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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 SEPTEMBER 2012**

SUMMARY

- During the six months, the Group's turnover amounted to HK\$137,333,000, representing an increase of 1%.
- During the six months, the Group's core business recorded a loss after tax of HK\$5,214,000.
- Profit for the period amounted to HK\$36,660,000, including net fair value gains on derivative financial instruments of HK\$51,883,000.
- 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 the “Group”) for the six months ended 30 September 2012, together with the comparative figures. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2012

	<i>Notes</i>	For the six months ended 30 September	
		2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Revenue	3	137,333	136,008
Other revenue and gains		2,406	1,773
Fair value gains on derivative financial instruments, net		51,883	179,299
Cost of sales		(42,898)	(43,690)
Staff costs		(43,904)	(42,974)
Rental expenses		(20,782)	(20,334)
Utilities expenses		(10,304)	(10,540)
Depreciation		(3,274)	(3,617)
Other operating expenses		(23,765)	(27,135)
Finance costs	4	(10,009)	(4,573)
Share of result of an associate		286	(641)
Profit before taxation	5	36,972	163,576
Income tax (expense)/credit	6	(312)	767
Profit for the period		36,660	164,343
Other comprehensive loss for the period, net of tax			
Loss on property revaluation		(25)	(195)
Share of other comprehensive loss of an associate		(266)	(201)
Total comprehensive income for the period		36,369	163,947

		For the six months ended 30 September	
		2012	2011
		(Unaudited)	(Unaudited)
<i>Notes</i>		HK\$'000	HK\$'000
Profit for the period attributable to:			
	Owners of the Company	37,342	164,136
	Non-controlling interests	(682)	207
		<u>36,660</u>	<u>164,343</u>
Total comprehensive income attributable to:			
	Owners of the Company	37,051	163,740
	Non-controlling interests	(682)	207
		<u>36,369</u>	<u>163,947</u>
Earnings/(loss) per share attributable to owners of the Company			
	Basic (HK cents per share)	3.86	28.93
	Diluted (HK cents per share)	(0.40)	(1.48)
Dividend			
		<u>–</u>	<u>–</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 September 2012*

		30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	22,153	21,517
Investment properties		38,000	38,000
Prepaid land lease payments		6,922	6,972
Available-for-sale investment		500	500
Goodwill	10	105,440	105,440
Interest in an associate	11	96,071	96,051
Deferred tax assets, net		2,793	2,324
		<u>271,879</u>	<u>270,804</u>
Current assets			
Inventories		11,690	6,898
Trade receivables	12	1,024	923
Prepayments, deposits and other receivables		45,541	19,167
Cash and cash equivalents		204,651	243,272
		<u>262,906</u>	<u>270,260</u>
Less: Current liabilities			
Trade payables	13	5,861	5,354
Other payables and accruals		18,627	20,719
Provision for long service payments		1,483	1,453
Tax payable		1,444	663
Derivative financial instruments	15	187,143	239,026
		<u>214,558</u>	<u>267,215</u>
Net current assets		<u>48,348</u>	<u>3,045</u>
Total assets less current liabilities		<u>320,227</u>	<u>273,849</u>

		30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
	<i>Notes</i>		
Less: Non-current liabilities			
Convertible bonds	<i>14</i>	58,696	48,687
Receipt in advance		650	650
Deferred tax liabilities, net		5	5
		<hr/> 59,351 <hr/>	<hr/> 49,342 <hr/>
Net assets		260,876	224,507
		<hr/> 260,876 <hr/>	<hr/> 224,507 <hr/>
Capital and reserves			
Share capital		96,732	96,732
Reserves		163,797	126,746
		<hr/> 163,797 <hr/>	<hr/> 126,746 <hr/>
Equity attributable to owners of the Company		260,529	223,478
Non-controlling interests		347	1,029
		<hr/> 347 <hr/>	<hr/> 1,029 <hr/>
Total equity		260,876	224,507
		<hr/> 260,876 <hr/>	<hr/> 224,507 <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2012

1. CORPORATE INFORMATION

China Nuclear Industry 23 International Corporation Limited 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.

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

- restaurant operations
- property investments
- hotel operations

2. ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements for the six months ended 30 September 2012 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 unaudited condensed consolidated interim financial statements for the six months ended 30 September 2012 have been prepared on the historical cost basis 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 September 2012 are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012, and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all 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 April 2012.

HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates For First-time Adopters
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets

The adoption of the new and revised HKFRSs had no material effect on 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.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle ²
HKFRS 1 (Amendments)	Government Loans ²
HKFRS 7 (Amendments)	Disclosure – Offsetting Financial Assets and Financial Liabilities ²
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures ⁴
HKFRS 9	Financial Instruments ⁴
HKFRS 10	Consolidated Financial Statements ²
HKFRS 11	Joint Arrangements ²
HKFRS 12	Disclosure of Interests in Other Entities ²
HKFRS 13	Fair Value Measurement ²
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine ²
HKAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income ¹
HKAS 19 (as revised in 2011)	Employee Benefits ²
HKAS 27 (as revised in 2011)	Separate Financial Statements ²
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ²
HKAS 32 (Amendments)	Presentation – Offsetting Financial Assets and Financial Liabilities ³

¹ Effective for annual periods beginning on or after 1 July 2012

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

3. OPERATING 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. The following table presents revenue and results for the Group's business segments for the six months ended 30 September 2012 and 2011.

	Restaurant (Unaudited) HK\$'000	Property (Unaudited) HK\$'000	Hotel (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
	<u>125,206</u>	<u>10,522</u>	<u>12,608</u>	<u>5,609</u>	<u>153,945</u>
Reconciliation:					
Elimination of intersegment sales					(14,599)
Elimination of intersegment other income and gains					<u>(1,013)</u>
Total					<u><u>138,333</u></u>
Segment results	(6,417)	2,212	3,827	(6,216)	(6,594)
Reconciliation:					
Interest income and unallocated gains					1,406
Imputed interest on convertible bonds					(10,009)
Fair value gains on derivative financial instruments					51,883
Share of result of an associate					<u>286</u>
Profit before taxation					<u><u>36,972</u></u>
At 30 September 2012					
Segment assets	58,753	53,421	6,477	211,330	329,981
Reconciliation:					
Unallocated assets					<u>204,804</u>
Total assets					534,785
Segment liabilities	18,081	8	5,826	2,706	26,621
Reconciliation:					
Unallocated liabilities					<u>247,288</u>
Total liabilities					<u><u>273,909</u></u>

	Restaurant (Unaudited) HK\$'000	Property (Unaudited) HK\$'000	Hotel (Unaudited) HK\$'000	Corporate (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Six months ended 30 September 2011					
Segment revenue:					
Sales to external customers	124,036	238	11,734	–	136,008
Intersegment sales	–	9,846	–	4,001	13,847
Other income and gains	922	–	160	286	1,368
Intersegment other income and gains	–	–	–	894	894
	<u>124,958</u>	<u>10,084</u>	<u>11,894</u>	<u>5,181</u>	<u>152,117</u>
<i>Reconciliation:</i>					
Elimination of intersegment sales					(13,847)
Elimination of intersegment other income and gains					<u>(894)</u>
Total					<u><u>137,376</u></u>
Segment results	(5,608)	(1,316)	3,496	(7,486)	(10,914)
<i>Reconciliation:</i>					
Interest income and unallocated gains					405
Imputed interest on convertible bonds					(4,573)
Fair value gains on derivative financial instruments					179,299
Share of result of an associate					<u>(641)</u>
Profit before taxation					<u><u>163,576</u></u>
At 31 March 2012					
Segment assets	51,864	55,020	7,002	222,863	336,749
<i>Reconciliation:</i>					
Unallocated assets					<u>204,315</u>
Total assets					<u><u>541,064</u></u>
Segment liabilities	17,929	777	5,868	3,602	28,176
<i>Reconciliation:</i>					
Unallocated liabilities					<u>288,381</u>
Total liabilities					<u><u>316,557</u></u>

4. FINANCE COSTS

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Imputed interest on convertible bonds (note 14)	<u>10,009</u>	<u>4,573</u>

5. PROFIT BEFORE TAXATION

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

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Amortisation of prepaid land lease payments	50	50
Fair value loss on investments properties	<u>-</u>	<u>1,500</u>

6. 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 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Current tax – Hong Kong Charged for the period	781	255
Deferred tax	<u>(469)</u>	<u>(1,022)</u>
Total tax charge/(credit) for the period	<u>312</u>	<u>(767)</u>

7. 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 September 2012 attributable to owners of the Company of approximately HK\$37,342,000 (six months ended 30 September 2011: HK\$164,136,000), and the weighted average number of ordinary shares of 967,321,620 (six months ended 30 September 2011: 567,321,620) in issue during the six months ended 30 September 2012.

