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 2013

SUMMARY

- During the six months, the Group's turnover amounted to HK$163,432,000, representing an increase of 19%.
- During the six months, the Group's core business recorded a loss after tax of HK$16,968,000.
- Profit for the period amounted to HK$11,681,000, including net fair value gains on derivative financial instruments of HK$38,533,000.
- To develop the Hong Kong market continuously and further explore 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 2013, together with the comparative figures for the six months ended 30 September 2012. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

		For the six months ended	
		30 June	30 September
		2013	2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue	*4*	**163,432**	137,333
Other revenue and gains		**1,646**	2,406
Fair value gains on derivative financial instruments, net		**38,533**	51,883
Cost of inventories used		**(69,340)**	(42,898)
Construction costs		**(769)**	—
Staff costs		**(49,853)**	(43,904)
Rental expenses		**(21,723)**	(20,782)
Utilities expenses		**(10,149)**	(10,304)
Depreciation		**(2,831)**	(3,274)
Other operating expenses		**(31,621)**	(23,765)
Finance costs	*5*	**(9,891)**	(10,009)
Share of result of associates, net		**5,017**	286
Profit before taxation	*6*	**12,451**	36,972
Income tax expense	*7*	**(770)**	(312)
Profit for the period		**11,681**	36,660
Other comprehensive (loss)/income for the period, net of tax			
Item that will not be reclassified to profit or loss:			
Loss on property revaluation		**(31)**	(25)
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(152)**	—
Share of other comprehensive income/(loss) of associates		**2,681**	(266)
Total comprehensive income for the period		**14,179**	36,369

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(continued)*
For the six months ended 30 June 2013

		For the six months ended	
		30 June 2013	30 September 2012
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Profit for the period attributable to:			
Owners of the Company		**18,197**	37,342
Non-controlling interests		**(6,516)**	(682)
		11,681	36,660
Total comprehensive income attributable to:			
Owners of the Company		**20,695**	37,051
Non-controlling interests		**(6,516)**	(682)
		14,179	36,369
Earnings/(loss) per share attributable to owners of the Company			
Basic (HK cents per share)	*8*	**1.68**	3.86
Diluted (HK cents per share)	*8*	**1.68**	(0.40)
Dividend	*9*	**—**	—

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Notes	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Non-current assets			
Property, plant and equipment	*10*	**22,016**	22,765
Investment properties		**38,000**	38,000
Prepaid land lease payments		**6,846**	6,897
Available-for-sale investment		**500**	500
Goodwill	*11*	**105,440**	105,440
Interest in associates	*12*	**171,595**	164,669
Deferred tax assets, net		**2,349**	2,349
		346,746	340,620
Current assets			
Inventories		**19,462**	8,353
Trade receivables	*13*	**11,557**	1,596
Prepayments, deposits and other receivables		**27,809**	19,614
Amount due from an associate		**779**	—
Amount due from customer for contract work		**5,967**	11,933
Tax recoverable		**1,135**	—
Cash and cash equivalents		**238,539**	235,422
		305,248	276,918
Less: Current liabilities			
Trade payables	*14*	**20,197**	14,500
Other payables and accruals		**67,172**	20,805
Provision for long service payments		**2,189**	2,249
Tax payable		**480**	1,904
Derivative financial instruments	*16*	**6,837**	76,452
		96,875	115,910
Net current assets		**208,373**	161,008
Total assets less current liabilities		**555,119**	501,628

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
As at 30 June 2013

	Note	30 June 2013 (Unaudited) HK$'000	31 December 2012 (Audited) HK$'000
Less: Non-current liabilities			
Convertible bonds	*15*	**46,546**	64,480
Receipt in advance		**650**	900
Deferred tax liabilities, net		**93**	27
		47,289	65,407
Net assets		**507,830**	436,221
Capital and reserves			
Share capital		**110,166**	106,166
Reserves		**405,498**	329,903
Equity attributable to owners of the Company		**515,664**	436,069
Non-controlling interests		**(7,834)**	152
Total equity		**507,830**	436,221

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2013

1. CORPORATE INFORMATION

China Nuclear Industry 23 International Corporation Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at Room 2801, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company announced on 13 July 2012 that the financial year end date of the Company was changed from 31 March to 31 December to align the financial year end date of the Company with that of its intermediate holding company. Accordingly, the condensed consolidated interim financial statements for the current period cover the six months period from 1 January 2013 to 30 June 2013. The corresponding amounts shown for the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows and related notes cover the six months period from 1 April 2012 to 30 September 2012 and therefore may not be comparable with the amounts shown for the current period.

