



中国核建

China Nuclear Energy Technology Corporation Limited

Formerly known as "China Nuclear Industry 23 International Corporation Limited"



INTERIM REPORT 2016

Stock Code: 611



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ai Yilun (*Chairman*)
Mr. Chan Shu Kit (*Vice-Chairman*)
Ms. Jian Qing
Mr. Chung Chi Shing
Mr. Fu Zhigang (*Chief Executive Officer*)
Mr. Tang Chuanqing
Ms. Ding Shuying
(appointed on 8 April 2016)
Mr. Li Jinying (appointed on 8 April 2016)

Independent Non-executive Directors

Mr. Chan Ka Ling, Edmond
Mr. Wang Jimin
Mr. Tian Aiping
Mr. Li Dakuan (appointed on 8 April 2016)

AUDIT COMMITTEE

Mr. Chan Ka Ling, Edmond (*Chairman*)
Mr. Wang Jimin
Mr. Tian Aiping
Mr. Li Dakuan (appointed on 8 April 2016)

REMUNERATION COMMITTEE

Mr. Chan Ka Ling, Edmond (*Chairman*)
Mr. Ai Yilun
Mr. Chan Shu Kit
Mr. Wang Jimin
Mr. Tian Aiping
Mr. Li Dakuan (appointed on 8 April 2016)

NOMINATION COMMITTEE

Mr. Ai Yilun (*Chairman*)
Ms. Jian Qing
Mr. Chan Ka Ling, Edmond
Mr. Wang Jimin
Mr. Tian Aiping
Mr. Li Dakuan (appointed on 8 April 2016)

COMPANY SECRETARY

Mr. Ng Siu Cheung

PRINCIPAL BANKERS

Chong Hing Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
China Construction Bank
(Hong Kong Branch)

AUDITORS

BDO Limited
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

BERMUDA LEGAL ADVISER

Conyers, Dill & Pearman
2901 One Exchange Square
8 Connaught Place
Central
Hong Kong

HONG KONG SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG PRINCIPAL OFFICE

Room 2801, 28/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

STOCK CODE

611

WEBSITE

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SUMMARY

- During the six months ended 30 June 2016, the Group's consolidated revenue amounted to HK\$912,159,000, representing an increase of HK\$706,551,000.
- Net loss for the period amounted to HK\$1,141,000, including gain on deemed disposal of an associate of HK\$2,893,000 and imputed interest on convertible bonds of HK\$17,008,000.

The board of directors (the “**Board**”) of China Nuclear Energy Technology 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 2016, together with the comparative figures for the six months ended 30 June 2015. 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 2016

	Notes	For the six months ended	
		30 June 2016 (Unaudited) HK\$'000	30 June 2015 (Unaudited) HK\$'000
Revenue	4	912,159	205,608
Other revenue and gains		3,032	2,460
Cost of inventories used		(704,250)	(46,257)
Construction costs		(68,327)	(67,790)
Staff costs		(44,779)	(40,562)
Rental expenses		(25,567)	(22,167)
Utility expenses		(6,083)	(6,160)
Depreciation		(6,100)	(3,424)
Other operating expenses		(43,532)	(23,382)
Gain on deemed disposal of an associate		2,893	2,712
Finance costs	5	(18,676)	(3,509)
Share of results of associates, net		3,871	3,901
Profit before taxation	6	4,641	1,430
Income tax expense	7	(5,782)	(704)
(Loss)/Profit for the period		(1,141)	726
Other comprehensive income/(loss) for the period, net of tax			
<i>Item that will not be reclassified to profit or loss:</i>			
Loss on property revaluation		(6)	(24)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising during the period		(18,921)	(501)
Reclassification to profit or loss for deemed disposal of an associate		938	645
Share of other comprehensive loss of associates		(94)	(70)
Total comprehensive (loss)/income for the period		(19,224)	776

