THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in China Nuclear Industry 23 International Corporation Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, the licensed securities dealer or registered institution or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

CNEC

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)

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 26.5% EQUITY INTERESTS IN 深圳中核二三核電檢修有限公司 (SHENZHEN CNI23 NUCLEAR POWER MAINTENANCE CO., LTD.*)

Financial Adviser to the Company

八方金融有限公司

Octal Capital Limited

Independent Financial Adviser to Independent Board Committee and Independent Shareholders

廣發融資(香港)有限公司

GF CAPITAL (HONG KONG) LIMITED

A notice convening a special general meeting (the "SGM") of the Company to be held at Jade Terrace Restaurant, 2nd Floor, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 5 October 2012 at 3:00 p.m., is set out on pages 51 to 52 of this circular.

A form of proxy for the SGM is enclosed herewith. Whether or not you are able to attend the SGM in person, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the SGM, or any adjournment thereof, should you so wish.

* *For identification purposes only*

17 September 2012

CONTENTS

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

"Acquisition"	the proposed acquisition of the Sale Interests by the Purchaser pursuant to the Sale and Purchase Agreement;
"associate(s)"	has the meaning ascribed to it under the Listing Rules;
"Audited Accounts"	the audited balance sheet of the Target Group as at 31 December 2009, 2010 and 2011 and the audited profit and loss accounts of the Target Group for the three financial years ended 31 December 2009, 2010 and 2011;
"Board"	the board of Directors;
"Branch"	深圳中核二三核電檢修有限公司海鹽分公司 (transliterated as Shenzhen CNI23 Nuclear Power Maintenance Co. Ltd. Haiyan Branch*), a company established in the PRC and a branch of the Target Company;
"BSC Group Holdings"	BSC Group Holdings Limited (中國大陽集團控股有限公司), a company incorporated in Hong Kong with limited liability;
"Business Day"	any day (not being Saturdays, Sundays or public holidays) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours;
"CNECC"	中國核工業建設股份有限公司 (transliterated as China Nuclear Engineering Corporation Co., Ltd.*), a state-owned enterprise established in the PRC;
"CNEGC"	中國核工業建設集團公司 (transliterated as China Nuclear Engineering Group Co.*), a state-owned enterprise established in the PRC;
"CNI23"	中國核工業二三建設有限公司 (transliterated as China Nuclear Industry 23 Construction Company Limited*), a state-owned enterprise established in the PRC;

"Company"	China Nuclear Industry 23 International Corporation Limited 中國核工業二三國際有限公司, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
"Completion"	completion of the Acquisition pursuant to the Sale and Purchase Agreement;
"Completion Accounts"	the unaudited balance sheet of the Target Group as at the date falling fifteen (15) days prior to the Completion Date (inclusive of such date) and the unaudited profit and loss accounts of the Target Group for the period from 1 January 2012 to the date falling fifteen (15) days prior to the Completion Date (both dates inclusive);
"Completion Date"	at or before 5:00 p.m. (Hong Kong time) on the fifth Business Day immediately following the date on which the conditions having been fulfilled (or waived, as the case may be) or the Long Stop Date, whichever is earlier (or such later date as the parties thereto may agree prior to Completion);
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules;
"Director(s)"	director(s) of the Company;
"Encumbrances"	any mortgages, charges, pledges, liens, encumbrances or other rights or interests of any kind;
"GF Capital" or "Independent Financial Adviser"	GF Capital (Hong Kong) Limited, a licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition;
"Group"	the Company and its subsidiaries;
"Guangdong Huiyuan Engineering"	廣東中核惠原工程有限公司 (transliterated as Guangdong China Nuclear Huiyuan Engineering Company Limited*), a company established in the PRC;

"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Independent Board Committee"	the independent board committee of the Board comprising all independent non-executive Directors to advise the Independent Shareholders on the Acquisition;
"Independent Shareholder(s)"	Shareholder(s) other than the Vendor and its associates;
"Latest Practicable Date"	14 September 2012, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Long Stop Date"	31 December 2012 or such later date as the parties to the Sale and Purchase Agreement may agree;
"Management Accounts"	the unaudited balance sheet of the Target Group as at 31 July 2012 and the unaudited profit and loss accounts of the Target Group for the seven months ended 31 July 2012;
"Material Event"	an event, act, transaction or omission and including, without limitation, a receipt or accrual of income or gains, distribution, failure to distribute, acquisition, disposal, transfer, payment, loan or advance;
"party(ies) acting in concert with"	has the meaning ascribed to it under the Hong Kong Code on Takeovers and Mergers;
"PRC"	the People's Republic of China, for the sole purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan;
"Purchaser"	CNI23 Holdings Company Limited (中核二三控股有限公司), a company incorporated in the British Virgin Islands;
"RMB"	Renminbi, the lawful currency of the PRC;

"Sale and Purchase Agreement"	the sale and purchase agreement dated 17 August 2012 entered into between the Purchaser and the Vendor in respect of the Acquisition;
"Sale Interests"	26.5% equity interests of the Target Company legally and beneficially owned by the Vendor, representing RMB9,726,500 of the registered capital of the Target Company;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be convened and held at Jade Terrace Restaurant, 2nd Floor, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 5 October 2012 at 3:00 p.m. to approve, if thought fit, the Acquisition and the transactions contemplated thereunder;
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	深圳中核二三核電檢修有限公司 (Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd.*);
"Target Group"	the Target Company and the Branch;
"Tax" or "Taxation"	includes all forms of tax, levy, duty, charge, impost, fee, deduction or withholding of any nature now or hereafter imposed, levied, collected, withheld or assessed by any taxing or other authority in any part of the world and includes any interest, additional tax, penalty or other charges payable or claimed in respect thereof;
"Vendor" or "CNI23 HK"	China Nuclear Industry 23 Construction (Hong Kong) Company Limited 中國核工業二三建設(香港)有限公司, a company incorporated in Hong Kong with limited liability;

"Zhong He Libert"	江蘇中核利柏特股份有限公司 (transliterated as Jiangsu China Nuclear Industry Libert INC.*); and
"%"	per cent

* *For identification purposes only*

The conversion of RMB into HK$ in this circular is based on the exchange rate of RMB1 to HK$1.2261 as published by the Bank of China (Hong Kong) Limited on the close of business on 16 August 2012 as agreed by the Vendor and the Purchaser.

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)

Non-executive Director:
Mr. Dong Yuchuan *(Chairman)*

Executive Directors:
Mr. Chan Shu Kit *(Vice Chairman)*
Mr. Lei Jian
Mr. Han Naishan
Mr. Guo Shuwei
Mr. Chan Ho Man
Mr. Chung Chi Shing
Ms. Jian Qing
Mr. Song Limin *(Chief Executive Officer)*

Independent non-executive Directors:
Mr. Chan Ka Ling, Edmond
Mr. Chang Nan
Dr. Dai Jinping
Mr. Yu Lei

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business:
Room 2801, 28/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

17 September 2012

To the Shareholders, and for information only, the existing holders of the outstanding warrants and convertible notes of the Company

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF 26.5% EQUITY INTERESTS IN
深圳中核二三核電檢修有限公司
(SHENZHEN CNI23 NUCLEAR POWER MAINTENANCE CO., LTD.*)

INTRODUCTION

The Company announced on 17 August 2012 that the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, the controlling Shareholder holding approximately 31.01% shareholding interests of the Company,

* *For identification purposes only*

which together with China He Investment (Hong Kong) Company Limited, a party acting in concert with it, hold approximately 41.35% shareholding interests of the Company, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Interests for a total consideration of RMB50,000,000 (equivalent to HK$61,305,000).

The purpose of this circular is to provide you with, among others, (i) information on the Acquisition; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Acquisition; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Acquisition; and (iv) a notice of the SGM.

THE SALE AND PURCHASE AGREEMENT

Date

17 August 2012 (after trading hours)

Parties

(1) CNI23 HK, as the Vendor; and

(2) CNI23 Holdings Company Limited, as the Purchaser and a direct wholly-owned subsidiary of the Company.

Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Interests, which represent 26.5% equity interests of the Target Company, free from all Encumbrances and together with all existing and future rights and benefits attaching with or accruing to the Sale Interests, including any dividends or distributions after the date of the Sale and Purchase Agreement (save for such dividends or distributions which will be or has been paid by the Target Company and which has been disclosed to the Purchaser by the Vendor and reflected in the Management Accounts and the Completion Accounts), subject to the satisfaction (or waiver) of the conditions precedent as set out in the paragraph headed "Conditions" below.

The 26.5% equity interests of the Target Company represents RMB9,726,500 (equivalent to approximately HK$11,925,662) of the registered capital of the Target Company as at the date of the Sale and Purchase Agreement and the Completion Date.

Consideration

The total consideration for the Acquisition is RMB50,000,000 (equivalent to HK$61,305,000) payable in cash by the Purchaser as follows:

(i) RMB20,000,000 (equivalent to HK$24,522,000) has been paid by the Purchaser to the Vendor upon the signing of the Sale and Purchase Agreement on 17 August 2012; and

(ii) the remaining balance of RMB30,000,000 (equivalent to HK$36,783,000) shall be payable in lump sum by the Purchaser to the Vendor or its nominee within 60 days from the Completion Date.

The consideration for the Acquisition was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement taking into account, among others,

(1) the net asset value of the Target Group based on the Audited Accounts and the Management Accounts;

(2) the enlarged registered capital of the Target Company as a result of capital injection by CNI23 and BSC Group Holdings;

(3) the business valuation on the Target Company as at 31 July 2012 prepared by Asset Appraisal Limited ("Valuer"), an independent valuer engaged by the Company to conduct a valuation on the Target Company, based on the market approach. The business valuation was done based on the projected revenue of the Target Company for the year ending 31 December 2012 and also based on the market multiple of "Enterprise Value ("EV") to sales ratio" or "EV to revenue ratio" of 1.14 times. The "EV to sales ratio" or "EV to revenue ratio" is considered to be the most appropriate multiple used for valuation on the Target Company for the following reasons:

(i) As the Target Company and all the comparable companies selected by the Valuer are engaging in similar lines of business, the measure of revenues provide a good proxy of profitability of the business from core business operations with the minimum degree of adjustments by various accounting treatments;

(ii) EV is more appropriate when comparing values of companies with different degrees of financial leverage; and

(iii) The Target Company has purchased the Nuclear Power Maintenance Department of CNI23 in 2012 which uses the forward EV to sales ratio (the projected sales in 2012 used are an estimate based on the existing projects available), such EV to sales ratio may fully reflect the value of the Target Company.

Based on an expected EV to sales ratio of 1.14 times and the expected sales of RMB161,825,293, the fair value of the enterprise value of the Target Company is approximately RMB184,000,000.

The above assessed EV is translated into equity value by adding cash and cash equivalent and deducting total interest bearing debts and minority interest. Pursuant to the Management Accounts, the Target Company has nil interest bearing debts and minority interest and RMB71,019,395 of cash and cash equivalent. Therefore, the total shareholders' equity of the Target Company (including cash and cash equivalent) is RMB255,019,395.