During the period from 1 January 2013 to 30 June 2013, 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 2013 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 (Revised) "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 2013 is historical cost convention except for building, 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 2013 are consistent with those followed in the preparation of the Group's annual financial statements for the nine months ended 31 December 2012, 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 2013.

Amendments to HKFRS 1	Government Loans
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKFRS 7 (Amendments)	Disclosures — Offsetting Financial Assets and Financial Liabilities
HKFRS 10, HKFRS 11 and HKFRS 12 (Amendments)	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2009–2011 Cycle
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. Some of the disclosures are specifically required for financial instruments in the interim financial reports. The Group has provided those disclosures in Note 3. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

HKAS 1 (Amendments) Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 for the first time in the current year. The amendments introduce new terminology, whose use is not mandatory, for the statement of comprehensive income and income statement. Under the amendments to HKAS 1, the "statement of comprehensive income" is renamed as the "statement of profit or loss and other comprehensive income". The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis. The amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Save as disclosed above, the adoption of the new and revised HKFRSs had no material effect on the unaudited condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in the unaudited condensed consolidated interim financial statements.

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

HKFRS 9	Financial Instruments[2]
HKFRS 9 and HKFRS 7 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[2]
HKFRS 10, HKFRS 12 and HKAS 27 (Amendments)	Investment Entities[1]
HKAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[1]
HKAS 36 (Amendments)	Recoverable Amount Disclosures for Non-Financial Assets[1]
HKAS 39 (Amendments)	Novation of Derivatives and Continuation of Hedge Accounting[1]
HK(IFRIC)-Int 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 January 2015

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 quote 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 2013 and 31 December 2012, the Group has financial assets and financial liabilities which are measured at fair value in Level 3 as follow:

	30 June 2013 (Unaudited)	31 December 2012 (Audited)
	HK$'000	*HK$'000*
Financial liabilities		
— financial liabilities at fair value through profit or loss		
Derivative financial instruments		
— Embedded derivatives of convertible bonds	**6,837**	76,452

There were no transfer of instruments between Level 1 and Level 2 for the six months ended 30 June 2013 and nine months ended 31 December 2012.

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 2013		31 December 2012	
	Carrying amount (Unaudited)	**Fair value (Unaudited)**	Carrying amount (Audited)	Fair value (Audited)
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Financial liabilities				
— financial liabilities at amortised cost				
Convertible bonds	**46,546**	**59,432**	64,480	92,217

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 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 income and gains	**38**	**—**	**—**	**—**	**—**	**38**
	122,270	**8,491**	**12,551**	**29,762**	**4,419**	**177,493**
Reconciliation:						
Elimination of intersegment sales						**(12,879)**
Elimination of intersegment other income and gains						**(38)**
Total						**164,576**
Segment results	**(1,006)**	**(135)**	**4,280**	**(14,389)**	**(10,460)**	**(21,710)**
Reconciliation:						
Interest income and unallocated gains						**502**
Finance costs						**(9,891)**
Fair value gains on derivative financial instruments						**38,533**
Share of result of associates						**5,017**
Profit before taxation						**12,451**
At 30 June 2013						
Segment assets	**41,622**	**54,212**	**6,096**	**166,948**	**102,097**	**370,975**
Reconciliation:						
Unallocated assets						**281,019**
Total assets						**651,994**
Segment liabilities	**16,637**	**114**	**5,859**	**65,307**	**2,291**	**90,208**
Reconciliation:						
Unallocated liabilities						**53,956**
Total liabilities						**144,164**