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

For the six months ended 30 June 2016

	Notes	For the six months ended	
		30 June 2016 (Unaudited) HK\$'000	30 June 2015 (Unaudited) HK\$'000
(Loss)/Profit for the period attributable to:			
Owners of the Company		(2,282)	(4,047)
Non-controlling interests		1,141	4,773
		(1,141)	726
Total comprehensive income/(loss) attributable to:			
Owners of the Company		(19,993)	(3,751)
Non-controlling interests		769	4,527
		(19,224)	776
Loss per share attributable to owners of the Company			
Basic and diluted (HK cents per share)	8	(0.20)	(0.37)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Non-current assets			
Property, plant and equipment	10	179,989	87,900
Investment property		38,000	38,000
Prepaid land lease payments		7,759	7,887
Available-for-sale investment		500	500
Interest in associates	11	81,886	82,192
Deferred tax assets, net		4,516	4,516
		312,650	220,995
Current assets			
Inventories		200,445	52,383
Trade and bills receivables	12	1,489,319	1,085,109
Prepayments, deposits and other receivables		126,606	172,246
Amounts due from customers for contract work		54,392	262,476
Tax prepayment		1,293	996
Cash and cash equivalents		218,376	310,851
		2,090,431	1,884,061
Less: Current liabilities			
Trade payables	13	1,516,016	1,146,594
Other payables and accruals	14	126,235	191,775
Provision for long service payments		3,360	3,484
Convertible bonds	15	–	286,842
		1,645,611	1,628,695
Net current assets		444,820	255,366
Total assets less current liabilities		757,470	476,361

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2016

	<i>Notes</i>	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Less: Non-current liabilities			
Bank loan	16	300,000	–
Receipt in advance		1,070	1,070
Deferred tax liabilities, net		–	350
		301,070	1,420
Net assets		456,400	474,941
Capital and reserves			
Share capital		113,309	113,309
Reserves		341,063	361,056
Equity attributable to owners of the Company		454,372	474,365
Non-controlling interests		2,028	576
Total equity		456,400	474,941

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Issued share capital HK\$'000	Share premium HK\$'000	Building revaluation reserve HK\$'000	Exchange reserve HK\$'000	Convertible reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2015	110,166	1,314,363	767	(1,876)	–	2,686	(1,018,582)	407,524	(10,050)	397,474
Profit/(loss) for the period	–	–	–	–	–	–	(4,047)	(4,047)	4,773	726
Other comprehensive loss for the period:										
Deficit arising from revaluation of buildings	–	–	(24)	–	–	–	–	(24)	–	(24)
Exchange differences on translation of foreign operations	–	–	–	(255)	–	–	–	(255)	(246)	(501)
Reclassification to profit or loss for deemed disposal of an associate	–	–	–	645	–	–	–	645	–	645
Share of other comprehensive loss of an associate	–	–	–	(70)	–	–	–	(70)	–	(70)
Total comprehensive income for the period	–	–	(24)	320	–	–	(4,047)	(3,751)	4,527	776
Issue of convertible bonds	–	–	–	–	33,075	–	–	33,075	–	33,075
Conversion of convertible bonds into ordinary shares	1,714	28,286	–	–	(3,168)	–	–	26,832	–	26,832
At 30 June 2015 (Unaudited)	111,880	1,342,649	743	(1,556)	29,907	2,686	(1,022,629)	463,680	(5,523)	458,157

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2016

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Issued share capital HK\$'000	Share premium HK\$'000	Building revaluation reserve HK\$'000	Exchange reserve HK\$'000	Convertible reserve HK\$'000	Statutory reserve HK\$'000	Accumulated losses HK\$'000			
At 1 January 2016	113,309	1,366,220	709	(14,638)	27,267	2,686	(1,021,188)	474,365	576	474,941
Profit/(loss) for the period	-	-	-	-	-	-	(2,282)	(2,282)	1,141	(1,141)
Other comprehensive loss for the period:										
Deficit arising from revaluation of buildings	-	-	(6)	-	-	-	-	(6)	-	(6)
Exchange differences on translation of foreign operations	-	-	-	(18,549)	-	-	-	(18,549)	(372)	(18,921)
Reclassification to profit or loss for deemed disposal of an associate	-	-	-	938	-	-	-	938	-	938
Share of other comprehensive loss of an associate	-	-	-	(94)	-	-	-	(94)	-	(94)
Total comprehensive loss for the period	-	-	(6)	(17,705)	-	-	(2,282)	(19,993)	769	(19,224)
Additional share capital contributed by non-controlling interests	-	-	-	-	-	-	-	-	683	683
Redemption of convertible bonds	-	-	-	-	(27,267)	-	27,267	-	-	-
At 30 June 2016	113,309	1,366,220	703	(32,343)	-	2,686	(996,203)	454,372	2,028	456,400

