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中国核建

CHINA NUCLEAR INDUSTRY 23 INTERNATIONAL CORPORATION LIMITED

中國核工業二三國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 611)

CONTINUING CONNECTED TRANSACTIONS

HUADONG TECHNICAL CONSULTANCY AGREEMENT

On 2 January 2015 (after trading hours on the Stock Exchange), CNI23 Energy, an indirect non-wholly-owned subsidiary of the Company, entered into the Huadong Technical Consultancy Agreement with CNI23 Huadong Branch, pursuant to which CNI23 Huadong Branch has agreed to engage CNI23 Energy as its contractor for the provision of technical consultancy and project management services in respect of the Huadong Solar Projects. The total contract value of the Huadong Technical Consultancy Agreement is RMB16,400,000 (equivalent to approximately HK\$20,759,494).

As at the date of this announcement, CNI23 Energy is wholly-owned by CNI23 (Nanjing) which is in turn wholly-owned by Guoxin Energy. Guoxin Energy is owned as to 51% by CNI23 New Energy (a wholly-owned subsidiary of the Company). The Company is owned as to 36.3% by China He Investment. The ultimate beneficial owner of China He Investment is CNEGC which is the controlling shareholder of CNECC and CNECC holds 80% shareholding interest of CNI23. Therefore, CNI23 is a connected person of the Company within the meaning of the Listing Rules.

As all applicable percentage ratios in respect of the Huadong Proposed Cap are less than 5% even though the annual consideration receivable by the Company for performing the work pursuant to the Huadong Technical Consultancy Agreement in the year ending 31 December 2015 is more than HK\$10,000,000, the transactions contemplated under the Huadong Technical Consultancy Agreement and the Huadong Proposed Cap are subject to the reporting, announcement and annual review requirements but exempted from the circular (including independent financial advice) and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

However, since the Huadong CCT is between the Group and its connected persons at the subsidiary level on normal commercial terms or better, and (i) the Board has approved the Huadong Technical Consultancy Agreement; and (ii) the Independent Non-executive Directors have confirmed that the terms of the Huadong CCT are fair and reasonable, the Huadong CCT is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, under Rule 14A.101 of the Listing Rules, they are exempt from the circular, independent financial advice and Independent Shareholders' approval requirements under the Listing Rules.

ENTERING INTO THE HUADONG TECHNICAL CONSULTANCY AGREEMENT

The Huadong Technical Consultancy Agreement

Date

2 January 2015 (after trading hours)

Parties

- (1) CNI23 Energy; and
- (2) CNI23 Huadong Branch

As at the date of this announcement, CNI23 Energy is wholly-owned by CNI23 (Nanjing) which is in turn wholly-owned by Guoxin Energy. Guoxin Energy is owned as to 51% by CNI23 New Energy (a wholly-owned subsidiary of the Company). The Company is owned as to 36.3% by China He Investment. The ultimate beneficial owner of China He Investment is CNEGC which is the controlling shareholder of CNECC and CNECC holds 80% shareholding interest of CNI23. Therefore, CNI23 is a connected person of the Company within the meaning of the Listing Rules.

Term

The Huadong Technical Consultancy Agreement shall take effect upon obtaining of the Independent Non-executive Directors' approval to the Huadong Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Proposed Cap until completion of the obligations under the Huadong Technical Consultancy Agreement by both parties which shall not be later than 31 December 2015.

Nature of Transactions

Pursuant to the Huadong Technical Consultancy Agreement, CNI23 Energy has agreed to provide technical consultancy and project management services in relation to the Huadong Solar Projects to CNI23 Huadong Branch.

Consideration

The total contract value of the Huadong Technical Consultancy Agreement is RMB16,400,000 (equivalent to approximately HK\$20,759,494) which shall be payable by CNI23 Huadong Branch to CNI23 Energy in the following manners:

- (i) 10% of the total contract value payable before 19 February 2015;

- (ii) 30% of the total contract value payable before 1 May 2015;
- (iii) 30% of the total contract value payable before 1 August 2015; and
- (iv) 30% of the total contract value payable before 1 October 2015.

HUADONG PROPOSED CAP

The following table sets out the aggregate annual cap in respect of the continuing connected transactions under the Huadong Technical Consultancy Agreement for the financial year ending 31 December 2015.