Before concluding on its opinion on fair value for the total shareholders' equity, the Valuer had applied to the assessed value a marketability discount. Marketability is defined as the ability to convert the business into cash quickly, with minimum transaction and administrative costs, and with a high degree of certainty as to the amount of net proceeds. There is usually a cost and a time lag associated with locating interested and capable buyers of interests in privately-held companies, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a privately-held company is worth less because no established market exists. Several empirical studies have been published that attempt to quantify the discount for lack of marketability. These studies include the restricted stock studies and the pre-IPO studies, such as Emory Pre-IPO Discount Studies. In consideration of this factor, the Valuer adopted a marketability discount rate of 25%. Thus, the fair value of the total shareholders' equity of the Target Company as of 31 July 2012 was approximately RMB191,000,000 and 26.5% equity interest of RMB191,000,000 is RMB50,615,000. The projection on the revenue was based on the expected sales of the Target Company for the year ending 31 December 2012 which was based on the existing contracts signed by the Target Company which has completed or will be completed in 2012; and

(iv) the future business prospects of the Target Company as a result of the transfer of the assets and liabilities of the Nuclear Power Maintenance Department of CNI23 from CNI23 to the Target Company for operating its business, which completed on 31 May 2012.

In addition, CNI23 is currently making arrangement for the transfer of relevant human resources from the Nuclear Power Maintenance Department of CNI23 to the Target Company. Such transfer of assets and human resources will facilitate, improve and enhance the operations of the business of the Target Group pursuant to the reorganisation of the Target Group (further information of which is set out in the section headed "Information on the Vendor and the Target Group" of this circular). In addition, the increase in registered capital of the Target Company would provide more funds available for operating the business of the Target Group.

The Directors (except for Messrs. Dong Yuchuan, Lei Jian, Han Naishan, Guo Shuwei and Song Limin who had abstained from voting at the Board meeting approving the Acquisition and the transactions contemplated thereunder due to the reasons stated in the paragraph headed "Reasons for and benefits of the Acquisition" below) consider that the terms of the Acquisition are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

The Group shall satisfy the consideration by internal resources.

Conditions

Completion is conditional upon the satisfaction (or waiver) of the following conditions precedent:

(1) completion of the due diligence review on the share capital of and/or capital contribution to the Target Group to the satisfaction of the Purchaser (at its absolute discretion and in its sole opinion) and that the share capital of and/or capital contribution to the Target Group has been fully-paid;

(2) the issue of a legal opinion in writing by a qualified PRC lawyer appointed by the Purchaser confirming, including without limitation, the due establishment, valid subsistence, details of capital contribution, scope of business, governmental licences and approvals and the legality of all the properties being held or used by the Target Group being to the satisfaction of the Purchaser;

(3) the passing by the Independent Shareholders of the resolution at the SGM convened and held to approve the transactions contemplated under the Sale and Purchase Agreement, including without limitation the Acquisition, in accordance with the Listing Rules;

(4) the obtaining of all necessary internal approvals of the Target Company which may be required under the joint venture agreement of the Target Company, the articles of association or other similar constitutional documents of the Target Company for the transactions contemplated under the Sale and Purchase Agreement including without limitation the Acquisition and the waivers of any pre-emptive rights from the other shareholders of the Target Company on the sale and purchase of the Sale Interests;

(5) (if necessary) the obtaining of all necessary approvals in the PRC, Hong Kong, the British Virgin Islands or elsewhere in relation to the transactions contemplated under the Sale and Purchase Agreement;

(6) signing by the Target Company of new labour contracts with relevant senior management and principal staff of the Nuclear Power Maintenance Department of CNI23 after completion by the Vendor of the termination of existing labour contracts between CNI23 and such relevant senior management and principal staff;

(7) there being, in the opinion of the Purchaser, no amendments in laws, especially in relation to the Acquisition, which will have material adverse effect on the business and financial conditions, operating results, business prospects or asset value of the Target Group;

(8) due completion of transfers of all existing business contracts from the Nuclear Power Maintenance Department of CNI23 to the Target Company prior to Completion by obtaining the confirmations or consents from the parties to such business contracts or any third party;

(9) delivery by the Vendor to the Purchaser of the Completion Accounts on the Completion Date; and

(10) the representations, warranties and undertakings given by the Vendor under the Sale and Purchase Agreement are true and not misleading.

As at the Latest Practicable Date, conditions (1), (2) and (8) above have been satisfied.

Other than conditions (3), (4) and (5) above, the Purchaser can at its sole discretion waive all or any of the other conditions above. The parties to the Sale and Purchase Agreement shall use their best endeavours to satisfy and fulfil the conditions. If any of the conditions set out above has not been satisfied or waived on or before the Long Stop Date, the Sale and Purchase Agreement shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other, save for any antecedent breaches of the terms of the Sale and Purchase Agreement.

Completion

Completion shall take place on the fifth Business Day immediately following the date on which the conditions having been fulfilled (or waived, as the case may be) or the Long Stop Date, whichever is earlier (or such later date as the parties may agree in writing prior to Completion).

After Completion, the Vendor shall assist and procure the Target Company to obtain the approval and to complete the registration of the transfer of the Sale Interests by the Economy, Trade and Information Commission of Shenzhen Municipality (深圳市經濟貿易和信息化委員會).

Tax Indemnity

Pursuant to the terms of the Sale and Purchase Agreement, the Vendor undertakes to indemnify the Purchaser upon demand against any loss or liability suffered by the Target Company or the Target Group in relation to Taxation which are summarized as follows:

1. any Tax liability of the Target Company or the Target Group that arises or occurs on or before the Completion Date as a result of any or a series of Material Event(s) whether or not such Tax is chargeable against or attributable to any other person;

2. any Tax liability of the Target Company or the Target Group that would not have been payable had there been no termination, reduction, amendment or cancellation on certain Tax deduction as a result of any Material Event occurred on or before the Completion Date, and such Tax deduction has been reflected in the Audited Accounts, Management Accounts or Completion Accounts or has been calculated as assets in the Audited Accounts, Management Accounts or Completion Accounts; or the Audited Accounts, Management Accounts or Completion Accounts has shown that such Tax liability has been taken into account when calculating (and reducing) deferred tax or provision for other payables; or the Audited Accounts, Management Accounts or Completion Accounts has shown that no provision has been made for deferred tax as a result of such Tax liability. In the event that the Target Company

or the Target Group has to re-pay any Tax which has already been fully paid, due to the occurrence of the Material Event on or before the Completion Date, resulting in the expropriation, reduction, elimination or cancellation of the rights arose from any Tax paid in full, such Tax being re-paid shall be deemed to be caused by the Material Event;

3. any current or future Tax liability of the Target Company or the Target Group that would not have been payable for the use of deduction of or for the purpose of eliminating Taxation, as a result of any Material Event which should have occurred on or before the Completion Date but the Material Event incurred after the Completion Date which relates to the Target Company or the Target Group being responsible for Tax liability;

4. any Tax liability of the Target Company and/or the Target Group recovered or estreated or demanded from any Tax or regulatory authority in the PRC after the Completion Date resulting from any event occurred on or before the Completion Date which has not been paid or has been omitted to pay; and

5. any Tax liability of the Target Company or the Target Group arising from damages, guarantee, mortgage or lien on or before the Completion Date.

The Vendor undertakes to indemnify the Purchaser in full against any and all claims, proceedings, loss and damages (including any fine and interests accrued thereon) and all reasonable and appropriate costs (including but not limited to legal fees), expenses and disbursement as a result of or in connection with the Tax indemnity and there is no limitation period on which the Purchaser may claim for Tax indemnity.

Termination of the Agreement

The Sale and Purchase Agreement may be terminated by the Purchaser in its absolute discretion without any liability on its part if at any time prior to Completion:

(1) the Purchaser shall become aware of any matter or event showing that any of the representations, warranties and undertakings under the Sale and Purchase Agreement was, when given, untrue or inaccurate in any respect or would be untrue or inaccurate in any respect if repeated as at the date on which the Purchaser becomes so aware;

(2) the Vendor commits any breach of or omits to observe any of its obligations or undertakings expressed to be assumed by it under the Sale and Purchase Agreement in any aspect;

(3) any creditor makes a valid demand for repayment or payment of any indebtedness of the Target Company or the Target Group or in respect of which the Target Company or the Target Group is liable prior to its stated maturity which demand can reasonably be expected, in the opinion of the Purchaser, to have a material adverse effect on the business of the Target Company or the Target Group;

(4) the Target Company or the Target Group sustains any loss or damage (howsoever caused and whether or not the subject of any insurance or claim against any person) which can reasonably be expected, in the reasonable opinion of the Purchaser, to have a material adverse effect on the business of the Target Company or the Target Group; or

(5) any petition is presented for the winding up or liquidation of the Target Company or the Target Group, or the Target Company or the Target Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement, or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Target Company or the Target Group or anything analogous thereto occurs in respect of the Target Company or the Target Group which can reasonably be expected, in the opinion of the Purchaser, to have a material adverse effect on the business of the Target Company or the Target Group;

and such termination shall not affect the then accrued rights and obligations of the parties.

INFORMATION ON THE VENDOR AND THE TARGET GROUP

The Vendor

The Vendor is a company incorporated in Hong Kong and a wholly-owned subsidiary of CNI23. Its principal activity is investment holding. The Vendor is the controlling Shareholder holding approximately 31.01% shareholding interests of the Company, which together with China He Investment (Hong Kong) Company Limited, a party acting in concert with it, hold approximately 41.35% shareholding interests of the Company as at the Latest Practicable Date.

CNI23 is a state-owned enterprise established in the PRC and is one of the largest nuclear power plants installation corporations in the PRC. During more than 50 years of its development, CNI23 has been engaged in nuclear power projects, nuclear research projects and non-nuclear projects such as petrochemical and electrical installation projects in the PRC.

The Target Group

The Target Company is a sino-foreign equity joint venture duly established in the PRC. It is owned as to 40.78%, 22.72%, 26.5% and 10% by CNI23, Guangdong Huiyan Engineering, the Vendor and BSC Group Holdings respectively.

The Target Company is principally engaged in inspection, maintenance, repair, construction, installation and provision of expertise in such work for nuclear power plants and also provision of construction work for non-nuclear power companies.

The Branch, a company established in the PRC, is principally engaged in the same business of the Target Company and is also responsible for staff training of the Target Group.

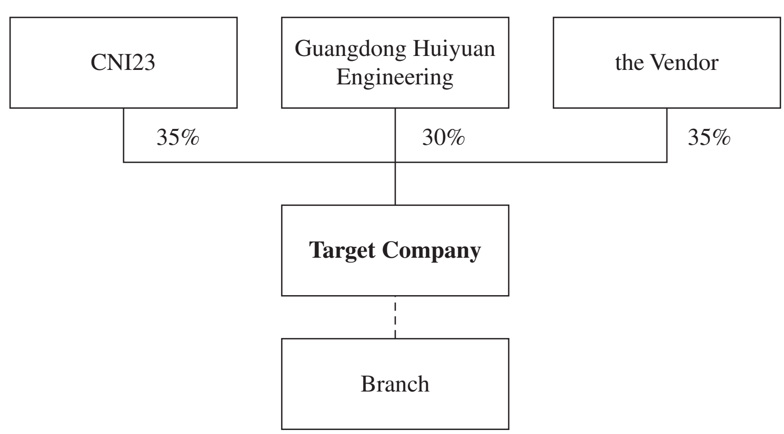
The original cost of acquisition incurred by the Vendor for acquisition of the then 35% (which was diluted to 26.5% after completion of the increase in the registered capital of the Target Company) equity interests of the Target Company from AREVA NP on 1 March 2012 was RMB38,500,000. AREVA SA is a French public industrial conglomerate which engages in global nuclear power industry, including nuclear reactor design and construction, and related services, and other energy projects. AREVA SA is listed on Euronext Paris. AREVA SA was formed by the merger of AREVA NP, AREVA NC and AREVA TA. AREVA NP also engages in nuclear power industry.

