's and the Company's convertible bonds during the year/period:

	Convertible Bonds (Unaudited) HK\$'000
Liability component	
At 1 January 2013	64,480
Imputed interest expenses	19,510
Conversion of convertible bonds	(27,818)
	<hr/>
At 31 December 2013 and 1 January 2014	56,172
Imputed interest expenses (<i>note 5</i>)	7,025
Redemptions of convertible bonds	(63,197)
	<hr/>
At 30 June 2014	<u>—</u>
Derivative component	
At 1 January 2013	76,452
Fair value gains recognised in the consolidated statement of profit or loss	(40,833)
Conversion of convertible bonds	(31,082)
	<hr/>
At 31 December 2013 and 1 January 2014	4,537
Fair value gains recognised in the consolidated statement of profit or loss	(1,471)
Redemptions of convertible bonds	(3,066)
	<hr/>
At 30 June 2014	<u>—</u>

On 1 September 2011, the Company issued zero coupon convertible bonds in the principal amount of HK\$120,000,000 (the "Convertible Bonds") to an independent third party as part of consideration for acquisition of subsidiaries. The Convertible Bonds are convertible at the option of the bondholder into the Company's ordinary shares of HK\$0.10 each at a conversion price of HK\$1.20 per share from the end of the first anniversary period from the issue date and up to (but excluding) the period of five business days ending on the maturity date. Any Convertible Bonds not converted, cancelled, purchased or otherwise acquired will be redeemed by the Company on 1 September 2014.

The conversion option of the Convertible Bonds exhibits characteristics of an embedded derivative and is separated from the liability components. On initial recognition, the embedded derivative component of the convertible bonds is measured at fair value and presented as derivative financial instruments. Any excess of proceeds over the amount initially recognised as the embedded derivative component is recognised as the liability component. At the end of each reporting period, the embedded derivative component is remeasured and the change in fair value of that component is recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

During the year ended 31 December 2013, the Convertible Bonds at the principal amount of HK\$48,000,000 was converted into ordinary shares of the Company.

On 20 February 2014 and 26 May 2014, the Company made early redemptions of the outstanding Convertible Bonds at the total principal amount of HK\$72,000,000 with an aggregate consideration of HK\$72,000,000 and incurred a loss on early redemption of approximately HK\$5,737,000.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Embedded derivative of convertible bonds (<i>note 15</i>)	<u>—</u>	<u>4,537</u>

17. CONTINGENT LIABILITIES

The Company and the Group had no contingent liabilities as at 30 June 2014 (31 December 2013: Nil).

18. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

	For the six months ended	
	30 June 2014 (Unaudited) HK\$'000	30 June 2013 (Unaudited) HK\$'000
Transactions with a director:		
Rental expenses paid (<i>note (i)</i>)	<u>48</u>	<u>48</u>
Transactions with a company under common control of a shareholder of the Company/the immediate holding company of a shareholder of the Company*:		
Construction contract cost incurred (<i>note (ii)</i>)	—	769
Loan interest expenses (<i>note (iii)</i>)	—	7
Sales of goods (<i>note (iv)</i>)	<u>—</u>	<u>16,074</u>

* During the six months ended 30 June 2014, 中國核工業二三建設有限公司 (transliterated as “China Nuclear Industry 23 Construction Company Limited”) (“CNI23”), the immediate holding company of a shareholder of the Company has become a company under common control of a shareholder of the Company after the change in shareholding structure of controlling shareholder of the Company. Details of the change in shareholding structure of controlling shareholder of the Company were set out in the Company’s announcement dated 26 June 2014.

Notes:

- (i) The Group paid rental expenses to a director of the Company. The rentals were determined with reference to open market rentals.
- (ii) The Group incurred construction contract cost to CNI23. The construction contract cost incurred was determined with reference to the contract price.
- (iii) During the year ended 31 December 2013, the Group borrowed from CNI23 with the sum of RMB3,000,000 which bearing interest rate of 5.6% per annum. The Group paid loan interest expenses to CNI23. The loan interest was charged at a normal market interest rate with reference to the loan agreement. The loan was fully repaid during the year ended 31 December 2013.
- (iv) The Group generated revenue from 中國核工業二三建設有限公司華東分公司 (transliterated as “China Nuclear Industry 23 Construction Company Limited Huadong Branch”), a branch of CNI23. The revenue generated from sale of goods was determined with reference to the contract price.

(b) Compensation of key management personnel of the Group:

	For the six months ended	
	30 June 2014 (Unaudited) HK\$'000	30 June 2013 (Unaudited) HK\$'000
Short term employee benefits	3,670	2,145
Pension scheme contributions	57	38
Total compensation paid to key management personnel	<u>3,727</u>	<u>2,183</u>

19. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2014 and up to the date of these condensed consolidated interim financial statements, the Group had the following material events:

Change in directorships

With effect from 10 July 2014:

- (i) Mr. Song Limin has resigned as an executive director, the chief executive officer and the authorised representative of the Company;
- (ii) Mr. Chang Nan has resigned as an independent non-executive director and a member of each of the remuneration committee, the nomination committee and the audit committee of the Company;
- (iii) Mr. Fu Zhigang has been appointed as the chief executive officer and the authorised representative of the Company;
- (iv) Mr. Tang Chuanqing has been appointed as an executive director of the Company; and
- (v) Mr. Chen Ying has been appointed as an independent non-executive director of the Company.

20. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors of the Company on 15 August 2014.

RESULTS

The Group's consolidated revenue for the six months ended 30 June 2014 was HK\$131,491,000, representing a decrease of HK\$31,941,000, compared to the consolidated revenue of HK\$163,432,000 recorded for the six months ended 30 June 2013. Consolidated loss attributable to owners of the Company was HK\$33,959,000 (2013: consolidated profit of HK\$18,197,000). Basic loss per share was HK3.10 cents (2013: basic earnings per share of HK1.68 cents).