	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 September 2012						
Segment revenue:						
Sales to external customers	124,658	226	12,449	—	—	137,333
Intersegment sales	—	10,296	—	—	4,303	14,599
Other revenue and gains	548	—	159	—	293	1,000
Intersegment other income and gains	—	—	—	—	1,013	1,013
	125,206	10,522	12,608	—	5,609	153,945
Reconciliation:						
Elimination of intersegment sales						(14,599)
Elimination of intersegment other income and gains						(1,013)
Total						138,333
Segment results	(6,417)	2,212	3,827	—	(6,216)	(6,594)
Reconciliation:						
Interest income and unallocated gains						1,406
Finance costs						(10,009)
Fair value gains on derivative financial instruments						51,883
Share of result of an associate						286
Profit before taxation						36,972
At 31 December 2012						
Segment assets	62,507	54,969	6,436	—	220,668	344,580
Reconciliation:						
Unallocated assets						272,958
Total assets						617,538
Segment liabilities	20,775	327	5,938	—	11,414	38,454
Reconciliation:						
Unallocated liabilities						142,863
Total liabilities						181,317

5. FINANCE COSTS

	For the six months ended 30 June 2013 (Unaudited) *HK$'000*	30 September 2012 (Unaudited) *HK$'000*
Imputed interest on convertible bonds *(note 15)*	**9,884**	10,009
Interest on other borrowings *(note 18(a))*	**7**	—
	9,891	10,009

6. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging:

	For the six months ended 30 June 2013 (Unaudited) *HK$'000*	30 September 2012 (Unaudited) *HK$'000*
Minimum lease payments under operating leases:		
Land and buildings	**21,723**	20,782
Office equipment	**143**	83
	21,866	20,865
Staff costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**46,723**	41,894
Provision for long service payments, net	**560**	884
Pension scheme contributions	**2,570**	1,126
Total staff costs	**49,853**	43,904
Recognition of prepaid land lease payments	**51**	50

7. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period.

	For the six months ended 30 June 2013 (Unaudited) *HK$'000*	30 September 2012 (Unaudited) *HK$'000*
Current tax – Hong Kong		
Charged for the period	**704**	781
Deferred tax	**66**	(469)
Tax charge for the period	**770**	312

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

The calculation of basic earnings per share is based on the unaudited profit for the six months ended 30 June 2013 attributable to owners of the Company of approximately HK$18,197,000 (six months ended 30 September 2012: HK$37,342,000), and the weighted average number of ordinary shares of 1,085,533,023 (six months ended 30 September 2012: 967,321,620) in issue during the six months ended 30 June 2013.

	For the six months ended	
	30 June 2013 (Unaudited) *HK$'000*	30 September 2012 (Unaudited) *HK$'000*
Earnings/(loss)		
Unaudited profit attributable to owners of the Company, used in the basic earnings per share calculation	**18,197**	37,342
Imputed interest expense for the period relating to the liabilities component of the dilutive convertible bonds	**—**	10,009
Less: Fair value gain on the derivative financial instruments	**(—)**	(51,883)
Unaudited profit/(loss) attributable to owners of the Company, used in the diluted earnings/(loss) per share calculation	**18,197**	(4,532)

	For the six months ended	
	30 June 2013 (Unaudited) ***Number of shares***	30 September 2012 (Unaudited) *Number of shares*
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	**1,085,533,023**	967,321,620
Effect of dilution-weighted average number of ordinary shares:		
Warrants	**—**	63,875,929
Convertible bonds	**—**	100,000,000
Weighted average number of ordinary shares, used in diluted earnings/(loss) per share calculation	**1,085,533,023**	1,131,197,549

The Company's outstanding zero coupon convertible bonds with principal amount of HK$72,000,000 issued on 1 September 2011 were not included in the calculation of diluted earnings per share for the six months ended 30 June 2013 because the effects of the aforesaid outstanding 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 2013 (six months ended 30 September 2012: Nil).

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group incurred approximately HK$3,144,000 (six months ended 30 September 2012: HK$3,935,000) on the acquisition of property, plant and equipment.