The existing shareholders of the Target Company, namely CNI23, Guangdong Huiyuan Engineering, the Vendor and BSC Group Holdings, entered into an increase in registered capital agreement on 9 April 2012 pursuant to which the parties thereto agreed that the registered capital of the Target Company would be increased by capital injection from CNI23 and BSC Group Holdings respectively. In July 2012, the Target Company completed the increase in registered capital from RMB27,790,000 to RMB36,700,000. Pursuant to such increase in the registered capital, CNI23 has injected an additional registered capital of RMB5,240,000 to the Target Company and BSC Group Holdings, being a new shareholder of the Target Company, has injected RMB3,670,000 as registered capital and RMB10,530,000 as capital reserve to the Target Company. BSC Group Holdings is an investment holding company. To the best knowledge of the Directors after having made all reasonable enquiries, the sole shareholder of BSC Group Holdings, NPES Group Holdings Limited, and its sole director, Yang Jianwei, are independent from and not connected with the Company, its Directors and their respective associates. Upon completion of the increase in registered capital, the Target Company is owned as to 40.78%, 22.72%, 26.5% and 10% by CNI23, Guangdong Huiyan Engineering, the Vendor and BSC Group Holdings respectively. On 23 April 2012, the Target Company and CNI23 entered into an asset purchase agreement whereby the Target Company underwent a reorganisation pursuant to which CNI23 has transferred the assets and liabilities of the Nuclear Power Maintenance Department of CNI23 to the Target Company for operating its business, which was completed on 31 May 2012. In addition, CNI23 is currently making arrangement for the transfer of relevant human resources from CNI23 to the Target Company which shall be completed on or before the Completion Date. Pursuant to the Sale and Purchase Agreement, CNI23 has agreed to transfer all existing business contracts of CNI23's Nuclear Power Maintenance Department to the Target Company prior to Completion by obtaining the confirmations or consents from the parties to such business contracts or any third party. The Target Company has obtained such confirmation from the relevant party to such business contracts. Such business contracts are relating to the inspection, maintenance, repair, modification, installation and provision of expertise for nuclear power plants.

The total amount invested by BSC Group Holdings in the Target Company in July 2012 was RMB14,200,000, of which RMB3,670,000 was credited to the registered capital of the Target Company and represents 10% of the enlarged registered capital of the Target Company and the premium of RMB10,530,000 was credited to the capital reserve of the Target Company. To the best knowledge of the Company after having made enquiries with the Vendor, as the shareholders of the Target Company entered into the increase in registered capital agreement on 9 April 2012, the parties thereto agreed on the terms of investment by BSC Group Holdings based on arm's length negotiations and did not take into account of the acquisition of the assets and liabilities of Nuclear Power Maintenance Department of CNI23 to the Target Company pursuant to the asset purchase agreement signed on 23 April 2012. Therefore, the consideration of the acquisition of 26.5% equity interest of the Target Company to be paid by the Purchaser is higher than the amount paid by BSC Group Holdings for 10% equity interest in the Target Company as the registered capital of the Target Company has been enlarged and it has taken into account of the acquisition of the assets and liabilities of Nuclear Power Maintenance Department of CNI23. In addition, the consideration of the acquisition of 26.5% of the equity interest of the Target Company has also taken into account the transfer of relevant human resources from CNI23 to the Target Company which is important to the operation of the Target Company's business. The Purchaser has also considered the Management Accounts: (i) the net asset value as at 31 December 2011 was approximately RMB40.8 million and as at 30 June 2012 was approximately RMB48.9 million which was then increased significantly to approximately RMB72.3 million as at 31 July 2012; (ii) the revenue of the Target Group for the seven months ended 31 July 2012 was RMB101.5 million which represented approximately 1.14 times of the revenue of RMB89.1 million for the full year ended 31 December 2011; and (iii) the net profit of the Target Group for the seven months ended 31 July 2012 was RMB15.4 million which represented approximately 2.7 times of the net profit of RMB5.7 million for the full year ended 31 December 2011. In view that both financial position and performance of the Target Group have been improved, the Directors consider that the consideration of the acquisition of 26.5% of the equity interests of the Target Company is fair and reasonable.

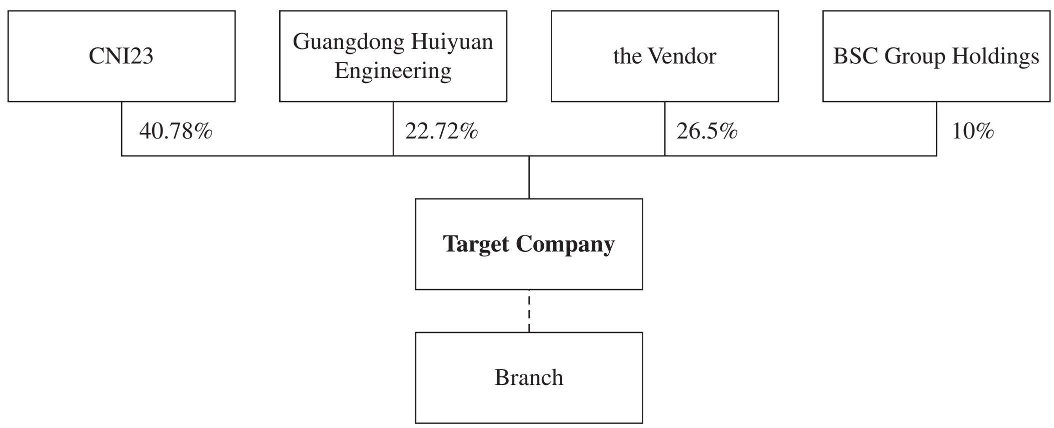
Shareholding structure of the Target Group

Set out below is the shareholding structure of the Target Group before the increase in the registered capital as mentioned in the section headed "Information on the Vendor and the Target Group" of this circular.

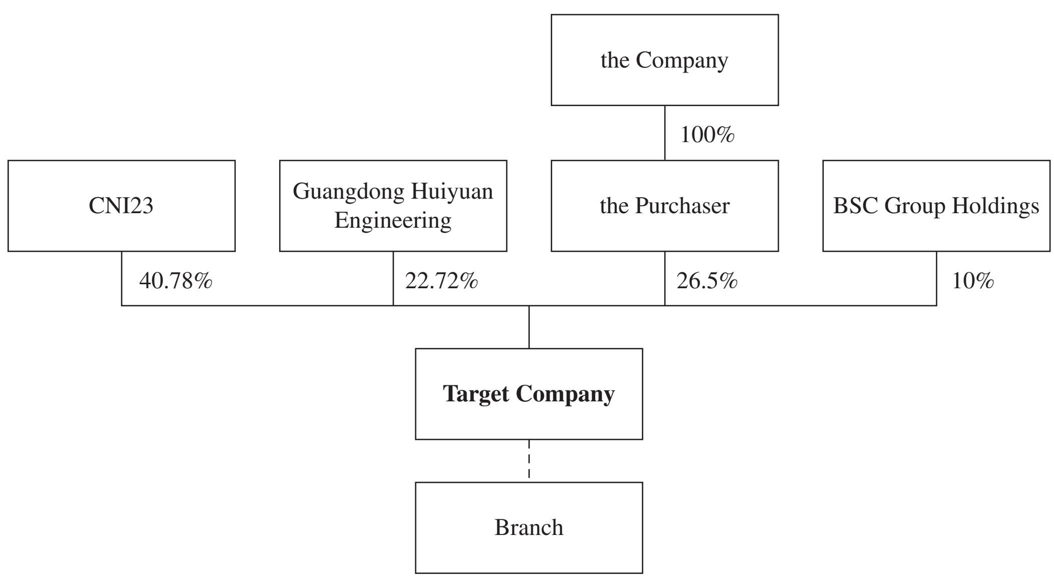


Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date and after Completion.

As at the Latest Practicable Date:



After Completion:



Financial information of the Target Group

Set out below is the summary of the audited financial statements of the Target Group for each of the two financial years ended 31 December 2010 and 2011 prepared under the generally accepted accounting principles in the PRC.

	For the year ended 31 December 2011 RMB'000	For the year ended 31 December 2010 RMB'000
Revenue	89,065	68,180
Profit before taxation	7,531	8,042
Profit after taxation	5,666	6,190

Based on the aforesaid audited financial statements of the Target Group for each of the two financial years ended 31 December 2010 and 2011, the audited total asset value and net asset value of the Target Group as at 31 December 2010 were approximately RMB69,439,437 and RMB40,896,635 respectively and as at 31 December 2011 were approximately RMB72,855,183 and RMB40,756,783 respectively. Based on the Management Accounts after the completion of the increase in the registered capital of the Target Company in July 2012, the total asset value and net asset value of the Target Group were approximately RMB114,967,306 and RMB72,345,495 respectively as at 31 July 2012.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in property investment, hotel and restaurant operations in Hong Kong.

It is the corporate strategy of the Group to continue to identify investment opportunities with the aim to diversify its business to a section which is less susceptible to global financial markets while at the same time has a steady revenue stream. The Group already has investment in an associated company, Zhong He Libert, which is principally engaged in the manufacturing and sale of prefabricated pipes and related equipment for uses by chemical and energy plants in the PRC and overseas.

The Directors consider that the Acquisition is in line with the corporate strategy to diversify the business of the Group and will bring in a steady revenue stream to the Group. The investment in the Target Company will provide the Group with more opportunities to participate in nuclear power related business, bringing synergy effect to the Group's investment in the manufacturing of prefabricated pipes and related equipment business. It will also further enhance the Group's capability and expertise in the nuclear power industry, thus boosting the Group's status and business networks in the petrochemical and nuclear industries, which in turn helps enhancing the shareholding value of the Company.

The Group will benefit economically from the improving business prospects of the Target Group as a result of the completion of the acquisition of assets and liabilities from the Nuclear Power Maintenance Department of CNI23 and the transfer of business contracts from the Nuclear Power Maintenance Department of CNI23 to the Target Company which will create synergy for the Target Group by enhancing its existing business and reducing competition and the increase in the registered capital of the Target Company will provide more funds for the development of the Target Group's business. Also, the Target Company will benefit from the transfer of human resources such that the managerial and technical skills of the staff of CNI23's Nuclear Power Maintenance Department will be transferred to it.

Mr. Dong Yuchuan, a non-executive Director and the chairman of the Company, is also the Chairman of the Board and Director General of CNI23, which wholly owns the Vendor; Mr. Lei Jian, an executive Director, is a director of China He Investment (Hong Kong) Company Limited, a party acting in concert with the Vendor; Mr. Han Naishan, an executive Director and is also the Deputy Director General and Chief Engineer of CNI23; Mr. Guo Shuwei, an executive Director, is a director of the Vendor and also the General Manager of the International Department of CNECC and CNI23; and Mr. Song Limin, an executive Director, is the secretary to the Director General of CNI23. Accordingly, Messrs. Dong Yuchuan, Lei Jian, Han Naishan, Guo Shuwei and Song Limin had abstained from voting at the Board meeting in respect of the Acquisition and the transactions contemplated thereunder. The Board confirms that except for Messrs. Dong Yuchuan, Lei Jian, Han Naishan, Guo Shuwei and Song Limin, none of the other Directors had any material interest in the Acquisitions and the transactions contemplated thereunder. Accordingly, none of the other Directors, except for the abovementioned Directors, was required to abstain from voting on the Board resolutions in relation to the Acquisition and the transactions contemplated thereunder.