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2016

	For the six months ended	
	30 June 2016 (Unaudited) HK\$'000	30 June 2015 (Unaudited) HK\$'000
Net cash generated from/(used in) operating activities	64,291	(6,556)
Net cash used in investing activities	(98,949)	(2,467)
Net cash (used in)/generated from financing activities	(45,639)	346,113
Net (decrease)/increase in cash and cash equivalents	(80,297)	337,090
Cash and cash equivalents at the beginning of the period	310,851	252,882
Effect of foreign exchange rate changes	(12,178)	(504)
Cash and cash equivalents at the end of the period	218,376	589,468
Analysis of balances of cash and cash equivalents		
Cash and bank balances	198,174	495,884
Time deposits	20,202	93,584
Cash and bank balances as stated in the condensed consolidated statement of financial position	218,376	589,468
Cash and cash equivalents as stated in the condensed consolidated statement of cash flows	218,376	589,468

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. CORPORATE INFORMATION

China Nuclear Energy Technology 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 2016 to 30 June 2016, the Company and its subsidiaries (collectively referred to as the “**Group**”) were engaged in the following principal activities:

- restaurant operations
- property investments
- hotel operations
- financing operations
- solar power generation operations
- engineering, procurement and construction (“**EPC**”) operations and design and consulting services

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) (which include Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA and the same accounting policies adopted in the 2015 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out as follows.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

HKFRSs (Amendments)	Annual Improvements 2012–2014 Cycle
Amendments to HKAS 1	Disclosure Initiative

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, Interim Financial Reporting, has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

Amendments to HKAS 1, Disclosure Initiative

The amendments are designed to encourage entities to use judgement in the application of HKAS 1 when considering the layout and content of their financial statements.

An entity's share of other comprehensive income from equity accounted interests in associates and joint ventures will be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as a single line item within those two groups.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

3. FINANCIAL INSTRUMENTS

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

There were no transfers between levels during the periods ended 30 June 2016 and 2015.

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.

4. SEGMENT REPORTING

Operating segments and the amounts of each segment item reported in the condensed consolidated financial statements are identified from the financial information provided regularly to the Group's top management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of business activities.

The Group has seven (period ended 30 June 2015: five) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies.

For the period ended 30 June 2015, the Group has classified EPC and consultancy under "New Energy" segment.

4. SEGMENT REPORTING (CONTINUED)

	Restaurant (Unaudited) HK\$'000	Property (Unaudited) HK\$'000	Hotel (Unaudited) HK\$'000	Financing (Unaudited) HK\$'000	Solar Power Generation (Unaudited) HK\$'000	EPC and Consultancy (Unaudited) HK\$'000	All other Segments (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
At 30 June 2016								
Segment assets	29,905	53,811	5,773	59,611	229,738	1,886,717	51,124	2,316,679
Reconciliation:								
Unallocated assets								86,402
Total assets								2,403,081
Segment liabilities	13,019	79	3,580	34,336	20,327	1,572,827	1,828	1,645,896
Reconciliation:								
Unallocated liabilities								300,685
Total liabilities								1,946,681

5. FINANCE COSTS

	For the six months ended	
	30 June 2016 (Unaudited) HK\$'000	30 June 2015 (Unaudited) HK\$'000
Imputed interest on convertible bonds (note 15)	17,008	3,509
Interest on other borrowings	983	–
Bank loan interest	685	–
	18,676	3,509

6. PROFIT BEFORE TAXATION

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

	For the six months ended	
	30 June 2016 (Unaudited) HK\$'000	30 June 2015 (Unaudited) HK\$'000
Minimum lease payments under operating leases:		
Land and buildings	25,567	22,167
Office equipment*	487	144
	26,054	22,311
Staff costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	43,608	39,388
Provision for long service payments, net	247	(71)
Pension scheme contributions	924	1,245
	44,779	40,562
Total staff costs		
Recognition of prepaid land lease payments*	51	51

* 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 2015:16.5%) 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 2015: 25%).

南京中核能源工程有限公司 (transliterated as Nanjing CNI Energy Engineering Company Limited), a subsidiary of the Company was granted the preferential corporate income tax rate of 15% by the local tax authority from 31 October 2014 to 31 October 2017 due to its status as an “advanced technology enterprise”.