11. GOODWILL

Movement of goodwill during the period is as follows:

	(Unaudited) *HK$'000*
Cost:	
At 1 January 2013 and 30 June 2013	**105,440**
Impairment:	
At 1 January 2013 and 30 June 2013	**—**
Carrying amount:	
At 30 June 2013	**105,440**
At 31 December 2012	105,440

During the year ended 31 March 2012, the Group completed the acquisition of Well Link Capital Limited ("Well Link").

For the purpose of impairment testing, goodwill has been allocated to individual cash-generating units which is determined based on related segment. The carrying amount of goodwill (net of impairment losses) as at 31 December 2012 and 30 June 2013 is all regarded as corporate and other unallocated assets in operating segment.

As at 30 June 2013, with regard to the current market situation, the directors of the Company reviewed the carrying amount of goodwill arising from the acquisition of subsidiaries. The recoverable amount of the cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budget covering five years approved by senior management. The discount rate applied to the cash flow projections is 13.24% per annum. The growth rate used are based on the estimated growth rate of Well Link taking into account the industry growth rate, past experience and the medium or long term growth target of Well Link.

12. INTEREST IN ASSOCIATES

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Cost of investment in associates	**156,445**	156,445
Share of post-acquisition profit and other comprehensive income and loss, net of dividends received	**15,150**	8,224
	171,595	164,669

Notes:

(a) Included in the cost of investment as at 30 June 2013 is goodwill arising on acquisition of interest in an associate for the nine months ended 31 December 2012 of approximately HK$23,216,000 (31 December 2012: HK$23,216,000).

(b) On 23 December 2010, 29 December 2010 and 13 May 2011, the Company entered into agreements with an independent third party, to acquire the entire issued share capital of Well Link at a total consideration of HK$200,000,000. The acquisition was completed on 1 September 2011. The principal activity of Well Link was 25% equity investment in China Nuclear Libert (as defined below).

(c) 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.

(d) Particulars of the Group's interest in associates as at 30 June 2013 are as follows:

Company name	Place and date of registration and operation	Issued and paid-in/registered capital	Percentage of equity attributable to the Group	Principal activities
江蘇中核利柏特股份有限公司 (transliterated as Jiangsu China Nuclear Industry Libert INC) ("China Nuclear Libert")	The People's Republic of China (the "PRC")/ 20 October 2006	RMB289,091,118	Indirect: 25%	Manufacturing and sale of pipes, steel products and related equipment for uses by chemical plant in the PRC and overseas
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

(e) The summarised financial information in respect of the Group's associates is set out below:

	30 June 2013 (Unaudited) *HK$'000*	31 December 2012 (Audited) *HK$'000*
Total assets	**775,097**	762,539
Total liabilities	**(200,758)**	(205,621)
Net assets	**574,339**	556,918
The Group's share of net assets of associates	**148,379**	141,453

	For the six months ended	
	30 June	30 September
	2013	2012
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Turnover	**221,721**	87,659
Profit for the period	**18,966**	1,144
The Group's share of result of associates for the period, net	**5,017**	286
The Group's share of other comprehensive income/(loss) of associates for the period	**2,681**	(266)

13. TRADE RECEIVABLES

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

	30 June	31 December
	2013	2012
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 3 months	**11,557**	1,596

The Group normally allows a credit period of 30–60 days for new energy operations depending on the customer's 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 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 customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk.

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

Included in trade receivables was an amount of approximately HK$10,214,000 (31 December 2012: Nil) which represents an amount due from a related party of the Company arising from sales of goods.

14. 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	31 December
	2013	2012
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 3 months	**20,197**	14,500

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

15. CONVERTIBLE BONDS

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

	Convertible bonds (Unaudited) *HK$'000*
Liability component	
At 1 April 2012	48,687
Imputed interest expenses	15,793
At 31 December 2012 and 1 January 2013	64,480
Imputed interest expenses	9,884
Conversion of convertible bonds	(27,818)
At 30 June 2013	**46,546**
Derivative component	
At 1 April 2012	87,070
Fair value gains on derivative financial instruments	(10,618)
At 31 December 2012 and 1 January 2013	76,452
Fair value gains on derivative financial instruments	(38,533)
Conversion of convertible bonds	(31,082)
At 30 June 2013	**6,837**

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. During the six months ended 30 June 2013, the Convertible Bonds at the principal amount of HK$48,000,000 was converted into ordinary shares of the Company.