The significant net loss as compared to the net profit for the six months ended 30 June 2013, among other things, is mainly due to: (i) The new energy business of the Group was impacted by fierce competition in the first half of 2014. In such event, the number of projects decreased substantially and the operating costs increased, leading to the decrease in profits derived from the new energy business. The relevant business of the Group recorded a significant net loss for the six months ended 30 June 2014; (ii) The catering business recorded a net loss for the six months ended 30 June 2014, primarily due to the increase in the operating costs as a result of the closing and opening of certain shops, which had negative impact on the results for the six months ended 30 June 2014; and (iii) In compliance with the existing applicable accounting standards adopted by the Group, the zero coupon rate unsecured redeemable convertible bonds due 2014 in the principal amount of HK\$120 million with conversion price of HK\$1.20 per share ("Acquisition Convertible Bonds") (issued by the Company on 1 September 2011 to Shining Rejoice Limited, details of which are set out in the announcement of the Company dated 13 May 2011 and the circular of the Company dated 12 August 2011), are required to recognise as derivative financial assets/liabilities in the consolidated financial statements of the Group, while gains or losses relating to the net changes in fair value are also necessary to be reflected in the consolidated statement of profit or loss. On 15 March 2013, the conversion rights of 40,000,000 shares attaching to the Acquisition Convertible Bonds were exercised. The Company made early redemptions of the Acquisition Convertible Bonds on 20 February 2014 and 26 May 2014, respectively, and the closing prices of the shares on those dates of such redemptions were lower than that as at the end of the previous financial year. Therefore, in accordance with the existing applicable accounting standards, the Group recorded the impact of gains from net changes in fair value of the above derivative financial liabilities, and such gains decreased significantly as compared to the gains for the six months ended 30 June 2013. Loss for the period amounted to HK\$52,152,000, excluding the net fair value gains from these derivative financial instruments of HK\$1,471,000, the imputed interest on the convertible bonds of HK\$7,025,000 and the net loss on early redemption of convertible bonds of HK\$5,737,000, the Group would have recorded a loss of HK\$40,861,000 from its core business for the six months ended 30 June 2014.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Operations

The net loss of the Group's catering business in the first half of 2014 was higher than that for the six months ended 30 June 2013, primarily due to winding up and opening part of the shops together with increase in the operating costs. On the other hand, the hotel sales revenue remained steady, which was mainly attributable to the tourists from Mainland China under the individual visit scheme.

The Group's new energy business recorded a significant loss. The new business remaining in the initial stage was weak in strength of development. The impact of severe competition in the market leading to the significant decrease in the engineering, procurement and construction projects, coupled with the increase in the inherent operating costs, limited the room for profit making.

Liquidity and Financial Resources

As at 30 June 2014, the Group had cash and cash equivalents of approximately HK\$243,314,000 (31 December 2013: HK\$198,456,000), in total, most of which were unsecured bank deposits, with their original maturities within three months. In addition, the Group had no mortgage loans (31 December 2013: Nil). The net assets was approximately HK\$402,414,000 (31 December 2013: HK\$457,142,000). As at 30 June 2014, the Group's gearing ratio was undefined (31 December 2013: gearing ratio was 0.12) due to the early redemptions of the Acquisition Convertible Bonds on 20 February 2014 and 26 May 2014, respectively.

The Group's bank balances and cash are mainly denominated in Hong Kong dollars and Renminbi, and hence it is not exposed to significant exchange risk. The Group has not used any financial instruments for hedging purpose.

Contingent Liabilities

At the end of the reporting period, the Group had no significant contingent liabilities.

Number of Employees and Remuneration Policy

As at 30 June 2014, the Group had 541 employees, the remuneration packages of whom have been reviewed annually with reference to the prevailing market condition.

During the six months ended 30 June 2014, the Group had no share option scheme for its employees.

Outlook

The Group continues to push forward with the strategy of diversified development. Under the pressure of the ever-increasing intensity in the market competition and based on the basis of proactively exploiting the construction of new energy works, the Group is placing emphasis on the establishment of dedicated professional teams, enhancing the prevention and control of risks, exploring the new modes of business development, and endeavouring to improve the profitability. With cautious optimism as usual, the Board will proceed with the proactive resources integration and business separation in line with the domestic industrial policy, in order to achieve the expansion of the Group's business scale and strive to obtain the best returns.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2014.

Corporate Governance Code

The Board is of the view that throughout the period ended 30 June 2014, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Code of Conduct") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the

Listing Rules. Having made specific enquiry on all directors of the Company, they confirmed that they have complied with the Code of Conduct and the Model Code throughout the accounting period covered by the interim report.

Audit Committee

The Company has an audit committee (the “Audit Committee”) which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises four members, namely, Mr. Chan Ka Ling, Edmond, Mr. Li Baolin, Mr. Wang Jimin and Mr. Chen Ying, all are Independent Non-executive Directors of the Company. The unaudited interim report for the six months ended 30 June 2014 has been reviewed by the Audit Committee.

On behalf of the Board

AI Yilun

Chairman

Hong Kong, 15 August 2014

As at the date of this announcement, the Directors are: Mr. Ai Yilun, who is the chairman and an executive Director; Mr. Chan Shu Kit, who is the vice-chairman and an executive Director; Mr. Han Naishan, Mr. Gao Yongping, Mr. Fu Zhigang, Ms. Jian Qing, Mr. Chung Chi Shing and Mr. Tang Chuanqing, all of whom are executive Directors; and Mr. Chan Ka Ling, Edmond, Mr. Li Baolin, Mr. Wang Jimin and Mr. Chen Ying, all of whom are independent non-executive Directors.