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CHINA NUCLEAR ENERGY TECHNOLOGY CORPORATION LIMITED

中國核能科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 611)

CONNECTED TRANSACTION IN RELATION TO ENTERING INTO THE CONSTRUCTION SUBCONTRACT

The Board hereby announces that on 23 June 2020 (after trading hours), CNI Nanjing (an indirect wholly-owned subsidiary of the Company) entered into the Construction Subcontract with CNME, pursuant to which CNME agreed to undertake the construction and installation works of wind turbines and transformer under the Xuzhou EPC Project.

LISTING RULES IMPLICATION

CNI Nanjing is an indirect wholly-owned subsidiary of the Company and CNME is a non-wholly-owned subsidiary of CNNC which is a controlling shareholder of the Company. Therefore, CNME is considered to be a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Construction Subcontract constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 0.1% but are less than 5%, the transactions contemplated under the Construction Subcontract are subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE CONSTRUCTION SUBCONTRACT

On 23 June 2020, CNI Nanjing (an indirect wholly-owned subsidiary of the Company) entered into the Construction Subcontract with CNME, pursuant to which CNME agreed to undertake the construction and installation works of wind turbines and transformer under the Xuzhou EPC Project.

Date: 23 June 2020 (after trading hours)

Parties: (i) CNI Nanjing, as the principal; and
(ii) CNME, as the subcontractor.

Project scope: Pursuant to the requirements under the Construction Subcontract, CNME is responsible for the construction and installation works of wind turbines and transformer under the Xuzhou EPC Project, including without limitation to, mechanical equipment and electrical installation of the complete set of wind turbine equipment (including wind turbine, tower and accessories); and construction of box-type transformer and construction of electric (optical) cables from the tower to transformer. CNI Nanjing has the right to adjust the project scope based on actual circumstances of the Xuzhou EPC Project.

Completion Date: 10 September 2020

Consideration: The total Consideration payable by CNI Nanjing to CNME under the Construction Subcontract was RMB14,725,000 (equivalent to approximately HK\$16,104,336), subject to price adjustment based on the actual work undertaken by CNME and the price list(s) for construction works agreed between CNI Nanjing and CNME.

The Consideration was arrived at after arm's length negotiations between CNI Nanjing and CNME.

Payment terms:

The Consideration shall be settled in the manner set out below:–

- (1) an amount equivalent to 10% of the Consideration as prepayment to CNME shall be paid by CNI Nanjing to CNME within one month after CNI Nanjing having received the Performance Guarantee from CNME;
- (2) monthly progress payments in such amount equivalent to 60% of the Assessed Value of Works completed under the Construction Subcontract shall be paid by CNI Nanjing to CNME during the relevant month;
- (3) an amount equivalent to up to 70% of the aggregated Assessed Value of Works completed under the Construction Subcontract shall be paid within one month after the completion of all construction works under the Construction Subcontract;
- (4) an amount equivalent to up to 95% of the Consideration under the Construction Subcontract shall be paid by CNI Nanjing to CNME within one month after the project completion acceptance and settlement audit of the works performed by CNME under the Construction Subcontract; and
- (5) the remaining amount equivalent to 5% of the Consideration under the Construction Subcontract shall be paid by CNI Nanjing to CNME within one month after one year from the date of issue of the project completion acceptance certificate under the Construction Subcontract.

Performance guarantee: Within fifteen working days after the date of signing of the Construction Subcontract, CNME shall submit to CNI Nanjing a refundable deposit for the Performance Guarantee in the amount equivalent to 10% of the Consideration issued by a bank in PRC and in the form required by CNI Nanjing to guarantee the performance of obligations of CNME under the Construction Subcontract.

The payment of the Consideration under the Construction Subcontract will be funded solely by internal resources of the Company.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE CONSTRUCTION SUBCONTRACT

On 12 June 2019, an engineering, procurement and construction (“EPC”) agreement was entered into between CNI Nanjing and Suining Hetai Wind Power Company Limited* (睢寧和泰風力發電有限公司), a third party independent of the Company and its connected persons, for the provision of construction and engineering works of Xuzhou EPC Project.

Due to the complex construction technical requirements of the Xuzhou EPC Project, the high requirement for professional construction qualifications and construction performance experience in relation to similar projects, the Company conducted an open tender on 16 October 2019 to invite for companies with experience in wind power lifting to undertake the construction and installation works of wind turbines under the Xuzhou EPC Project. There were total 6 bidders participated in the open tender, except for CNME being connected with the Company as disclosed in this announcement, all independent of and not connected with the Company and its connected person and were independent with each other. CNME was granted the Construction Subcontract as it scored the highest among all the bidders in terms of its technological competence, commercial terms and business reputation and its proposed consideration was the lowest.

The terms of the Construction Subcontract were determined based on the terms of the aforesaid open tender and after arm’s length negotiations among the parties thereto.