Continuing connected transactions	Proposed transaction amount for the year ending 31 December 2015 (RMB'000)
<i>Pursuant to the Huadong Technical Consultancy Agreement</i>	
— provision of technical consultancy and project management services	16,400 <i>(equivalent to approximately HK\$20,759,494)</i>

Basis in determining the Huadong Proposed Cap

In determining the Huadong Proposed Cap, the Board has based their estimates on the contract value of the Huadong Technical Consultancy Agreement for the financial year ending 31 December 2015. Important and objective assumptions and factors, though not exhaustive but were arrived at after due and careful consideration of data currently in hand, are set out as below:

- (i) the extent of the engineering design services (such as construction plan and relevant design and drawings) required to be provided by CNI23 Energy in relation to the Huadong Solar Projects; and
- (ii) the expected unit prices of relevant engineering design, technical consultancy and project management services.

The Company has estimated the extent of engineering design, technical consultancy and project management services based on (i) the number of man-hour of engineering, technical consultancy and project management staff; (ii) the number and grade of drawing papers; and (iii) the number of travelling frequency of engineering, technical consultancy and project management staff necessary to perform the work for the Huadong Solar Projects as specified in the Huadong Technical Consultancy Agreement.

The Company has enquired a consultancy service company for the general salary level of relevant staff to provide similar services in the solar energy industry to determine the unit engineering, technical consultancy and project management staff cost. The services fee was then determined based on such unit staff cost level plus, among other things, the expected related expenses, such as staff travelling cost.

The pricing policy for the continuing connected transactions under the Huadong Technical Consultancy Agreement has been determined based on normal commercial terms and in the ordinary and usual course of business of the Group and based upon the fair market price which are in principle no less favourable than the terms which can be obtained by CNI23 Energy from independent third parties for the provision of similar engineering, technical consultancy and project management services. Pricing has been agreed upon between the parties for the services provided by CNI23 Energy by reference to the aforementioned pricing policy through arm's length negotiations.

Since the Company has determined the abovementioned pricing for the Huadong Solar Projects with reference to the market price or third party quotations, the Company considered that such pricing should be comparable with that obtained from independent third parties.

REASONS FOR AND BENEFIT OF THE ENTERING INTO THE HUADONG TECHNICAL CONSULTANCY AGREEMENT

The Group is principally engaged in new energy operations (such as provision of EPC services for solar energy plant developers) in the PRC, restaurants and hotels operation and property investments in Hong Kong. In addition, the Group has been participating in other businesses such as (i) inspection, maintenance, repair, construction, installation and provision of expertise in such works for nuclear power plants; and (ii) sub-contracting of overseas engineering and construction projects via its subsidiaries and associated companies.

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.

CNI23 (Nanjing), an indirect non-wholly-owned subsidiary of the Company established on 1 February 2013, is principally engaged in technical advisory and provision of technical services; wholesale of electrical equipment; wholesale of solar power components; procurement, completion of full set and installation of machinery and equipment and commissioning services. CNI23 Energy is a wholly-owned subsidiary of CNI23 (Nanjing) established on 14 March 2013 which is principally engaged in the provision of sub-contracting services in relation to new energy projects such as procurement and sale of equipment and materials, installation and testing of equipment, design, construction and technical consultancy. Through CNI23 (Nanjing) and CNI23 Energy, the Group has been participating in various construction projects for solar energy plants with different scales in term of MWp. Besides, CNI23 Energy also possesses the Certificate of Class-B Qualification for Engineering Design in relation to Electricity Industry (Generation of New Energy) (電力行業(新能源發電)專業乙級工程設計資質證書) which allows CNI23 Energy to participate in the provision of main contracting, project management and related technical and management services in the fields specified therein. During the financial years ended 31 December 2013 and 2014, CNI23 Energy entered into several agreements with connected persons of the Group in relation to the EPC projects in order to further expand its business scope and establish its market position in the new energy industry by utilizing the expertise, qualification and resources of CNI23 (Nanjing) and CNI23 Energy as well as to generate additional revenue stream.

The Board considers that the continuing connected transactions contemplated under the Huadong Technical Consultancy Agreement were entered into in the ordinary course of business of the Group and on normal commercial terms, and the terms and conditions therein (including the Huadong Proposed Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board (including the Independent Non-executive Directors) considers that the Huadong CCT will be carried out in the ordinary and usual course of business of CNI23 Energy and on normal commercial terms or better from the perspective of CNI23 Energy, and the terms of the transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CNI23 Energy is wholly-owned by CNI23 (Nanjing) which is in turn wholly-owned by Guoxin Energy. Guoxin Energy is owned as to 51% by CNI23 New Energy (a wholly-owned subsidiary of the Company). The Company is owned as to 36.3% by China He Investment. The ultimate beneficial owner of China He Investment is CNEGC which is the controlling shareholder of CNECC and CNECC holds 80% shareholding interest of CNI23 which wholly-owns CNI23 Huadong Branch. Therefore, CNI23 is a connected person of the Company within the meaning of the Listing Rules.