The Directors (except for Messrs. Dong Yuchuan, Lei Jian, Han Naishan, Guo Shuwei and Song Limin who had abstained from voting at the Board meeting approving the Acquisition and the transactions contemplated thereunder) consider that the terms and conditions of the Acquisition are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the relevant percentage ratios in respect of the Acquisition exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, the Vendor, the controlling Shareholder holding approximately 31.01% shareholding interests of the Company, which together with China He Investment (Hong Kong) Company Limited, a party acting in concert with it, hold approximately 41.35% shareholding interests of the Company as at the Latest Practicable Date, is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition shall be subject to the requirements of reporting, announcement and the approval of the Independent Shareholders by way of poll at the SGM.

The Vendor, holding approximately 31.01% shareholding interests of the Company, and its associates, China He Investment (Hong Kong) Company Limited which holds approximately 10.34% shareholding interests of the Company, are required to abstain from voting on the resolution to be proposed at the SGM to approve the Acquisition and the transactions contemplated thereunder. An Independent Board Committee comprising all the independent non-executive Directors has been established by the Company to advise the Independent Shareholders in respect of the Acquisition and the transactions contemplated thereunder.

As Completion is subject to the satisfaction (or waiver) of a number of conditions, the Acquisition may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

SGM

The notice of the SGM is set out on pages 51 to 52 of this circular. At the SGM, an ordinary resolution will be proposed to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

A form of proxy for use at the SGM is enclosed with this circular and such form of proxy is also published on the website of the Stock Exchange (www.hkex.com.hk). In order to be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the accompanying form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof, should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on page 21 of this circular; and (ii) the letter from GF Capital to the Independent Board Committee and the Independent Shareholders in connection with the Acquisition set out on pages 23 to 42 of this circular, which contains its advice to the Independent Board Committee in respect of the fairness and reasonableness of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and the principal factors considered by it in arriving at its opinions and recommendation.

The Directors (including the independent non-executive Directors after taking into account the opinion of GF Capital but except for Messrs. Dong Yuchuan, Lei Jian, Han Naishan, Guo Shuwei and Song Limin who had abstained from voting at the Board meeting in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder) believe that the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after taking into account the opinion of GF Capital but except for Messrs. Dong Yuchuan, Lei Jian, Han Naishan, Guo Shuwei and Song Limin who had abstained from voting at the Board meeting in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder) recommend that the Independent Shareholders shall vote in favour of the resolution to be proposed at the SGM to approve the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder.

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

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)

17 September 2012

To the Shareholders, and for information only,
the existing holders of the outstanding warrants and convertible notes of the Company

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION
IN RELATION TO
ACQUISITION OF 26.5% EQUITY INTERESTS IN
深圳中核二三核電檢修有限公司
(SHENZHEN CNI23 NUCLEAR POWER MAINTENANCE CO., LTD.*)**

We refer to the circular of the Company dated 17 September 2012 (the "**Circular**"), in which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Sale and Purchase Agreement, including the Acquisition, and the transactions contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

We wish to draw your attention to the letter from the Board as set out on pages 6 to 20 of the Circular and the letter from the Independent Financial Advisor, GF Capital, as set out on pages 23 to 42 of the Circular which contain, among other things, their advice and recommendation in respect of the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and the principal factors and reasons taken into consideration for their advice and recommendation.

* *For identification purposes only*

Having taken into account the terms of the Sale and Purchase Agreement and the advice from GF Capital, we consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Chan Ka Ling, Edmond **Mr. Chang Nan** **Dr. Dai Jinping** **Mr. Yu Lei**
Independent Non-executive Directors

The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser which has been prepared for inclusion in this circular.

廣發融資(香港)有限公司
GF CAPITAL (HONG KONG) LIMITED

Suites 2301-2305 & 2313, COSCO Tower
183 Queen's Road Central
Hong Kong

17 September 2012

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF 26.5% EQUITY INTERESTS IN 深圳中核二三核電檢修有限公司 (SHENZHEN CNI23 NUCLEAR POWER MAINTENANCE CO., LTD*)

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement, including the Acquisition and the transactions contemplated thereunder, particulars of which are set out in the letter from the Board (the "**Letter from the Board**") of this circular to the Shareholders dated 17 September 2012 (the "**Circular**"), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Company announced on 17 August 2012 that the Purchaser, a direct wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Interests for a total consideration of RMB50,000,000 (approximately HK$61,305,000).

As the relevant percentage ratios in respect of the Acquisition exceed 5% but are all less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules. In addition, the Vendor, the controlling Shareholder holding approximately 31.01% shareholding interests of the Company, which together with China He Investment (Hong Kong) Company Limited, a party acting in concert with it, hold

* *For identification purposes only*

approximately 41.35% shareholding interests of the Company as at the Latest Practicable Date, is a connected person of the Company and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition shall be subject to the requirements of reporting, announcement and the approval of the Independent Shareholders by way of poll at the SGM.

The Independent Board Committee comprising, Mr. Chan Ka Ling, Edmond, Mr. Chang Nan, Dr. Dai Jinping and Mr. Yu Lei, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the terms of the Sale and Purchase Agreement, including the Acquisition and the transactions contemplated thereunder.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the Directors and/or management of the Company were true, accurate and complete in all material aspects at the time they were made and continue to be true, accurate and complete in all material aspects as at the date of the Circular. We have also relied on our discussion with the Directors and the management of the Company regarding the Group and the terms of the Sale and Purchase Agreement, including the information and representations contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and/or the management of the Company respectively in the Circular have been reasonably made after due and careful enquiries. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or management of the Company. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group, the Target Group, its subsidiaries and their respective associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

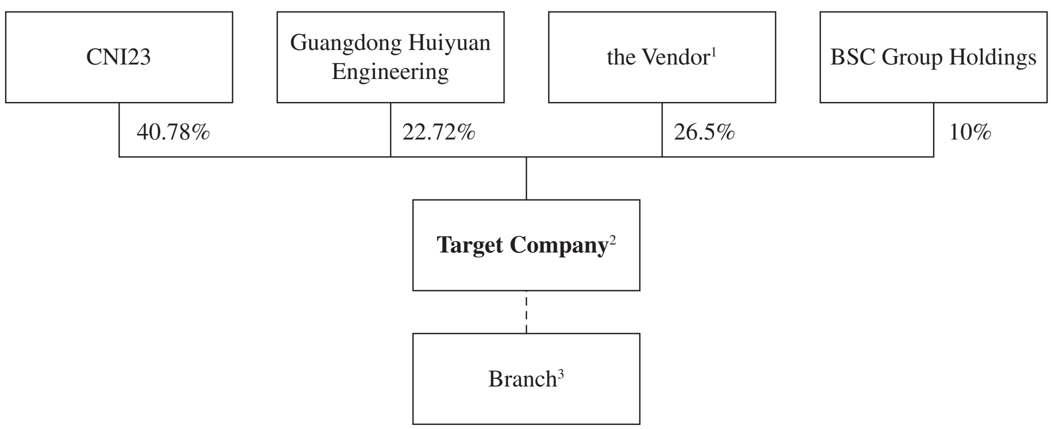
In arriving at our opinion regarding the terms of the Sale and Purchase Agreement and the Acquisition and the transactions contemplated thereunder, we have considered the following principal factors and reasons:

1. Background of and reasons for the Acquisition

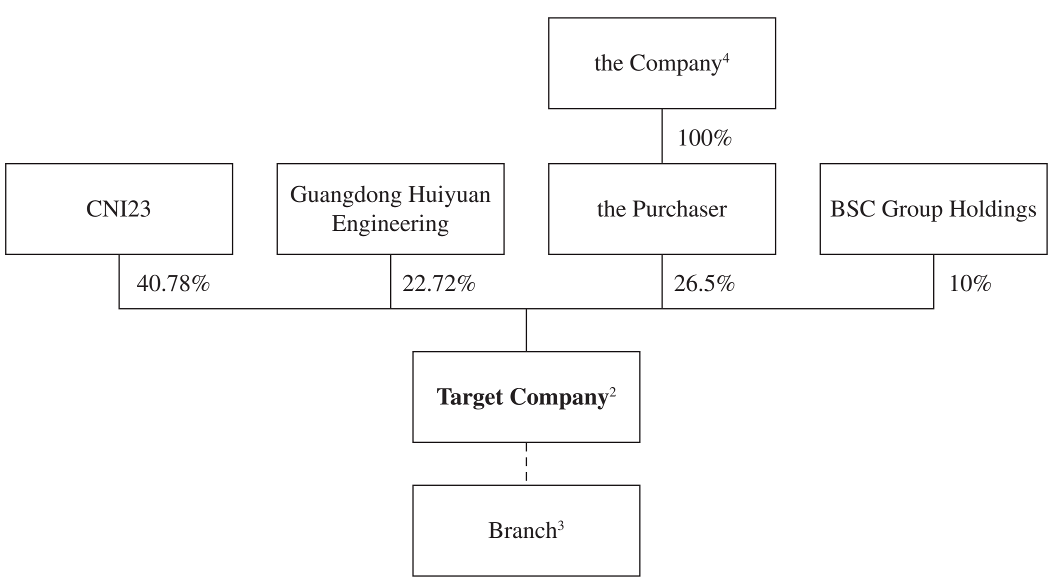
(a) Information on Target Group

Set out below is the shareholding structure of the Target Group as at the Latest Practicable Date and upon Completion.

As at the Latest Practicable Date:



Upon Completion:



Notes:

1. The Vendor is a company incorporated in Hong Kong and a wholly-owned subsidiary of CNI23. CNI23 is a state-owned enterprise established in the PRC and is one of the largest nuclear power plants installation corporations in the PRC. During more than 50 years of its development, CNI23 has been engaged in nuclear power projects, nuclear research projects and non-nuclear projects such as petrochemical and electrical installation projects in the PRC.

2. The Target Company is a sino-foreign equity joint venture duly established in the PRC. It is owned as to 40.78%, 22.72%, 26.5% and 10% by CNI23, Guangdong Huiyan Engineering, the Vendor and BSC Group Holdings respectively. The Target Company is principally engaged in inspection, maintenance, repair, construction, installation and provision of expertise in such work for nuclear power plants and also provision of construction work for non-nuclear power companies.

3. The Branch, a company established in the PRC, is principally engaged in the same business of the Target Company and is also responsible for staff training of the Target Group.

4. The Group is principally engaged in property investment, hotel and restaurant operations in Hong Kong.

Set out below is the summary of audited financial statements of the Target Group for each of the two financial years ended 31 December 2010 and 2011 prepared under the generally accepted accounting principles in the PRC.