The Directors, including the independent non-executive Directors, have confirmed that the terms of the Construction Subcontract are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms or better in the ordinary and usual course of business of the Group, and in the interests of the Company and its shareholders as a whole. No Director has any material interest in the transactions contemplated under the Construction Subcontract.

LISTING RULES IMPLICATIONS

CNI Nanjing is an indirect wholly-owned subsidiary of the Company and CNME is a non-wholly-owned subsidiary of CNNC which is a controlling shareholder of the Company. Therefore, CNME is considered to be a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Construction Subcontract constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules exceed 0.1% but are less than 5%, the transactions contemplated under the Construction Subcontract are subject to the reporting and announcement requirements but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL INFORMATION OF THE PARTIES

The Group is principally engaged in new energy operations, included (a) the EPC and consultancy and general construction business segment which comprises the Group's EPC and consulting and general construction services operations relating to construction of photovoltaic power plants and other general construction and engineering services; (b) the power generation segment which comprises the Group's power generation operations; (c) the financing segment which comprises the Group's financing operations; (d) the manufacturing and trading business segment which comprises the Group's manufacturing and trading of solar power related products; and (e) the other segments which comprise the Group's corporate management, investment and treasury services. In addition, the Group has been participating in other businesses such as inspection, maintenance, repair, construction, installation and provision of expertise in such works for nuclear power plants via its associated companies.

CNI Nanjing is an indirect wholly-owned subsidiary of the Company and is principally engaged in engineering, construction and procurement services for new energy power plants in PRC.

CNME is principally engaged in contract hoisting projects; hoisting design, scheme production and consulting services; leasing and trading of construction machinery and equipment; procurement, assembly, disassembly, processing, production and maintenance of construction machinery and equipment; procurement, processing, production and maintenance of construction machinery and equipment related materials; installation and maintenance of industrial equipment; installation and maintenance of chemical and petroleum equipment; installation and maintenance of lifting equipment; production and installation of non-standard steel components; freight including general freight and transportation of large objects.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the context otherwise requires:

“Assessed Value of Works”	the value of the amount of works pursuant to the Construction Subcontract, which are completed by CNME and checked and accepted by CNI Nanjing, calculated based on the construction works price list(s) agreed upon between CNI Nanjing and CNME;
“Board”	the board of Directors;
“CNME”	China Nuclear Machinery Engineering Company Limited* (中核機械工程有限公司), a company incorporated in the PRC with limited liability, the equity interest of which is indirectly owned as to 61.78% by the CNNC;
“CNI Nanjing”	Nanjing CNI Energy Engineering Company Limited* (南京中核能源工程有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company;
“CNNC”	China National Nuclear Corporation Limited* (中國核工業集團有限公司), a state-owned enterprise established in the PRC with limited liability and a controlling shareholder of the Company;

“Company”	China Nuclear Energy Technology Corporation Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the main board of the Stock Exchange (Stock code: 611);
“connected person”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the total consideration payable to CNME under the Construction Subcontract, being RMB14,725,000 (equivalent to approximately HK\$16,104,336 and subject to adjustments based on the actual work to be undertaken);
“Director(s)”	the director(s) of the Company;
“Construction Subcontract”	the construction subcontract dated 23 June 2020 entered into between CNI Nanjing and CNME in respect of the Xuzhou EPC Project;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MW”	megawatt, which is equal to 1,000,000 watts;
“Performance Guarantee”	a performance guarantee in the amount equivalent to 10% of the Consideration issued by a bank in PRC and in the form required by CNI Nanjing to guarantee the performance of obligations of CNME under the Construction Subcontract;
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;

“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed to it under the Listing Rules;
“Xuzhou EPC Project”	the engineering, procurement and construction agreement entered into between CNI Nanjing and Suining Hetai Wind Power Company Limited* (睢寧和泰風力發電有限公司), a third party independent of the Company and its connected persons, in respect of the construction of 85MW wind farm project in Weiji Town* (魏集鎮85MW風電項目風機安裝工程), Xuzhou, Jiangsu Province, the PRC;
“%”	per cent.

* For identification purpose only

By Order of the Board
China Nuclear Energy Technology Corporation Limited
Zhao Yixin
Chairman

Hong Kong, 23 June 2020

As at the date of this announcement, the executive Directors are Mr. Zhao Yixin (Chairman), Mr. Liu Genyu (Vice Chairman), Mr. Chung Chi Shing, Mr. Fu Zhigang (Chief Executive Officer), Ms. Jian Qing, Mr. Li Jinying, Mr. Tang Jianhua (Chief Operation Officer) and Mr. Wu Yuanchen; and the independent non-executive Directors are Mr. Chan Ka Ling Edmond, Mr. Kang Xinquan, Mr. Tian Aiping and Mr. Wang Jimin.