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Earnings/(loss)		
Unaudited profit attributable to owners of the Company, used in the basic earnings per share calculation	37,342	164,136
Imputed interest expense for the period relating to the liabilities component of the dilutive convertible bonds	10,009	3,394
Less: Fair value gain on the derivative financial instruments	(51,883)	(181,980)
Unaudited loss attributable to owners of the Company, used in the diluted loss per share calculation	(4,532)	(14,450)
	For the six months ended 30 September	
	2012 (Unaudited) Number of shares	2011 (Unaudited) Number of shares
Shares		
Weighted average number of ordinary shares in issue during the period, used in the basic earnings per share calculation	967,321,620	567,321,620
Effect of dilution-weighted average number of ordinary shares:		
Warrants	63,875,929	74,473,509
Convertible bonds	100,000,000	332,029,640
Weighted average number of ordinary shares, used in diluted loss per share calculation	1,131,197,549	973,824,769

For the six months ended 30 September 2011, the Company's outstanding zero coupon convertible bonds with principal amount of HK\$120,000,000 issued on 1 September 2011 were not included in the calculation of diluted loss per share because the effects of the aforesaid outstanding convertible bonds were anti-dilutive.

8. DIVIDEND

The Board has resolved not to declare interim dividend (2011: nil) in respect of the six months ended 30 September 2012.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2012, the Group incurred approximately HK\$3,935,000 (six months ended 30 September 2011: HK\$6,242,000) on the acquisition of property, plant and equipment.

10. GOODWILL

Movement of goodwill during the period is as follows:

	2012 (Unaudited) HK\$'000
Cost:	
At 1 April 2012 and 30 September 2012	<u>105,440</u>
Impairment:	
At 1 April 2012 and 30 September 2012	<u>—</u>
Carrying amount:	
At 30 September 2012	<u><u>105,440</u></u>
At 31 March 2012	<u><u>105,440</u></u>

During the six months ended 30 September 2011, the Group completed the acquisition of Well Link Capital Limited (“Well Link”). Details of the acquisition were set out in note 16.

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 30 September 2011 and 2012 is all regarded as corporate and other unallocated assets in operating segment.

As at 30 September 2012, 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 13.02% per annum.

11. INTEREST IN AN ASSOCIATE

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Cost of investment in an associate	94,479	94,479
Share of post-acquisition profit and other comprehensive income and loss, net of dividends received	1,592	1,572
	96,071	96,051

Notes:

- (a) On 23 December 2010, 29 December 2010 and 13 May 2011, the Company entered into agreements with an independent third party, to acquire 100% of 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). Details of the acquisition were set out in note 16.
- (b) Particulars of the Group's interest in an associate as at 30 September 2012 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

- (c) The summarised financial information in respect of the Group's associate is set out below:

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Total assets	496,876	479,104
Total liabilities	(112,595)	(94,902)
Net assets	384,281	384,202
The Group's share of net assets of an associate	96,071	96,051

	For the six months ended 30 September	
	2012	2011
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Turnover	<u>87,659</u>	<u>4,202</u>
Profit/(loss) for the period	<u>1,144</u>	<u>(2,562)</u>
The Group's share of result of an associate for the period	<u>286</u>	<u>(641)</u>
The Group's share of other comprehensive loss of an associate for the period	<u>(266)</u>	<u>(201)</u>

Turnover and loss for the six months ended 30 September 2011 of the associate of approximately HK\$4,202,000 and HK\$2,562,000 respectively represents the turnover and loss for the period from the date of acquisition of Well Link, which indirectly held 25% equity interest in the associate, on 1 September 2011 by the Company, and up to 30 September 2011.

12. 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 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within 3 months	<u>997</u>	<u>923</u>
Over 3 months and within 6 months	<u>27</u>	<u>–</u>
	<u>1,024</u>	<u>923</u>

The Group's trading terms with customers 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.