	For the year ended 31 December 2011	**For the year ended 31 December 2010**
	RMB'000	*RMB'000*
Revenue	89,065	68,180
Profit before taxation	7,531	8,042
Profit after taxation	5,666	6,190

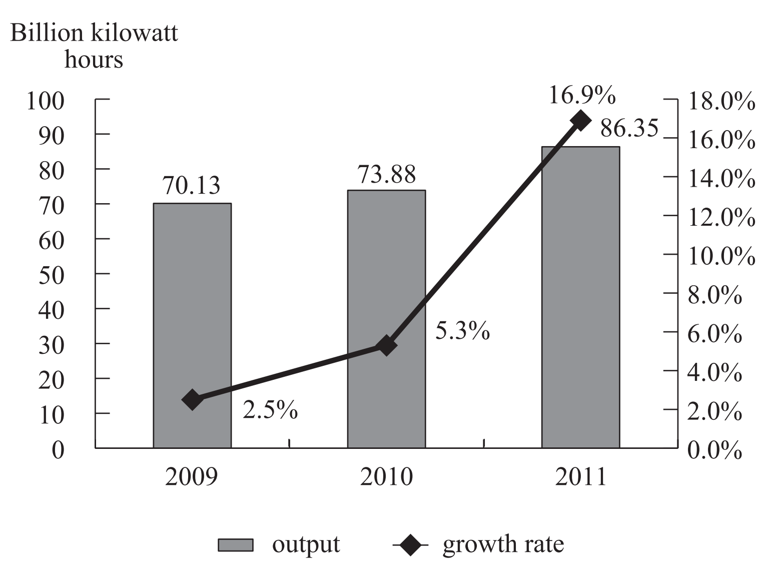
Based on the aforesaid audited financial statements of the Target Group for each of the two financial years ended 31 December 2010 and 2011, the audited total asset value and net asset value of the Target Group as at 31 December 2010 were approximately RMB69,439,437 and RMB40,896,635 respectively and as at 31 December 2011 were approximately RMB72,855,183 and RMB40,756,783 respectively. Based on the Management Accounts after the completion of the increase in the registered capital of the Target Company in July 2012, the total asset value and net asset value of the Target Group were approximately RMB114,967,306 and RMB72,345,495 respectively as at 31 July 2012.

The existing shareholders of the Target Company, namely CNI23, Guangdong Huiyuan Engineering, the Vendor and BSC Group Holdings, entered into an increase in registered capital agreement on 9 April 2012 pursuant to which the parties thereto agreed that the registered capital of the Target Company would be increased by capital injection from CNI23 and BSC Group Holdings respectively. In July 2012, the Target Company completed the increase in registered capital from

RMB27,790,000 to RMB36,700,000. Pursuant to such increase in the registered capital, CNI23 has injected an additional registered capital of RMB5,240,000 to the Target Company and BSC Group Holdings, being a new shareholder of the Target Company, has injected RMB3,670,000 as registered capital and RMB10,530,000 as capital reserve to the Target Company. BSC Group Holdings is an investment holding company. To the best knowledge of the Directors after having made all reasonable enquiries, the sole shareholder of BSC Group Holdings, NPES Group Holdings Limited, and its sole director, Yang Jianwei, are independent from and not connected with the Company, its Directors and their respective associates. Upon completion of the increase in registered capital, the Target Company is owned as to 40.78%, 22.72%, 26.5% and 10% by CNI23, Guangdong Huiyan Engineering, the Vendor and BSC Group Holdings respectively. On 23 April 2012, the Target Company and CNI23 entered into an asset purchase agreement whereby the Target Company underwent a reorganisation pursuant to which CNI23 has transferred the assets and liabilities of the Nuclear Power Maintenance Department of CNI23 to the Target Company for operating its business, which was completed on 31 May 2012. In addition, CNI23 is currently making arrangement for the transfer of relevant human resources from CNI23 to the Target Company which shall be completed on or before the Completion Date. Pursuant to the Sale and Purchase Agreement, CNI23 has agreed to transfer all existing business contracts of CNI23's Nuclear Power Maintenance Department to the Target Company prior to Completion by obtaining the confirmations or consents from the parties to such business contracts or any third party. The Target Company has obtained such confirmation from the relevant party to such business contracts. Such business contracts are relating to the inspection, maintenance, repair, installation and provision of expertise for nuclear power plants.

(b) Industry overview

Nuclear power output in the PRC



Source: National Bureau Statistics of China

According to the National Bureau of Statistics of China, the nuclear power output in the PRC increased from approximately 73.88 billion kilowatt hours in 2010 to approximately 86.35 billion kilowatt hours in 2011, representing a growth rate of approximately 16.9% which itself is much higher than the growth rates recorded in previous years.

According to an article namely, "我國核電重啟懸念:中長期發展目標業內存分歧", issued by 中國新聞周刊 published on www.sina.com.cn on 23 July 2012, the electricity consumption in the PRC is expected to reach 7,700 billion kilowatt hours in 2020, and based on this, the installed capacity of nuclear power is estimated to reach 80 million kilowatt hours in 2020, which is a double of the target of 40 million kilowatt hours originally stated in 《核電中長期發展規劃 (2005-2020年)》released by National Development and Reform Commission in October 2007. In view of the sizeable increase in the installed capacity target of nuclear power as stated above, it is expected that the demand for services related to nuclear power plants such as inspection, maintenance, repair, construction, installation and provision of expertise in such work for nuclear power plants will increase accordingly.

(c) Reasons for the Acquisition

As set out in the Letter from the Board, it is the corporate strategy of the Group to continue to identify investment opportunities with the aim to diversify its business to a section which is less susceptible to global financial markets while at the same time has a steady revenue stream. The Group already has investment in an associated company, Zhong He Libert, which is principally engaged in the manufacturing and sale of prefabricated pipes and related equipment for uses by chemical and energy plants in the PRC and overseas.

The Directors consider that the Acquisition is in line with the corporate strategy to diversify the business of the Group and will bring in a steady revenue stream to the Group. The investment in the Target Company will provide the Group with more opportunities to participate in nuclear power related business, bringing synergy effect to the Group's investment in the manufacturing of prefabricated pipes and related equipment business. It will also further enhance the Group's capability and expertise in the nuclear power industry, thus boosting the Group's status and business networks in the petrochemical and nuclear industries, which in turn helps enhancing the shareholding value of the Company.

The Group will benefit economically from the improving business prospects of the Target Group as a result of the completion of the acquisition of assets and liabilities from the Nuclear Power Maintenance Department of CNI23 and the transfer of business contracts from the Nuclear Power Maintenance Department of CNI23 to the Target Company which will create synergy for the Target Group by enhancing its existing business and reducing competition and the increase in the registered capital of the Target Company will provide more funds for the development of the Target Group's business. Also, the Target Company will benefit from the transfer of human resources such that the managerial and technical skills of the staff of CNI23's Nuclear Power Maintenance Department will be transferred to it.

Taken into account that:

(i) the Acquisition is in line with the corporate strategy to diversify the business of the Group;

(ii) according to the website of the World Nuclear Association (www.world-nuclear.org) which is the international organization that promotes nuclear energy and supports the many companies that comprise the global nuclear industry, there are currently 7 nuclear power plants in operation in the PRC, based on our review on the information regarding the existing business contracts of the Target Group, it is noted that all the nuclear power plants in operation so far in the PRC are the customers of the Target Group, which in turn are hence major players in the market with established track record;

(iii) according to an article namely "中核建設集團公司核電市場國際合作取得重大進展" published by State-owned Assets Supervision and Administration Commissioner of the State Council (www.sasac.gov.cn/n1180/) on 18 August 2003, the Target Company was the first company in the PRC engaging in inspection, maintenance and repair service to nuclear power plants. With the past cooperation with AREVA NP (which was merged with AREVA NC and AREVA TA to form AREVA SA, a French public industrial conglomerate which engages in global nuclear power industry, including nuclear reactor design and construction, and related services, and other energy projects. AREVA SA is listed on Euronext Paris), which was the previous shareholder of the Target Company, the Target Company has developed a dominant position in the market; and

(iv) the expected sizeable increase in the installed capacity target of nuclear power in the PRC in 2020 and thus an increase in demand for its related services as demonstrated in the previous section headed "Industry overview",

we consider that the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole.

2. Key terms of the Sale and Purchase Agreement

(a) Assets to be acquired

Pursuant to the Sale and Purchase Agreement, the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to sell the Sale Interests, which represent 26.5% equity interests of the Target Company, free from all Encumbrances and together with all existing and future rights and benefits attaching with or accruing to the Sale Interests, including any dividends or distributions after the date of the Sale and Purchase Agreement (save for such dividends or distributions which will be or has been paid by the Target Company and which has been disclosed to the Purchaser by the Vendor and reflected in the Management Accounts and Completion Accounts), subject to the satisfaction (or waiver) of the conditions precedent as set out in the paragraph headed "Conditions" in the Letter from the Board.

The 26.5% equity interests of the Target Company represents RMB9,726,500 (approximately HK$11,925,662) of the registered capital of the Target Company as at the date of the Sale and Purchase Agreement and the Completion Date.

(b) Consideration

The total consideration for the Acquisition is RMB50,000,000 (approximately HK$61,305,000) payable in cash by the Purchaser as follows:

(i) RMB20,000,000 (approximately HK$24,522,000) has been paid by the Purchaser to the Vendor upon the signing of the Sale and Purchase Agreement on 17 August 2012; and

(ii) the remaining balance of RMB30,000,000 (approximately HK$36,783,000) shall be payable in lump sum by the Purchaser to the Vendor or its nominee within 60 days from the Completion Date.

The consideration for the Acquisition was arrived at after arm's length negotiations between the parties to the Sale and Purchase Agreement taking into account, among others,

(i) the net asset value of the Target Group based on the Audited Accounts and the Management Accounts;

(ii) the enlarged registered capital of the Target Company as a result of capital injection by CNI23 and BSC Group Holdings;

(iii) the business valuation on the Target Company as at 31 July 2012 prepared by Asset Appraisal Limited, an independent valuer engaged by the Company to conduct a valuation on the Target Company, based on the market approach. The business valuation was done based on the projected revenue of the Target Company for the year ending 31 December 2012 and also based on the market multiple of "Enterprise Value ("EV") to sales ratio" or "EV to revenue ratio" of 1.14 times. The projection on the revenue was based on the expected sales of the Target Company for the year ending 31 December 2012 which was based on the existing contracts signed by the Target Company which has completed or will be completed in 2012 (for further details, please refer to the paragraph headed "Consideration" in the Letter from the Board); and

(iv) the future business prospects of the Target Company as a result of the transfer of the assets and liabilities of the Nuclear Power Maintenance Department of CNI23 from CNI23 to the Target Company for operating its business, which completed on 31 May 2012.

In addition, CNI23 is currently making arrangement for the transfer of the relevant human resources from the Nuclear Power Maintenance Department of CNI23 to the Target Company. Such transfer of assets and human resources will facilitate, improve and enhance the operations of the business of the Target Group pursuant to the reorganisation of the Target Group (further information of which is set out in the section headed "Information on the Vendor and the Target Group" in the Letter from the Board). In addition, the increase in the registered capital of the Target Company has increased which would provide more funds available for operating the business of the Target Group.

In assessing the fairness and reasonableness of the consideration for the Acquisition, Asset Appraisal Limited (the "**Valuer**"), an independent valuer, was appointed to evaluate the value of 100% equity interest in the Target Company.

For our due diligence purpose, we have performed the steps as required under Note 1(d) to Rule 13.80 of the Listing Rules in relation to third party opinions, including (i) reviewing the terms of engagement of the Valuer and the scope of work is appropriate to the opinion required to be given and not aware that any limitations on the scope of work which might adversely impact on the degree of assurance given by the expert's report, opinion or statement; (ii) obtaining from the Valuer the names, qualifications and experience of staff members who are involved in this engagement, and noting that the staff members are subject to the discipline of Royal Institution of Chartered Surveyors and/or Hong Kong Institute of Surveyors and with prior experience in valuations of renewable energy business and management/consulting business; (iii) the Valuer confirmed that, save for acting as independent valuer, there is no prior or current relationship between the Valuer and the Company, the Vendor and their respective connected persons; and (iv) we are not aware that the Company or the Vendor has made any other formal or informal representations to the Valuer which are not in accordance with our knowledge.