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.

16. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2013 (Unaudited) ***HK$'000***	31 December 2012 (Audited) *HK$'000*
Embedded derivatives of convertible bonds *(note 15)*	**6,837**	76,452

17. CONTINGENT LIABILITIES

The Company and the Group had no contingent liabilities as at 30 June 2013 (31 December 2012: Nil).

18. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties:

	Notes	For the six months ended 30 June 2013 (Unaudited) *HK$'000*	30 September 2012 (Unaudited) *HK$'000*
Transaction with a director:			
Rental expenses paid	*(i)*	**48**	48
Transactions with the immediate holding company of a shareholder of the Company:			
Sales of goods	*(ii)*	**16,074**	—
Loan interest expenses	*(iii)*	**7**	—
Construction contract cost incurred	*(iv)*	**769**	—

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 generated revenue from 中國核工業二三建設有限公司 (transliterated as "China Nuclear Industry 23 Construction Company Limited"), the immediate holding company of a shareholder of the Company. The revenue generated from sale of goods was determined with reference to the contract price.

(iii) The Group paid loan interest expenses to China Nuclear Industry 23 Construction Company Limited. The loan interest was charged at normal market interest rate with reference to the loan agreement.

(iv) The Group incurred construction contract cost to China Nuclear Industry 23 Construction Company Limited. The construction contract cost incurred was determined with reference to the contract price.

(b) As at 30 June 2013, other payables of approximately HK$30,797,000 represent the 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.

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

	For the six months ended 30 June 2013 (Unaudited) *HK$'000*	30 September 2012 (Unaudited) *HK$'000*
Short term employee benefits	**2,145**	2,175
Post-employment benefits	**38**	33
Total compensation paid to key management personnel	**2,183**	2,208

19. EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to 30 June 2013.

20. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 16 August 2013.

RESULTS

The Group's consolidated revenue for the six months ended 30 June 2013 was HK$163,432,000, representing an increase of HK$26,099,000 compared to the consolidated revenue of HK$137,333,000 recorded for the six months ended 30 September in last year. Consolidated profit attributable to owners of the Company was HK$18,197,000 (2012: consolidated profit of HK$37,342,000). Basic earnings per share was HK1.68 cents (2012: basic earnings per share of HK3.86 cents).

The significant decrease of net profit is mainly due to the decrease in net fair values gains of derivative financial instruments, in compliance with the currently applicable accounting standards, relating to 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 (the "Acquisition Convertible Bonds") issued by the Company on 1 September 2011 to Shining Rejoice Limited which HK$72 million remain outstanding as at 30 June 2013, 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. On 15 March 2013, the conversion rights of 40,000,000 shares attaching to the aforesaid zero coupon rate unsecured redeemable convertible bonds were exercised. Also, the unlisted warrants issued on 19 October 2009, which on 18 October 2012, right attached to the aforesaid warrants was fully exercised and all outstanding shares issuable pursuant to which have been issued and allotted, its net fair value changes were only reflected in the 2012 consolidated profits. The relevant derivative financial instruments and the related gains on net changes in fair values of the aforesaid derivative financial instruments are non-cash in nature and will not have any impact on the cash flow of the Group. The Group will in no event be obliged to settle any of such liabilities by incurring any cash payout or otherwise by using any of its assets, except for the redemption of the Acquisition Convertible Bonds upon their respective maturities. Profit for the period amounted to HK$11,681,000, excluding the net fair value gains from these derivative financial instruments of HK$38,533,000 and the imputed interest on the convertible bonds of HK$9,884,000, the Group would have recorded a loss of HK$16,968,000 from its core business for the six months ended 30 June 2013.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Operations

As driven by travelers, the retail market in Hong Kong remained strong in the first half of 2013. Accordingly, the operating income of the Group in the first half of 2013 was flat as compared with the six months ended 30 September 2012. The overall business of the Group continued to grow despite the shut down of operation of the Kowloon Bay branch upon the expiration of the lease. Meanwhile, the Sunny Day Hotel recorded steady growth in operating income and the occupancy rate reached as high as 88%, benefited from the increasing number of Mainland travelers.