	For the six months ended	
	30 June 2016 (Unaudited) HK\$'000	30 June 2015 (Unaudited) HK\$'000
Current tax for the period		
Hong Kong	–	–
Other than Hong Kong	5,782	704
Deferred tax	–	–
Tax charge for the period	5,782	704

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic and diluted loss per share is based on the unaudited loss for the six months ended 30 June 2016 attributable to owners of the Company of approximately HK\$2,282,000 (six months ended 30 June 2015: loss of HK\$4,047,000), and the weighted average number of ordinary shares of 1,133,094,150 (six months ended 30 June 2015: 1,102,660,095) in issue during the six months ended 30 June 2016.

	For the six months ended	
	30 June 2016 (Unaudited) HK\$'000	30 June 2015 (Unaudited) HK\$'000
Loss		
Unaudited loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share calculation	(2,282)	(4,047)
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share calculation	1,133,094,150	1,102,660,095

The Company's convertible bonds were not included in the calculation of diluted loss per share for the six months ended 30 June 2016 and 2015 because the effects of the 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 2016 (six months ended 30 June 2015: Nil).

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2016, the Group acquired items of property, plant and equipment with a cost approximately HK\$99,443,000 (six months ended 30 June 2015: HK\$4,185,000).

11. INTEREST IN ASSOCIATES

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Share of net assets	81,886	82,192

- (a) On 15 April 2016, shareholders of 中核檢修有限公司 (transliterated as China Nuclear Industry Maintenance Co., Ltd.) (“**CNI Maintenance Co.**”), an associate of the Company, entered into a capital injection agreement with one of its existing shareholders. Upon completion of the share subscription, the Group’s equity interest in CNI Maintenance Co. has been diluted from 18.55% to 14.43% accordingly.

Although the Group’s ownership interest in CNI Maintenance Co. is less than 20%, the Group has significant influence over CNI Maintenance Co. through its power to participate in CNI Maintenance Co.’s financial and operating decisions by appointing directors representing the Company in the board of directors’ meetings of CNI Maintenance Co.

- (b) Details of the material associates as at 30 June 2016 are as follows:

Name	Place of incorporation, operation and principal activity	Percentage of equity attributable to the Group
中核檢修有限公司 (transliterated as China Nuclear Industry Maintenance Co., Ltd.)	The PRC, construction work for various types of nuclear reactors, nuclear power plants, radioactive chemical engineering projects in PRC; and businesses of maintenance of nuclear power plants and electrical equipments, technology consultancy and technical services.	14.43%
中核齊齊哈爾太陽能發電有限公司 (transliterated as Zhong He Qiqihar Solar Power Generation Company Limited)	The PRC, solar energy generation and sale, solar power technology consulting services, photovoltaic technology development, solar photovoltaic system construction in the PRC.	47.13%

12. TRADE AND BILLS RECEIVABLES

The Group normally allows a credit period of 30-180 days with its customers for EPC and consultancy services depending on the customers' creditworthiness and the length of business relationship with the customers. Customers in restaurant and hotel operations are mainly settled by cash and credit cards, except for certain well-established customers where the credit terms are negotiated on customer by customer basis. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management of the Company.

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Trade receivables	1,485,350	1,083,299
Bills receivables	3,969	1,810
	1,489,319	1,085,109

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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
0-90 days	869,860	1,067,535
91-180 days	328,875	360
181-365 days	280,224	17,214
Over 1 year	10,360	-
	1,489,319	1,085,109

12. TRADE AND BILLS RECEIVABLES (CONTINUED)

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\$72,897,000 (31 December 2015: HK\$193,137,000) which represents amounts due from related parties of the Group arising from EPC and consultancy 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 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
0-90 days	586,844	936,241
91-180 days	148,036	210,353
181-365 days	776,323	-
Over 1 year	4,813	-
	1,516,016	1,146,594

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

14. OTHER PAYABLES AND ACCRUALS

Included in other payables of (i) RMB9,550,000 (approximately HK\$11,089,000) (31 December 2015: RMB9,550,000 (approximately HK\$11,507,000)) which represents the non-interest bearing shareholders' loan from a non-controlling interest shareholder of Guoxin Energy Limited, a non-wholly owned subsidiary of the Company and (ii) RMB15,000,000 (approximately HK\$17,418,000) (31 December 2015: RMB50,000,000 (approximately HK\$60,245,000)) represents an unsecured interest bearing loan from a fellow subsidiary of the Company. The interest rate of the loan is at Renminbi fixed basic rate plus 10% per annum.