We have reviewed the valuation report prepared by the Valuer and concur with the Valuer that the assumptions adopted in the valuation are common and typical for assessing similar enterprises. We understand that the Valuer has considered three generally accepted approaches, namely the asset based approach, the income approach and the market approach in arriving at the value of 100% equity interest in the Target Company. The Valuer considers that it is inappropriate to adopt the income approach and the asset based approach for the purpose of valuing the 100% equity interest in the Target Company. Given that the asset based approach disregards the economic benefits of the assets of the Target Company and the income approach involves adoption of much more assumptions than the other two approaches, not all of which can be easily quantified or ascertained. In the event of any such assumptions are found to be incorrect or unfound, the valuation would be significantly affected. It is considered that the adoption of market approach is the most appropriate valuation approach for this valuation.

In assessing the market value of 100% equity interest in the Target Company, the Valuer has identified six comparable companies engaging in the same or similar line of businesses as the Target Company, all comparable companies are listed on overseas stock exchanges.

By adopting the market approach, the Valuer considered the forward enterprise value-to-sales ratio to be the most appropriate multiple as (i) the Target Company and all the comparable companies are engaging in similar lines of business, the measure of revenues provide a good proxy of profitability of the business from core business operations with the minimum degrees of adjustments by various accounting treatments; (ii) enterprise value is more appropriate when comparing values of companies with different degrees of financial leverage; and (iii) the Target Company purchased the Nuclear Power Maintenance Department of CNI23 in 2012 and hence forward enterprise value-to-sales ratio is more relevant to fully reflect the value of the Target Company. In addition, the Valuer has applied a marketability discount to arrive at the market value of 100% equity interest in the Target Company to reflect the difference in marketability between the Target Company, which is a private company, and the six comparables, which are public companies. The Valuer has confirmed that these valuation multiple and the marketability discount are commonly used in the valuation of companies engaging in offering technological solution for nuclear power plants. The enterprise value of the Target Company is calculated by multiplying the mean of the forward enterprise value-to-sales ratio of the comparables and the forecast revenue of the Target Company for the year ending 31 December 2012 based on the existing contracts signed by the Target Company which has completed or will be completed in 2012. The enterprise value is translated into equity value by adding cash and cash equivalent and deducting total interest bearing debts and minority interest.

As assessed by the Valuer, the market value of 100% equity interest in the Target Company is valued at RMB191,000,000 as at 31 July 2012. The implied market value of 26.5% equity interest in the Target Company is thus approximately RMB50,615,000, representing approximately 1.2% premium over the consideration for the Acquisition of RMB50,000,000.

To provide an additional perspective different from the Valuer, as an independent assessment, based on the principal activities and the place of business, we have identified four companies listed on the Main Board of the Stock Exchange, which we believe to be an exhaustive list, are principally engaged in provision of repairing services/power station engineering services/power equipments, of which the majority of the sales revenue were derived in the PRC (the "Comparables"). We have compared the respective price to earnings ratios and price to book ratios of the Comparables with the price to earnings ratios and price to book ratios as represented by the consideration for the Acquisition, details of which are set out in the table below:

Company (Stock code)	Principal activities	Market capitalisation[1] *(HK$)* (1)	Profit attributable to shareholders for the preceding financial year[2] *(HK$)* (2)	Historical P/E *(times)* (3)= (1)/(2)	Net asset value attributable to shareholders[2] *(HK$)* (4)	P/B *(times)* (5)= (1)/(4)	Projected annual profit attributable to shareholders[3] *(HK$)* (6)	Projected P/E *(times)* (7)= (1)/(6)
Dongfang Electric Corporation Ltd (1072)	Manufacture & sale of main thermal and hydro power equipment, wind power and nuclear power equipments, environmental production products, AC/DC motors, oil-fired power plants, production of pressure vessels, provision of repairing services	37,026,640,000	3,747,240,783	9.88	16,923,317,467	2.19	3,050,536,800	12.14
Harbin Electric Co. Ltd (1133)	Manufacturing and sales of various kinds of power equipments and power station engineering services	9,224,600,000	1,506,461,252	6.12	13,634,488,255	0.68	1,719,075,575	5.37
Chongqing Machinery & Electric Co., Ltd. (2722)	Design, manufacture and sell commercial vehicle parts and components, power equipment, general machinery, and CNC machine tools in the PRC	3,868,870,000	903,975,330	4.28	6,038,421,116	0.64	744,625,243	5.20

Company (Stock code)	Principal activities	Market capitalisation[1] *(HK$)* (1)	Profit attributable to shareholders for the preceding financial year[2] *(HK$)* (2)	Historical P/E *(times)* (3)= (1)/(2)	Net asset value attributable to shareholders[2] *(HK$)* (4)	P/B *(times)* (5)= (1)/(4)	Projected annual profit attributable to shareholders[3] *(HK$)* (6)	Projected P/E *(times)* (7)= (1)/(6)
China Titans Energy Technology Group Co., Ltd. (2188)	Sales of DC Power System products, distribution of PASS products, sales of power grid monitoring and management equipment, charging equipment for electric vehicles, wind and solar power balancing control products and LED lighting products	398,400,000	41,530,459	9.59	577,966,375	0.69	24,563,687	16.22
			Mean	7.47		1.05		9.73
			Median	7.86		0.68		8.75
			Maximum	9.88		2.19		16.22
			Minimum	4.28		0.64		5.20
		The consideration for the Acquisition *(RMB)*	**Adjusted Profit (share of 26.5% equity interest in the Target Group)** *(RMB)*		**Net asset as at 31 July 2012 (share of 26.5% equity interest in the Target Group)** *(RMB)*		**Projected annual profit (share of 26.5% equity interest in the Target Group, based on the Management Accounts)** *(RMB)*	
		50,000,000	13,178,741 x 26.5% = 3,492,366	14.32	72,345,495 x 26.5% = 19,171,556	2.61	(15,400,000/7) x 12 x 26.5% = 6,996,000	7.15

Notes:

1. Based on the market capitalisation on Bloomberg on 17 August 2012, being the date of the Sale and Purchase Agreement.

2. Based on the latest financial data as published in the respective annual reports and interim reports of the Comparables as at 17 August 2012, being the date of the Sale and Purchase Agreement.

3. Calculated by multiplying the profit attributable to shareholders for the latest interim period (based on the latest interim reports of the Comparables) by 2.

4. The conversion of RMB into HK$ is based on the exchange rate of RMB1 to HK$1.2261 which was agreed by the Vendor and the Purchaser pursuant to the Sale and Purchase Agreement.

We have reviewed the unaudited pro forma income statement of the Target Group provided by the Company for the year ended 31 December 2011 assuming the acquisition of Nuclear Power Maintenance Department of CNI23 by the Target Company completed in 2011. On such basis, the adjusted profit after taxation of the Target Group for the year ended December 2011 amounted to approximately RMB13,178,741 (the "**Adjusted Profit**"). In comparing the price to earnings ratio as represented by the consideration for the Acquisition with those of the Comparables, the Adjusted Profit is used to calculate the price to earnings ratio as represented by the consideration for the Acquisition as it takes into account the pro forma results of the acquisition of Nuclear Power Maintenance Department of CNI23 by the Target Company which completed on 31 May 2012, and Nuclear Power Maintenance Department is now part of the Target Group.

We have also reviewed the information regarding the existing business contracts of CNI23's Nuclear Power Maintenance Department to be transferred to the Target Company prior to Completion as provided by the Company, and noted that the revenue expected to be derived from the signed contracts for the year ending 31 December 2012 represented a substantial increase as compared to the actual revenue of the Target Group for the year ended 31 December 2011.

Based on our review on the Management Accounts, it is noted that the revenue of the Target Group for the seven months ended 31 July 2012 was approximately RMB101.5 million which represented approximately 1.14 times of the revenue of the Target Group of approximately RMB89.1 million for the full year ended 31 December 2011; and the net profit of the Target Group for the seven months ended 31 July 2012 was approximately RMB15.4 million which represented approximately 2.7 times of the net profit of the Target Group of approximately RMB5.7 million for the full year ended 31 December 2011.

(i) Price to earnings ratio

As illustrated in the table above, the historical price to earnings ratio as represented by the consideration for the Acquisition of approximately 14.32 times is higher than the range of the historical price to earnings ratios of the Comparables from approximately 4.28 times to approximately 9.88 times. Notwithstanding that the historical price to earnings ratio as represented by the consideration for the Acquisition is higher than the historical price to earnings ratios of the Comparables, the effect of the substantial revenue expected to be derived from the existing business contracts of CNI23's Nuclear Power Maintenance Department to be transferred to the Target Company prior to Completion (as mentioned in the preceding paragraph) has not been taken into account.

The Company is actually acquiring the Target Group which is different from that in 2011 as it has undergone reorganisation and increased its registered capital in 2012. Therefore the financial results of the Target Group for the year ended 31 December 2011 may not reflect the latest status of the Target Group. With the improving business prospect of the Target Group, we further looked into the financial performance of the Comparables for the latest interim period and compared the price to earnings ratio represented by each of (1) the Consideration for the Acquisition and (2) the Comparables based on projected annual net profit as derived from the latest interim results. Based on the Management Accounts, the net profit of the Target Group for the seven months ended 31 July 2012 was approximately RMB15.4 million. For the sole purpose of analysis, the projected annual net profit of the Target Group would become approximately RMB26.4 million for the year ending 31 December 2012. Based on this projected annual net profit of the Target Group, the Group's share of projected annual net profit (based on the Group's share of 26.5% equity interest in the Target Group) will be approximately RMB7.0 million. The projected price to earnings ratio represented by the consideration for the Acquisition based on this projected annual net profit of the Target Group will be approximately 7.15 times, which is lower than the mean and the median of the projected price to earnings ratio of the Comparables of approximately 9.73 times and 8.75 times based on the projected annual net profit of the Comparables as derived from the latest interim results.

We consider that the above projected annual net profit of the Target Group for the year ending 31 December 2012 can be a reasonable projection based on the net profit of the Target Group for the seven months ended 31 July 2012, given that:

(i) the revenue of the Target Group for the seven months ended 31 July 2012 already accounted for a majority of (around 63%) the total expected revenue of the Target Group for the year ending 31 December 2012 (which in turn was based on the existing contracts signed by the Target Company which has been completed or will be completed within 2012); and

(ii) according to the schedule of the signed contracts, it is expected that a minority of (around 37%) the total expected revenue of the Target Group for the year ending 31 December 2012 will be achieved within the remaining months in 2012 and on such basis, the net profit of the Target Group is expected to increase accordingly and the growth in net profit is expected to be recurring for the remaining months in 2012.

(ii) Price to book ratio

As illustrated in the table above, the price to book ratio as represented by the consideration for the Acquisition of approximately 2.61 times is slightly higher than the range of the price to book ratios of the Comparables from approximately 0.64 times to approximately 2.19 times. In any event, it may not be the most relevant to assess the consideration for the Acquisition by price to book ratio due to the non-asset business nature of the Target Group, as the provision of expertise to nuclear plants is the substance of the operations of the Target Group.