In order to enhance the businesses diversification, achieving long-term, stable income and reducing operational risks, the Group set up a joint venture earlier this year and followed by the establishment of two indirect control subsidiaries in Nanjing that focused on solar energy and other new energy engineering business. Since the new business unit still at the early-stage, heavy investment on operation set-up, market and business development are needed, there will be a long payback period.

Liquidity and Financial Resources

On 30 June 2013, the Group had cash and cash equivalents of approximately HK$238,539,000 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 2012: Nil). The net assets was HK$507,830,000 (31 December 2012: net assets of HK$436,221,000). The ratio of non-current liabilities to total equity was 0.09 (31 December 2012: 0.15). The decrease in the gearing ratio as at 30 June 2013 was mainly because the conversion rights of 40,000,000 shares attaching to the Acquisition Convertible Bonds were exercised on 15 March 2013.

The Group's bank loans, bank balances and cash are mainly denominated in Hong Kong dollars, and hence it is not exposed to significant exchange risk. And 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 2013, the Group had 511 employees, the remuneration packages of whom have been reviewed annually with reference to the prevailing market condition.

During the six months ended 30 June 2013, the Group had no share option scheme for its employees.

Outlook

To promote the Group's development strategy of diversification and further explore petrochemical, electrical engineering and new energy engineering including its representative solar markets, the Group formed two indirect control subsidiaries in Nanjing in the first half of 2013, to build a dedicated professional team with relevant qualifications engaging in the investment, construction and operation of new energy engineering projects. Although the Group is facing a volatile situation and fierce market competitions, the Board believes that we have a bright future and actively yet prudently prepare for the best return.

Given Hong Kong's stable economic growth recently, there were significant improvements in per capita income. The Group believes that this would continue to benefit its catering business. In the future, the Group will continue to uphold its purpose of providing quality services to consumers while paying attention to market investment opportunities and expanding market shares with aggressive action plans at the same time.

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 2013.

Corporate Governance Code

The Board is of the view that throughout the period ended 30 June 2013, the Company has complied with most of the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules, save and except for code provisions A.6.7 and E.1.2, details will be set out below:

— Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend the issuer's general meetings and develop a balanced understanding of the views of shareholders. It was noted that two Independent Non-executive Directors and a Non-executive Director were unable to attend the annual general meeting of the Company held on 31 May 2013 while three Independent Non-executive Directors and a Non-executive Director were unable to attend the special general meeting held on 21 June 2013, all due to their unavoidable business engagement.

— Code Provision E.1.2 stipulates that the chairman of the issuer's board should attend the issuer's annual general meeting. The Chairman of the Board was unable to attend the annual general meeting of the Company held on 31 May 2013 due to a business engagement and delegated the Vice-Chairman of the Board to chair the meeting to ensure effective communication with the shareholders of the Company.

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 as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry on all directors of the Company, they confirmed that they have complied with the Company's Code 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. Chang Nan, Dr. Dai Jinping and Mr. Yu Lei, all are Independent Non-executive Directors of the Company. The unaudited interim report for the six months ended 30 June 2013 has been reviewed by the Audit Committee.

On behalf of the Board
Dong Yuchuan
Chairman

Hong Kong, 16 August 2013

As at the date of this announcement, the Directors of the Company are: Mr. Dong Yuchuan, who is the chairman and a non-executive Director; Mr. Chan Shu Kit, who is the vice-chairman and an executive Director; Mr. Lei Jian, Mr. Han Naishan, Mr. Guo Shuwei, Mr. Chung Chi Shing, Ms. Jian Qing and Mr. Song Limin, all of whom are executive Directors; and Mr. Chan Ka Ling, Edmond, Mr. Chang Nan, Dr. Dai Jinping and Mr. Yu Lei, all of whom are independent non-executive Directors.