15. CONVERTIBLE BONDS

Redemption of convertible bonds

	Convertible Bonds (Unaudited) <i>HK\$'000</i>
Liability component	
At 1 January 2016	286,842
Imputed interest expenses	17,008
Redemption of convertible bonds	<u>(303,850)</u>
At 30 June 2016	<u>–</u>
Equity component	
At 1 January 2016	27,267
Transfer to retained earnings upon redemption	<u>(27,267)</u>
At 30 June 2016	<u>–</u>

On 26 May 2015, the Company issued an aggregated principal amount of HK\$350 million 3% convertible bonds (the “**2015 Convertible Bonds**”), which are due on 25 May 2016. The 2015 Convertible Bonds are convertible at the option of the bondholders into the Company’s ordinary shares at a conversion price of HK\$1.75 per share any time up to maturity.

On the basis that the conversion option of the 2015 Convertible Bonds to be settled by exchange of a fixed amount or fixed number of equity instruments, the 2015 Convertible Bonds were accounted for as compound instruments under HKAS 32 “Financial Instruments – Presentation” and the proceeds were split between a liability component and an equity component as set out below.

The fair value of the liability component was calculated using a market interest rate for a bond with the similar tenure but with no conversion features. The residual amount, representing the value of the equity component, was credited to conversion reserves under equity attributable to owners of the Company.

The imputed interest expenses on the bonds are calculated using the effective interest method.

Since the date of issuance and up to 25 May 2016, HK\$55,000,000 of the 2015 Convertible Bonds were converted into shares of the Company by the bondholders.

On 25 May 2016, the Company redeemed the outstanding convertible bonds at the total principal amount of HK\$295,000,000.

16. BANK LOAN

In May 2016, the Group has drawn down a three-year bank loan of HK\$300,000,000 bearing interest rate at three-month Hong Kong Inter-Bank Offered Rate (“**HIBOR**”) plus 1.8% per annum payable quarterly and repayable in full upon final maturity.

The bank loan is guaranteed by the Company’s ultimate holding company, 中國核工業建設集團公司 (transliterated as China Nuclear Engineering Group Co.).

The bank loan bears floating interest rates at effective interest rates ranging from 2.31% to 2.37% per annum. The directors of the Company consider the carrying amount of the bank loan approximates its fair value as at 30 June 2016.

17. CONTINGENT LIABILITIES

The Company and the Group had no contingent liabilities as at 30 June 2016 (31 December 2015: Nil).

18. MATERIAL RELATED PARTY TRANSACTIONS**(a) Transactions with related parties**

	For the six months ended	
	30 June 2016 (Unaudited) HK\$'000	30 June 2015 (Unaudited) HK\$'000
Transactions with a director:		
Rental expenses paid (note (j))	60	60

18. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	For the six months ended	
	30 June 2016 (Unaudited) HK\$'000	30 June 2015 (Unaudited) HK\$'000
Continuing connected transactions as defined in Chapter 14A of Listing Rules which are subject to annual cap (<i>note (ii)</i>)		
– Construction contract revenue incurred	35,580	–
– Sales of goods	27,080	–
Transaction with a fellow subsidiary		
– Loan interest expense (<i>note (iii)</i>)	953	–
Transaction with a Shareholder of the Company		
– Loan interest income (<i>note (iv)</i>)	326	–

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 of RMB49,341,000 (approximately HK\$58,489,000) from 新疆新華聖樹光伏發電有限公司 (transliterated as Xinjiang Xinhua Shengshu Solar Photovoltaic Company Limited). The revenue generated from sales of goods and construction contract.

The Group generated revenue of RMB3,519,000 (approximately HK\$4,171,000) from Zhong He Qiqihar Solar Power Generation Company Limited. The revenue generated from sales of goods and construction contract.
- iii. In 2015, the Group borrowed from 中核新能源投資有限公司 (transliterated as Zhong He New Energy Investment Company Limited) ("**Zhong He New Energy**"), a fellow subsidiary of the Company with the sum of RMB50,000,000 which bearing interest rate of Renminbi fixed basic rate plus 10% per annum. During the period, the Company repaid RMB35,000,000 to Zhong He New Energy. The loan interest was charged at normal market interest rate with reference to the loan agreement.

18. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)**(a) Transactions with related parties (Continued)**

Notes: (Continued)

- iv. On 13 November 2015, the Group as lender entered into the Loan Agreement with China He Investment (Hong Kong) Company Limited ("**China He Investment**"), pursuant to which the Group agreed to grant the Facility in the principal amount of HK\$15,600,000 for a term of six months which bearing interest rate of 3.3% per annum. As the term of the Facility expired on 17 May 2016, the Group and China He Investment entered into the Supplemental Agreement on 17 May 2016 to extend the term of the Facility for six months to 16 November 2016. The loan interest was charged at normal market interest rate with reference to the loan agreement.

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

	For the six months ended	
	30 June 2016 (Unaudited) HK\$'000	30 June 2015 (Unaudited) HK\$'000
Short term employee benefits	4,382	3,666
Pension scheme contributions	68	54
Total compensation paid to key management personnel	4,450	3,720

19. 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 8 August 2016.

RESULTS

The Group's consolidated revenue for the six months ended 30 June 2016 was HK\$912,159,000, representing an increase of HK\$706,551,000, compared to the consolidated revenue of HK\$205,608,000 recorded for the six months ended 30 June 2015. Consolidated loss attributable to owners of the Company was HK\$2,282,000 (2015: consolidated loss of HK\$4,047,000). Basic loss per share was HK0.20 cents (2015: basic loss per share HK0.37 cents).

The interim results of the Group for the six months ended 30 June 2016 recorded a net loss as compared to the net profit for the six months ended 30 June 2015, among other things, the net loss is mainly due to the combined effect of the following: (i) In compliance with the existing applicable accounting standards adopted by the Group, the liability component of the 2015 Convertible Bonds are required to be carried at amortised cost using the effective interest method, until extinguished on conversion or maturity. The imputed interest expenses on the 2015 Convertible Bonds are calculated and recognised in profit or loss, and such interest expenses increased significantly as compared to the interest expenses for the six months ended 30 June 2015; and (ii) the Engineering, Procurement and Construction ("**EPC**") and consultancy segment of the Group brings in positive impact to the Group, mainly due to the contribution from projects revenue, which was benefited from extensive market development and new business growth plan in the relevant business. Therefore, the relevant business of the Group recorded a net profit for the six months ended 30 June 2016. Net loss for the period amounted to HK\$1,141,000, excluding the gain on deemed disposal of an associate of HK\$2,893,000 and the imputed interest on convertible bonds of HK\$17,008,000, the Group would have recorded a profit of HK\$12,974,000 for the six months ended 30 June 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Operations

The new energy operations of the Group has shown encouraging growth and won the top three ranking of EPC Brand Value in 2015 China PV Brand Ranking in April 2016. While the EPC business gained substantial growth in revenue, the Jiangsu Taizhou 20MW photovoltaic power station also put into operation and achieved favorable operational efficiency, becoming a new profit generator of the Group.

China Nuclear Industry Maintenance Co., Ltd. where the Group held interests continued to bring favorable returns to the Group.

The hotel and catering business still recorded a loss.

Liquidity and Financial Resources

As at 30 June 2016, the Group had cash and cash equivalents of approximately HK\$218,376,000 (31 December 2015: HK\$310,851,000), in total, most of which were unsecured bank deposits, with their original maturities within three months. In addition, the Group had a three years' term loan facility in the maximum amount of HK\$300,000,000 granted by Industrial and Commercial Bank of China (Asia) Limited (the "Lender") to the Company on 23 May 2016 for the purpose of the general corporate funding requirement of the Group, guarantee has been provided by the Company's ultimate holding company, China Nuclear Engineering Group Co., in favour of the Lender to secure the repayment obligations of the Company under the loan facility letter (31 December 2015: Nil). The net assets were approximately HK\$456,400,000 (31 December 2015: HK\$474,941,000). The ratio of debt (including bank loan, convertible bonds and loans included in other payables and accruals) to total equity was 0.72 (31 December 2015: 0.76).

On 26 May 2015, the Company issued an aggregated principal amount of HK\$350,000,000 3% convertible bonds, which are due on 25 May 2016. The Company received net proceeds of HK\$346,114,000 after deducting the commissions and expenses of the offering. Since the date of issuance and up to 25 May 2016, HK\$55,000,000 of the convertible bonds were converted into shares of the Company by the bondholders. The remained convertible bonds were redeemed by the Company on the maturity date.

As at 30 June 2016, included in other payables of (i) RMB9,550,000 (approximately HK\$11,089,000) represent the non-interest bearing shareholders' loan from a non-controlling interest shareholder of Guoxin Energy Limited, a non-wholly owned subsidiary of the Company; and (ii) RMB15,000,000 (approximately HK\$17,418,000) represent an unsecured interest bearing loan from a fellow subsidiary of the Company and the interest rate of the loan is at Renminbi fixed basic rate plus 10% per annum.