Taking into account that:

(i) the implied market value of 26.5% equity interest in the Target Company (based on the market value of 100% equity interest in the Target Company as assessed by the Valuer) represented a premium of approximately 1.2% over the consideration of the Acquisition;

(ii) the historical price to earnings ratio as represented by the consideration for the Acquisition is higher than the range of the historical price to earnings ratios of the Comparables but the effect of the substantial revenue expected to be derived from the existing business contracts of CNI23's Nuclear Power Maintenance Department to be transferred to the Target Company prior to Completion has not been taken into account;

(iii) the projected price to earnings ratio represented by the consideration for the Acquisition based on the projected annual net profit of the Target Group will be approximately 7.15 times which is lower than the mean and the median of the projected price to earnings ratio of the Comparables of approximately 9.73 times and 8.75 times based on the projected annual net profit of the Comparables as derived from the latest interim result;

(iv) the price to book ratio as represented by the consideration for the Acquisition is slightly higher than the range of the price to book ratios of the Comparables, but in any event, it may not be the most relevant to assess the consideration for the Acquisition by price to book ratio due to the non-asset business nature of the Target Group, as the provision of expertise to nuclear plants is the substance of the operations of the Target Group;

(v) the expected increase in demand for services provided by the Target Group in accordance to the sizeable increase in the installed capacity target of nuclear power in the PRC as mentioned in the section headed "Industry overview" above;

(vi) according to an article namely, "中核建設集團公司核電市場國際合作取得重大進展", published by State-owned Assets Supervision and Administration Commissioner of the State Council (www.sasac.gov.cn/n1180/) on 18 August 2003, the Target Company was the first company in the PRC engaging in inspection, maintenance and repair service to nuclear power plants. With the past cooperation of AREVA NP (which was merged with AREVA NC and AREVA TA to form AREVA SA, a French public industrial conglomerate which engages in global nuclear power industry, including nuclear reactor design and construction, and related services, and other energy projects. AREVA SA is listed on Euronext Paris), which was the previous shareholder of the Target Company, the Target Company has developed a dominant position in the market;

(vii) based on our review on the Management Accounts, it is noted that the revenue of the Target Group for the seven months ended 31 July 2012 represented approximately 1.14 times of the revenue of the Target Group for the full year ended 31 December 2011; and the net profit of the Target Group for the seven months ended 31 July 2012 represented approximately 2.7 times of the net profit of the Target Group for the full year ended 31 December 2011;

(viii) the transfer of all existing business contracts of CNI23's Nuclear Power Maintenance Department to the Target Company prior to Completion by obtaining the confirmations or consents from the parties to such business contracts or any third party which has already been obtained, and the revenue expected to be derived from those contracts represented a substantial increase as compared to the actual revenue of the Target Group for the year ended 31 December 2011; and

(ix) the original cost of acquisition incurred by the Vendor for acquisition of the then 35% (which was diluted to 26.5% after completion of the increase in the registered capital of the Target Company) equity interests of the Target Company from AREVA NP on 1 March 2012 was RMB38,500,000, which is not excessively lower than the consideration of the Acquisition,

we consider that the consideration for the Acquisition is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Group and the Shareholders as a whole.

(c) Tax Indemnity

Pursuant to the terms of the Sale and Purchase Agreement, the Vendor undertakes to indemnify the Purchaser upon demand against any loss or liability suffered by the Target Company or the Target Group in relation to Taxation which are summarized as follows:

1. any Tax liability of the Target Company or the Target Group that arises or occurs on or before the Completion Date as a result of any or a series of Material Event(s) whether or not such Tax is chargeable against or attributable to any other person;

2. any Tax liability of the Target Company or the Target Group that would not have been payable had there been no termination, reduction, amendment or cancellation on certain Tax deduction as a result of any Material Event occurred on or before the Completion Date, and such Tax deduction has been reflected in the Audited Accounts, Management Accounts or Completion Accounts or has been calculated as assets in the

Audited Accounts, Management Accounts or Completion Accounts; or the Audited Accounts, Management Accounts or Completion Accounts has shown that such Tax liability has been taken into account when calculating (and reducing) deferred tax or provision for other payables; or the Audited Accounts, Management Accounts or Completion Accounts has shown that no provision has been made for deferred tax as a result of such Tax liability. In the event that the Target Company or the Target group has to re-pay any Tax which has already been fully paid, due to the occurrence of the Material Event on or before the Completion Date, resulting in the expropriation, reduction, elimination or cancellation of the rights arose from any Tax paid in full, such Tax being re-paid shall be deemed to be caused by the Material Event;

3. any current or future Tax liability of the Target Company or the Target Group that would not have been payable for the use of deduction of or for the purpose of eliminating Taxation, as a result of any Material Event which should have occurred on or before the Completion Date but the Material Event incurred after the Completion Date which relates to the Target Company or the Target Group being responsible for Tax liability;

4. any Tax liability of the Target Company and/or the Target Group recovered or estreated or demanded by any Tax or regulatory authority in the PRC after the Completion Date resulting from any event occurred on or before the Completion Date which has not been paid or has been omitted to pay; and

5. any Tax liability of the Target Company or the Target Group arising from damages, guarantee, mortgage or lien on or before the Completion Date.

Given that the Vendor undertakes to indemnify the Purchaser in full against any and all claims, proceedings, loss and damages (including any fine and interests accrued thereon) and all reasonable and appropriate costs (including but not limited to legal fees) expenses and disbursement as a result of or in connection with the Tax indemnity and there is no limitation period on which the Purchaser may claim for Tax indemnity, we consider this is a safeguarding measure for protecting the interests of the Group as a purchaser.

3. Possible financial effects of the Acquisition on the Group

(a) Cashflow

Upon our enquiry, the management of the Company advised that the Target Group can basically be self-sustained in securing its own financial resources to maintain its current operation, and hence no material CAPEX requirement from the Group is expected to arise for supporting the Target Group following Completion.

As disclosed in the Letter from the Board, the Group shall satisfy the consideration for the Acquisition of RMB50,000,000 (approximately HK$61,305,000) in cash by internal resources. Therefore, it is currently expected that there will be a cash outflow of RMB50,000,000 upon Completion. According to the annual report of the Company for the year ended 31 March 2012, the cash and cash equivalents of the Group amounted to approximately HK$243,272,000 as at 31 March 2012. As such, we concur with the Directors' view that the Group would have sufficient cash resources to satisfy the consideration for the Acquisition.

(b) Net assets

Upon Completion, the Target Group will be accounted for as an associate of the Company and as such, the Group's share of the Target Group's assets and liabilities will be recognised into the consolidated financial statements of the Group using equity accounting as "investment in an associate" on the Group's statement of financial position upon Completion. Upon discussion with the management of the Company, no goodwill is expected to be recognised separately from the Acquisition, as goodwill arising from the Acquisition forms part of the Group's share of the Target Group's assets and liabilities. According to the annual report of the Company for the year ended 31 March 2012, the net asset (excluding non-controlling interests) of the Group amounted to approximately HK$223,478,000 as at 31 March 2012. It is expected that there will not be any significant impact on the net asset position of the Group upon Completion, as the increase in asset value as a result of the Acquisition will be offset by the decrease in cash and cash equivalents of the Group.

(c) Gearing

According to the annual report of the Company for the year ended 31 March 2012, the gearing ratio of the Group was approximately 22% (calculated as non-current liabilities divided by total equity). As confirmed by the Directors, it is expected that the Acquisition will not have any material impact on the gearing ratio of the Group.

(d) Earnings

Upon Completion, the Target Group will be accounted for as an associate of the Company and as such, the Group's share of the Target Group's earnings will be recognised into the consolidated financial statements of the Group using equity accounting as "share of results of an associate" on the Group's statement of comprehensive income. We consider that the impact of the Acquisition on the future earnings of the Group will depend on the actual operating performance of the Target Group following Completion, which in turn is subject to the risk factors stated in the ensuing section.

4. Risk factors

Set out below are the possible risk factors (which are not meant to be exhaustive) related to the Acquisition:

- the provision of expertise to nuclear power plants and skilled personnel are important to the operations of the Target Group, if the Target Group is unable to retain or replace the personnel, the business operations of the Target Group may be adversely affected

- the shortage of skilled personnel may adversely affect the operations of the Target Group

- safety accidents may occur during the operations of the Target Group which may adversely affect the business operations of the Target Group

- the operations of the Target Group may be adversely affected by operational risks which are caused by human error, fault or negligence or malfunctioning (or poorly maintained) equipment

- the business of the Target Group is subject to future changes in government regulations and policies. Compliance with such laws or regulations may incur capital expenditure or obligations, which may adversely affect the business prospect of the Target Group

- the Target Group may not be as profitable in the future as expected. If the future performance of the Target Group (in terms of, for example, actual sales contracts secured) falls substantially below expectation, the results of operations and financial conditions of the Target Group may be adversely affected

Independent Shareholders should bear in mind the possible risk factors associated with the Acquisition when considering the Acquisition as they may have different risk tolerance level.

RECOMMENDATION

Having considered the principal factors and reasons for entering into the Sale and Purchase Agreement above, we consider that the Acquisition is in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole and the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are of normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we advise the Independent Shareholders, to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the Acquisition and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
GF Capital (Hong Kong) Limited

Danny Wan
Managing Director and
Head of Corporate Finance

Harry Yu
Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors jointly and severally accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long Position in the Shares:

Name	Nature of interest	Number of Shares	Approximate percentage† of the issued share capital of the Company (%)
Mr. Chan Shu Kit *(Note)*	Interest of a controlled corporation	114,240,000	11.81

Note: Such Shares are held by Hoylake Holdings Limited, a company incorporated in the British Virgin Islands wholly-owned by Mr. Chan Shu Kit, an executive Director.

† The percentage represents the number of ordinary Shares interested divided by the number of the Company's issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

(a) Long Positions in the Shares:

Name	Nature of interest	Number of Shares	Approximate percentage† of the issued share capital of the Company (%)
CNEGC *(Note 1)*	Interest of controlled corporations	400,000,000	41.35
CNECC *(Note 1)*	Interest of controlled corporations	300,000,000	31.01
CNI23 *(Note 1)*	Interest of a controlled corporation	300,000,000	31.01
CNI23 HK *(Note 1)*	Directly beneficially owned	300,000,000	31.01
Zhong He Investment Company Limited *(Note 1)*	Interest of a controlled corporation	100,000,000	10.34

Name	Nature of interest	Number of Shares	Approximate percentage† of the issued share capital of the Company (%)
China He Investment (Hong Kong) Company Limited *(Note 1)*	Directly beneficially owned	100,000,000	10.34
Hoylake Holdings Limited *(Note 2)*	Directly beneficially owned	114,240,000	11.81
Zhao Xu Guang *(Note 3)*	Interest of controlled corporations	77,000,000	7.96
Prosper Alliance Investments Limited *(Note 3)*	Directly beneficially owned	60,000,000	6.20
Cheung Mui *(Note 4)*	Interest of a controlled corporation	60,000,000	6.20
Grand Honest Limited *(Note 4)*	Directly beneficially owned	60,000,000	6.20

Notes:

1. CNEGC indirectly holds interests in 100,000,000 Shares by virtue of its interests in 中核投資有限公司 (Zhong He Investment Company Limited.*) ("**Zhong He**") which in turn holds 100% interests in China He Investment (Hong Kong) Company Limited ("**China He Investment HK**"). CNEGC and Zhong He are deemed to be interested in these Shares.

   Further, CNEGC is deemed to be interested in 300,000,000 Shares by virtue of its approximately 79.2% interests in CNECC, which in turns holds 80% interests in CNI23. CNI23 in turns holds 100% interest in CNI23 HK. CNECC and CNI23 are also deemed to be interested in these Shares.

2. Hoylake Holdings Limited is a company incorporated in the British Virgin Islands wholly-owned by Mr. Chan Shu Kit, an executive Director.

3. Prosper Alliance Investments Limited is wholly-owned by Zhao Xu Guang. Mr Zhao is the sole member of Rui Tong Investments Limited which holds 17,000,000 Shares through unlisted cash settled derivatives of the Company.