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 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Within 3 months	<u>5,861</u>	<u>5,354</u>

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

14. CONVERTIBLE BONDS

- (a) On 17 March 2011, the Company issued zero coupon convertible bonds in the principal amount of HK\$200,000,000 (“Convertible Bonds 1”) for cash to an independent third party. The Convertible Bonds 1 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\$0.50 per share from the end of the three-month period from the issue date and up to (but excluding) the period of five business days ending on the maturity date. Any Convertible Bonds 1 not converted will be redeemed by the Company on 17 March 2014. During the year ended 31 March 2012, Convertible Bonds 1 were fully converted.
- (b) On 1 September 2011, the Company issued zero coupon convertible bonds in the principal amount of HK\$120,000,000 (“Convertible Bonds 2”) to an independent third party as part of consideration for acquisition of subsidiaries. The Convertible Bonds 2 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 2 not converted, cancelled, purchased or otherwise acquired will be redeemed by the Company on 1 September 2014. During the six months ended 30 September 2012, no Convertible Bonds 2 were converted or redeemed.

The conversion option of the Convertible Bonds 1 and Convertible Bonds 2 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 each reporting date, the embedded derivative component is remeasured and the change in fair value of that component is recognised in the consolidated statement of comprehensive income.

The Convertible Bonds 2 issued have been split as to the embedded derivative and the liability components as follows:

	Convertible Bonds 2 (Unaudited) HK\$'000
Liability component	
At 1 April 2012	48,687
Imputed interest expense (<i>note 4</i>)	<u>10,009</u>
At 30 September 2012	<u><u>58,696</u></u>
Derivative component	
At 1 April 2012	87,070
Fair value gain on derivative financial instruments	<u>(17,876)</u>
At 30 September 2012	<u><u>69,194</u></u>

15. DERIVATIVE FINANCIAL INSTRUMENTS

	30 September 2012 (Unaudited) HK\$'000	31 March 2012 (Audited) HK\$'000
Warrants (a)	117,949	151,956
Embedded derivatives of convertible bonds (<i>note 14</i>)	<u>69,194</u>	<u>87,070</u>
	<u><u>187,143</u></u>	<u><u>239,026</u></u>

- (a) On 19 October 2009, the Company issued 72,000,000 warrants at HK\$0.02 each to certain independent third parties. Each warrant carries the right to subscribe for one ordinary share at HK\$0.90 per share for the period of three years commencing from 19 October 2009. The subscription price was adjusted to HK\$0.62 each from 17 March 2011. The warrant rights were expired on 18 October 2012.

Movement of warrants during the period is as follows:

	2012 (Unaudited) HK\$'000
At 1 April 2012	151,956
Fair value gain on warrants	<u>(34,007)</u>
At 30 September 2012	<u><u>117,949</u></u>

16. ACQUISITION OF SUBSIDIARIES

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 assets acquired in the transaction are as follows:

	Fair values of identifiable assets of acquiree (Audited) HK\$'000
Net assets acquired:	
Interest in an associate	94,479
Cash and cash equivalents	81
	<hr/>
	94,560
Goodwill arising on acquisition (<i>note 10</i>)	105,440
	<hr/>
	200,000
	<hr/> <hr/>
Total consideration satisfied by:	
Cash consideration paid	80,000
Issuance of convertible bonds	120,000
	<hr/>
	200,000
	<hr/> <hr/>
Net cash outflow arising on acquisition:	
Cash consideration	(80,000)
Cash and cash equivalents acquired	81
	<hr/>
	(79,919)
	<hr/> <hr/>

Note:

During the six months ended 30 September 2011, Well Link and its subsidiary and associate contributed approximately nil to the Group's turnover and a loss of approximately HK\$651,000 to the Group's profit for the period from the date of acquisition to the end of the reporting period.

If the acquisition had been completed on 1 April 2011, the Group's turnover for the period would have been approximately HK\$136,008,000, and profit for the period would have been approximately HK\$163,246,000. The pro forma information is for illustrative purpose only and is not necessarily an indication of turnover and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2011, nor is it intended to be a projection of future results.

17. CONTINGENT LIABILITIES

At the end of the reporting period, the Company and the Group had no contingent liabilities not provided for in these financial statements (31 March 2012: nil).

18. MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties:

		For the six months ended 30 September	
	Note	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Transactions with a director:			
Rental expenses paid	(i)	<u>48</u>	<u>42</u>

Note:

- (i) The Group paid rental expenses to a director of the Company. The rentals were determined with reference to open market rentals.
- (b) As at 30 September 2012, prepayment of approximately HK\$24,522,000 was paid to a Shareholder of the Company. The prepayment was used for acquisition of an associate.
- (c) Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2012 (Unaudited) HK\$'000	2011 (Unaudited) HK\$'000
Short term employee benefits	2,175	1,867
Post-employment benefits	<u>33</u>	<u>30</u>
Total compensation paid to key management personnel	<u>2,208</u>	<u>1,897</u>

19. EVENTS AFTER THE REPORTING PERIOD

- (a) On 13 July 2012, the board of directors has resolved to change the financial year end date of the Group from 31 March to 31 December commencing from the year ending 31 December 2012. Details of the change in financial year end date were set out in the Company's announcement dated 13 July 2012.
- (b) On 17 August 2012, CNI23 Holdings Company Limited (the "Purchaser"), 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 (the "Vendor"), the controlling shareholder holding approximately 31.01% shareholding interests of the Company, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the 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.) legally and beneficially owned by the Vendor, representing RMB9,726,500 of the registered capital of Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd., for a total consideration of RMB50,000,000. The transaction was completed on 15 October 2012. Details of the transaction were set out in the Company's announcements dated 17 August 2012 and 15 October 2012 and circular dated 17 September 2012 respectively.

- (c) On 24 August 2012, the Company entered into a strategic cooperation framework agreement (“GCL Agreement”) with Golden Concord Holdings Limited (“GCL”) and a strategic cooperation framework agreement (“GCL-Poly Agreement”) with GCL-Poly Energy Holdings Limited (“GCL-Poly”). The purpose of entering into the GCL Agreement is for the parties thereto to cooperate strategically for the development of renewable and low carbon green new energy business in the PRC and overseas market. The purpose of entering into the GCL-Poly Agreement is for the parties thereto to cooperate strategically for the development of renewable energy and related business in the PRC and overseas market. Both of the agreements are non-legally binding and details of them were set out in the Company’s announcement dated 24 August 2012.
- (d) On 15 October 2012, CNI23 Overseas Development Limited (“CNI23 Overseas”), an indirect wholly-owned subsidiary of the Company, entered into a construction agreement (the “Construction Agreement”) with COOEC-ENPAL Engineering Co., Ltd. (“COOEC-ENPAL”), a limited liability company established in the PRC, in relation to the construction of a power station in the Missan Oil Fields of Buzurgan area in the Republic of Iraq (the “Construction Project”), pursuant to which COOEC-ENPAL has appointed CNI23 Overseas as the contractor for the Construction Project for a total contract price of US\$1,912,376. On 15 October 2012, CNI23 Overseas also entered into a guarantee agreement (the “Guarantee Agreement”) with COOEC-ENPAL and 中國核工業二三建設有限公司 (transliterated as China Nuclear Industry 23 Construction Company Limited) (“CNI23”) pursuant to which CNI23 agreed to guarantee the obligation and liabilities of CNI23 Overseas under the Construction Agreement. Details of the Construction Agreement and the Guarantee Agreement were set out in the Company’s announcement dated 15 October 2012.

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 30 November 2012.

RESULTS

The Group’s consolidated revenue for the six months ended 30 September 2012 was HK\$137,333,000, representing an increase of HK\$1,325,000 compared to the consolidated revenue of HK\$136,008,000 recorded in last year. Consolidated profit attributable to owners of the Company was HK\$37,342,000 (2011: consolidated profit of HK\$164,136,000). Basic earnings per share was HK3.86 cents (2011: basic earnings per share of HK28.93 cents).

The significant decrease in profit for the current period was due to the decrease in net fair value changes of the following derivative financial instruments: (1) the unlisted warrants issued on 19 October 2009 (the “Warrants”); and (2) zero coupon rate unsecured redeemable convertible bonds due 2014 in the principal amount of HK\$120,000,000 (the “Acquisition CBs”) issued on 1 September 2011. Also, zero coupon rate unsecured redeemable convertible bonds in the principal amount of HK\$200,000,000 (the “2011 CBs”) issued pursuant to the subscription agreement dated 20 January 2010 and ordinary shares of the Company converted on 5 December 2011 due to the settlement of the subscription agreement on 17 March 2011, its net fair value changes were only reflected in the 2011 consolidated profits. The relevant derivative financial liabilities and the related profits on changes in fair value are non-cash in nature. As a result, the cash flow of the Group was not affected. The Group will in no event be obliged to settle any of such financial liabilities by incurring cash payout or disposing of any assets, except for the required redemption of the Acquisition CBs upon their expiration date. The Group’s financial position has remained healthy. Profit for the period amounted to HK\$36,660,000, excluding the net fair value gains from these derivative financial instruments of HK\$51,883,000 and the imputed interest on the convertible bonds of HK\$10,009,000, the Group would have recorded a loss of HK\$5,214,000 from its core business for the six months ended 30 September 2012.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Review of Operations