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 2016, the Group had 447 employees, the remuneration packages of whom have been reviewed annually with reference to the prevailing market condition.

During the six months ended 30 June 2016, the Group had no share option scheme for its employees.

Outlook

The Group will endeavor to enhance its market competitiveness through precise management so as to maintain its leading position in the photovoltaic EPC industry. In addition, the Group will proactively explore the investment opportunities in the overseas new energy field to expand the economies of scale.

OTHER INFORMATION

Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 30 June 2016, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in shares of the Company

Name of director	Capacity and nature of interest	Number of shares held	Approximate percentage of shareholding
Chan Shu Kit	Interest of controlled corporation (<i>Note</i>)	114,240,000	10.08%

Note: These shares are held through Hoylake Holdings Limited, a company wholly owned by Chan Shu Kit.

Save as disclosed above, as at 30 June 2016, none of the directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares or Debentures

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Shareholders' Interests in Shares

As at 30 June 2016, the persons (other than the directors of the Company, whose interests have been disclosed in the above section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures") had interests or short positions in shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares of the Company

Name	Capacity and nature of interest	Number of shares held	Approximate percentage of shareholding
中國核工業建設集團公司 (China Nuclear Engineering Group Co.*) (note 1)	Interest of controlled corporations	400,000,000	35.30%
中核投資有限公司 ZOC Investment Co., Ltd. (note 1)	Interest of controlled corporation	400,000,000	35.30%
中核投資(香港)有限公司 China He Investment (Hong Kong) Company Limited (note 1)	Beneficial owner	400,000,000	35.30%
Hoylake Holdings Limited (note 2)	Beneficial owner	114,240,000	10.08%
Zhao Xu Guang (note 3)	Interest of controlled corporations	84,676,000	7.47%
Prosper Alliance Investments Limited (note 3)	Beneficial owner	60,000,000	5.30%
Cheung Mui (note 4)	Interest of controlled corporation	60,000,000	5.30%
Grand Honest Limited (note 4)	Beneficial owner	60,000,000	5.30%

Notes:

1. ZOC Investment Co., Ltd. (“**ZOC Investment**”) is deemed to be interested in 400,000,000 shares of the Company held by its wholly-owned subsidiary China He Investment (Hong Kong) Company Limited. 中國核工業建設集團公司 (China Nuclear Engineering Group Co.*) is deemed to be interested in these 400,000,000 shares by virtue of its holding 100% interests in ZOC Investment.
2. Hoylake Holdings Limited is wholly-owned by Chan Shu Kit, a director of the Company.
3. Zhao Xu Guang is deemed to be interested in 84,676,000 shares of the Company of which 60,000,000 shares and 24,676,000 shares were held by Prosper Alliance Investments Limited and Rui Tong Investments Limited respectively. Prosper Alliance Investments Limited and Rui Tong Investments Limited are wholly-owned by Zhao Xu Guang.
4. Grand Honest Limited is wholly-owned by Cheung Mui and she is deemed to be interested in its holding of 60,000,000 shares of the Company.

Save as disclosed above, as at 30 June 2016, no person, other than the directors of the Company, whose interests are set out in the section headed “Directors’ Interests and Short Positions in Shares, Underlying Shares and Debentures” above, had an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Change of Director’s Information

Up to the date of publication of this Interim Report, the Company received notifications regarding the following changes of Directors’ information:

1. Mr. Tang Chuanqing was appointed as legal representative and chairman of 核建融資租賃(深圳)有限公司(CNEC Financial Leasing (Shenzhen) Co., Ltd.*) (“**CNEC Financial Leasing**”), which is an indirect wholly-owned subsidiary of the Company.
2. Mr. Chung Chi Shing was appointed as a director of CNEC Financial Leasing.

* for identification purpose only

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 2016.

Corporate Governance Code

The Board is of the view that throughout the period ended 30 June 2016, the Company has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (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 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. Wang Jimin, Mr. Tian Aiping and Mr. Li Dakuan, all are independent non-executive directors of the Company. The unaudited interim report for the six months ended 30 June 2016 has been reviewed by the Audit Committee.

On behalf of the Board

AI Yilun
Chairman

Hong Kong, 8 August 2016