4. Grand Honest Limited is wholly-owned by Cheung Mui.

† The percentage represents the number of ordinary Shares interested divided by the number of the Company's issued Shares as at the Latest Practicable Date.

(b) Long positions in underlying Shares of the Company:

Name	Capacity and nature of interest	Number of underlying shares held	Approximate percentage† of the Company's issued share capital (%)
Jiang Hailing *(Note)*	Interest of a controlled corporation	100,000,000	10.34
Shining Rejoice Limited *(Note)*	Directly beneficially owned	100,000,000	10.34

Note: Such interests in 100,000,000 underlying Shares are derived from the zero coupon rate unsecured redeemable convertible bonds due 2014 in the principal amount of HK$120,000,000,which are unlisted and physically settled. Jiang Hailing is deemed to be interested in these underlying Shares by virtue of her 100% interests in Shining Rejoice Limited.

† The percentage represents the number of underlying Shares interested divided by the number of the Company's issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors, whose interests are set out in the section headed "Interests of Directors and chief executive of the Company" above, had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

3. MATERIAL INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which have since 31 March 2012 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group. As the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group.

4. SERVICE CONTRACTS

Mr. Dong Yuchuan ("**Mr. Dong**"), the non-executive Director and Chairman of the Company and Mr. Guo Shuwei ("**Mr. Guo**"), an executive Director, are not entitled to receive any remuneration from the Company during their respective terms of appointment with the Company, however, the Company entered into a letter of appointment with each of them on 27 March 2012 to set out the terms of their respective appointments and to govern their relationships with the Company respectively. The terms of the letter of appointment of each Mr. Dong and Mr. Guo commenced on 16 December 2011 (being the date of their appointments as a Director) and ending on 15 December 2012 and is subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws of the Company.

Mr. Lei Jian ("**Mr. Lei**") and Mr. Han Naishan ("**Mr. Han**"), executive Directors, were appointed by the Company on 27 June 2011. Mr. Lei and Mr. Han are not entitled to receive any remuneration from the Company during their respective terms of appointment with the Company. The Company has renewed their respective letters of appointment on 1 June 2012 which set out the terms of their respective appointments and to govern their relationships with the Company. The term of the letter of appointment of each Mr. Lei and Mr. Han commenced on 27 June 2012 and ending on 26 June 2015 and is subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws of the Company.

Mr. Chan Shu Kit, executive Director and vice chairman and Mr. Chan Ho Man, executive Director, entered into their respective service agreements with the Company, both on 1 April 2011, for a term of two years which are subject to the terms of termination of their respective service agreements and also subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws of the Company. The remuneration of Mr. Chan Shu Kit was HK$1,008,000 annually for the first year of his service agreement which shall be subject to review by the Company after completion of the first year of his service agreement. The remuneration of Mr. Chan Ho Man was HK$696,000 annually for the first year of his service agreement which shall be subject to review by the Company after completion of the first year of his service agreement. The remuneration for each of Mr. Chan Shu Kit and Mr. Chan Ho Man remains the same after completion of the first year of their respective service agreements. Each of Mr. Chan Shu Kit and Mr. Chan Ho Man is entitled to a discretionary year-end bonus to be determined by the Board (Mr. Chan Shu Kit or Mr. Chan Ho Man (as the case may be) shall abstain from voting at the relevant meeting of the Board approving his entitlement of discretionary bonus).

Ms. Jian Qing ("**Ms. Jian**"), an executive Director, entered into a service contract with the Company with effect from 19 October 2009 for a term of three years which is subject to the terms of termination of her service agreement and also subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws of the Company. The current remuneration of Ms. Jian is HK$60,000 per month. In addition, Ms. Jian is entitled to a discretionary year-end bonus to be determined by the Board (other than Ms. Jian). On 1 August 2012, the Company has entered into a new service agreement with Ms. Jian which shall commence from 19 October 2012 for a term of three years and ending on 18 October 2015 (both dates inclusive) and is subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws of the Company. Pursuant to such new service agreement, the remuneration of Ms. Jian has remained the same.

Mr. Chung Chi Shing ("**Mr. Chung**") has been appointed as an executive Director with effect from 1 December 2010 for a term of three years which is subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws of the Company. The remuneration of Mr. Chung was HK$80,000 per month for the first year of his service agreement which shall be subject to the annual review by the Company after completion of the first year of his service agreement. The remuneration of Mr. Chung after completion of the first year of his service agreement has remained the same. In addition, Mr. Chung is entitled to a discretionary year-end bonus to be determined by the Board (other than Mr. Chung).

Mr. Song Limin ("**Mr. Song**"), executive Director and chief executive officer, entered into a new service agreement with the Company on 1 August 2012, pursuant to which Mr. Song is entitled to an annual remuneration of HK$600,000 during his term of appointment as a Director commencing from 19 August 2012 to 18 August 2015 (both days inclusive) (subject to the terms on termination under the service agreement and the Bye-laws of the Company). The Company also provides accommodation to Mr. Song during his term of employment. In addition, Mr. Song shall be entitled to a discretionary bonus annually to be determined by the remuneration committee of the Company and the Board. The remuneration of Mr. Song is determined with reference to the duties and responsibilities as an executive Director and chief executive officer of the Company as approved by the remuneration committee of the Company and the Board.

Mr. Chan Ka Ling, Edmond ("**Mr. Chan**"), an independent non-executive Director, entered into a letter of appointment with the Company with effect from 1 April 2011 which is subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws of the Company and the appointment shall be extended for a further period until 31 March 2013. Mr. Chan is paid a Director's fee of HK$150,000 per annum or such sum as may be approved by the Shareholders at general meeting from time to time and the Company will reimburse him for all expenses properly and reasonably incurred by him in the conduct of the Company's business or in discharging his duties as a Director. There is no variable remuneration payable under Mr. Chan's letter of appointment with the Company.

Each of Mr. Chang Nan ("**Mr. Chang**") and Dr. Dai Jinping ("**Dr. Dai**"), independent non-executive Directors, entered into a letter of appointment with the Company on 1 June 2012 pursuant to which each of them was entitled to receive a Director's fee of HK$150,000 per annum during their respective term of service for the period from 27 June 2012 to 26 June 2015 and is subject to retirement and re-election at each annual general meeting of the Company in accordance with the Bye-laws of the Company. Such Director's fee is determined with reference to the duties and responsibilities of the independent non-executive Directors as approved by the remuneration committee of the Company and the Board. Both Mr. Chang and Dr. Dai are not entitled to any bonus payment (whether fixed or discretionary in nature).

Mr. Yu Lei ("**Mr. Yu**"), an independent non-executive Director, has been appointed for an initial term of one year from 9 March 2012 to 8 March 2013, subject to retirement and re-election at the next annual general meeting of the Company pursuant to the Bye-laws of the Company. Mr. Yu is entitled to a Director's fee of HK$150,000 per annum. He is not entitled to any bonus payments (whether fixed or discretionary in nature). Mr. Yu's emolument has been determined by the remuneration committee of the Company and the Board with reference to his duties and responsibilities. Mr. Yu has signed a letter of appointment with the Company on 8 March 2012 which becomes effective from 9 March 2012.

Save as disclosed above and as at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors or proposed Directors and the Company or any member of the Group, excluding contracts expiring or determinable by the Group within a year without payment of any compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors or their respective associates had any interests in any business which competed or might compete with the business of the Group as at the Latest Practicable Date.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there was no material adverse change in the financial and trading position of the Company since 31 March 2012, being the date to which the latest published audited accounts of the Company were made up.

7. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Group.

8. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
GF Capital (Hong Kong) Limited	a licensed corporation under the SFO to conduct Type 6 (advising on corporate finance) regulated activity

GF Capital has given and has not withdrawn its written consent to the issue of this circular with the opinion included in the form and context in which it is included and the references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, GF Capital had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominee persons to subscribe for securities in any member of the Group, nor did they have any direct or indirect interest in any assets which had been, since 31 March 2012, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. MISCELLANEOUS

(a) Mr. Tam Cheuk Ho is the company secretary of the Company. He is a certified public accountant and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants (UK).

(b) The Hong Kong branch share registrar of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(c) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company in Hong Kong is Room 2801, 28/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(d) The registered address of GF Capital is situated at Suites 2301-05 & 2313, COSCO Tower, 183 Queen's Road Central, Hong Kong.

(e) If there is any inconsistency between the Chinese names of the PRC entities, departments, facilities or titles mentioned in this circular and their English translation, the Chinese version shall prevail. Other than that, the English text of this circular shall prevail over the Chinese text in the case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at Room 2801, 28/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays), from the date of this circular up to and including the date of the SGM:

(a) the Memorandum and Bye-laws of the Company;

(b) the Sale and Purchase Agreement;

(c) the letter from the Independent Board Committee, the text of which is set out in this circular;

(d) the letter of advice from GF Capital to the Independent Board Committee and the Independent Shareholders, the text of which is set out in this circular;

(e) the consent letter from GF Capital referred to in the paragraph headed "Qualification and consent of expert" in this Appendix;

(f) the audited consolidated accounts of the Group for the years ended 31 March 2011 and 2012;

(g) the service contracts or letters of appointment referred to in the paragraph headed "Service Contracts" in this Appendix; and

(h) this circular.

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)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("**SGM**") of China Nuclear Industry 23 International Corporation Limited ("**Company**") will be held at Jade Terrace Restaurant, 2nd Floor, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 5 October 2012 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following as an ordinary resolution, with or without amendments.

ORDINARY RESOLUTION

"**THAT**

(a) the sale and purchase agreement dated 17 August 2012 (the "**Sale and Purchase Agreement**") entered into between CNI23 Holdings Company Limited, a direct wholly-owned subsidiary of the Company, as purchaser (the "**Purchaser**") and China Nuclear Industry 23 Construction (Hong Kong) Company Limited as vendor (the "**Vendor**") in relation to the acquisition by the Purchaser from the Vendor of 26.5% equity interests of 深圳中核二三核電檢修有限公司 (Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd.*) for a consideration of RMB50,000,000 (equivalent to HK$61,305,000), copy of the Sale and Purchase Agreement is marked "**A**" and produced to the SGM and signed by the chairman of the SGM for identification purpose and the transactions contemplated thereunder be and are hereby ratified, confirmed and approved; and

(b) the Directors be and are hereby authorised to do all such acts and things and execute all such documents which they consider necessary, desirable or expedient for the implementation of and giving effect to the Sale and Purchase Agreement and the transactions contemplated thereunder."

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

Hong Kong, 17 September 2012

* *For identification purposes only*

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal Place of Business in Hong Kong:
Room 2801, 28/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Notes:

1. Any shareholder of the Company entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies (if the member is a holder of two or more shares) to attend and vote in his/her stead in accordance with the Bye-laws of the Company. A proxy need not be a shareholder of the Company.

2. Where there are joint registered holders of any shares, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such shares as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

3. In order to be valid, the form of proxy must be duly lodged at the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notarially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the SGM or any adjourned meeting. Delivery of the form of proxy shall not preclude shareholders of the Company from attending and voting in person at the SGM or at any adjourned meeting.

4. Completion and return of a form of proxy will not preclude a shareholder from attending in person and voting at the SGM or any adjournment thereof, should he/she so wish, and in such event, the form of proxy shall be deemed to be revoked.

5. The resolution set out in this notice shall be voted by way of poll of the shareholders of the Company at the SGM.