As the unemployment rate in Hong Kong was declining and domestic consumption market was still directly driven up by the PRC economy, the Group benefited from robust consumer traffic and recorded a slight increase in its operating income for the first half of the year. The operating income could not fully reflect our performance as part of our restaurants was undergone renovation and repair and maintenance, however, the Group achieved a stable development in its overall operation. On the other hand, as compared to the corresponding period of previous year, Sunny Day Hotel recorded a slight increase in its revenue for the first half of the year, mainly attributable to the similar occupancy rates of both periods. Occupancy rate for the current period amounted to 89.6%.

In the first half of the year, food cost was directly influenced by the upsurging food price. With the diversified purchasing mechanism adopted by the Group, food cost would drop further, causing a 1% increase in gross profit margin as compared with that in the corresponding period of previous year, with its overall gross profit margin kept at 69%.

Currently, cash held by the Group is adequate, and hence there is no liquidity problem.

Liquidity and Financial Resources

On 30 September 2012, the Group had cash and cash equivalents of approximately HK\$204,651,000 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 March 2012: Nil). The net assets was HK\$260,876,000 (31 March 2012: net assets of HK\$224,507,000). The ratio of non-current liabilities to total equity was 0.23 (31 March 2012: 0.22). The increase in the gearing ratio in 2012 was primarily due to the financial liabilities arising from the above mentioned derivative financial instruments, which currently would not result in significant cash outflow.

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

Acquisition of Subsidiaries

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 Capital Limited, a company incorporated in the British Virgin Islands, at a total consideration of HK\$200,000,000. Well Link Capital Limited holds 25% equity interests in 江蘇中核利柏特股份有限公司 (transliterated as Jiangsu China Nuclear Industry Libert INC), a company established in the People's Republic of China, through its wholly-owned subsidiary East King International Enterprises Limited. The acquisition was completed on 1 September 2011. Details of the acquisition were set out in the circular of the Company dated 12 August 2011.

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 September 2012, the Group had 519 employees, the remuneration packages of whom have been reviewed annually with reference to the prevailing market condition.

During the six months ended 30 September 2012, the Group had no share option scheme for its employees.

Outlook

Notwithstanding the Hong Kong economy is now growing steadily, the Group has faced various challenges in the competing business environment from time to time, such as coping with different obstacles regularly occurred in food and beverage sector. With the aim to secure its leading market position, in addition to continuously assessing the changing market conditions, the Group will also adjust and enhance the management standards by utilizing its internal resources promptly and decisively. Moreover, since the Group has long been aiming to operate in good faith; therefore, its ultimate goal is to provide customer-oriented and excellent services.

The Group has been actively developing its business in the PRC and overseas markets, through identifying business projects with sustainable development and seeking various investment opportunities, with the Group's current internal resources and by taking its competitive advantages. As a result, this will lead the Group towards its fruitful prospect.

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 September 2012.

Corporate Governance Code

In the opinion of the directors, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report for the six months ended 30 September 2012, except for the deviations as mentioned below:

- Code provision A.6.7 stipulates that Independent Non-executive Directors and other Non-executive Directors should also attend general meetings of the Company and develop a balanced understanding of the views of shareholders. It was noted that 2 Independent Non-executive Directors and 1 Non-executive Director of the Company were unable to attend the annual general meeting of the Company held on 28 August 2012 due to their unavoidable business engagement.
- Code provision E.1.2 stipulates that the Chairman should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committee or in their absence, other members of such committees or their duly appointed delegates, to be available to answer questions at the annual general meeting. The chairman of the independent Board committee should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

Mr. Dong Yuchuan, the Chairman of the Board, was unable to attend the annual general meeting held on 28 August 2012 ("AGM") due to business engagement, and Mr. Chan Shu Kit was delegated to hold the meeting to ensure effective communication with the shareholders of the Company at the AGM.

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company's Code") 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 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 September 2012 has been reviewed by the Audit Committee.

By Order of the Board
China Nuclear Industry 23
International Corporation Limited
Dong Yuchuan
Chairman

Hong Kong, 30 November 2012

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. Chan Ho Man, 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.