As all applicable percentage ratios in respect of the Huadong Proposed Cap are less than 5% even though the annual consideration receivable by the Company for performing the work pursuant to the Huadong Technical Consultancy Agreement in the year ending 31 December 2015 is more than HK\$10,000,000, the transactions contemplated under the Huadong Technical Consultancy Agreement and the Huadong Proposed Cap are subject to the reporting, announcement and annual review requirements but exempted from the circular (including independent financial advice) and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

However, since the Huadong CCT is between the Group and its connected persons at the subsidiary level on normal commercial terms or better, and (i) the Board has approved the Huadong Technical Consultancy Agreement; and (ii) the Independent Non-executive Directors have confirmed that the terms of the Huadong CCT are fair and reasonable, the Huadong CCT is on normal commercial terms or better and in the interests of the Company and its Shareholders as a whole, under Rule 14A.101 of the Listing Rules, they are exempt from the circular, independent financial advice and Independent Shareholders' approval requirements under the Listing Rules.

DEFINITIONS

In the announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“China He Investment”	China He Investment (Hong Kong) Company Limited 中核投資(香港)有限公司, a company incorporated in Hong Kong with limited liability;
“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 and owns 80% of CNI23;

“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;
“CNI23 Energy”	南京中核二三能源工程有限公司 (transliterated as Nanjing CNI23 Energy Engineering Company Limited*), an indirect non-wholly-owned subsidiary of the Company established in the PRC;
“CNI23 Huadong Branch”	中國核工業二三建設有限公司華東分公司 (transliterated as China Nuclear Industry 23 Construction Company Limited Huadong Branch*), a branch of CNI23 which was established in the PRC;
“CNI23 (Nanjing)”	中核二三(南京)能源發展有限公司 (CNI23 (Nanjing) Energy Development Company Limited), an indirect non-wholly-owned subsidiary of the Company which was established in the PRC;
“CNI23 New Energy”	CNI23 New Energy Limited (中核二三新能源有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
“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;
“connected person(s)”	has the same meaning ascribed thereto in the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EPC”	engineering, procurement and construction;
“Fame Raise”	Fame Raise Limited, a limited liability company incorporated in the British Virgin Islands;
“Group”	the Company and its subsidiaries;
“Guoxin Energy”	Guoxin Energy Limited, a limited liability company incorporated in Hong Kong, which is owned as to 51% by CNI23 New Energy, 29.9% by Fame Raise and 19.1% by Triple Delight;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Huadong CCT”	the transactions contemplated under the Huadong Technical Consultancy Agreement to be carried out in the year ending 31 December 2015;

“Huadong Proposed Cap”	the annual cap for the continuing connected transactions contemplated under the Huadong Technical Consultancy Agreement for the financial year ending 31 December 2015;
“Huadong Solar Projects”	the technical consultancy services projects and various project management services projects including 揚州經濟開發區10MWp 光伏電站項目可研及8MW施工圖設計，中廣核青海省海南州共和縣離網光伏電站項目，滄州市南大港管理區中科索能光伏發電有限公司40MW生態農業光伏發電項目 and 白溝屋頂用戶光伏發電項目 (transliterated as Yangzhou Economic Zone 10MWp Solar Power Station Project and 8MW engineering design*, Zhongguanghe Qinghai Province Hainanzhou Gonghe County Solar Power Station Project*, Cangzhou City Nandagang Management District Zhongke Suoneng Solar Power Company Limited 40MW Agricultural Solar Power Project* and the Baigou Rooftop Solar Power Project*) pursuant to the Huadong Technical Consultancy Agreement;
“Huadong Technical Consultancy Agreement”	the agreement dated 2 January 2015 entered into between CNI23 Energy and CNI23 Huadong Branch in relation to the provision of engineering design, technical consultancy and project management services to CNI23 Huadong Branch in respect of the Huadong Solar Projects;
“Independent Non-executive Directors”	the independent non-executive Directors of the Company;
“Independent Shareholder(s)”	Shareholder(s) other than China He Investment and its associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“MWp”	Megawatt Peak;
“PRC”	the People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“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;
“subsidiary”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);

“Triple Delight” Triple Delight Limited, a limited liability company incorporated in the British Virgin Islands;

“%” per cent.

By order of the Board
China Nuclear Industry 23
International Corporation Limited
AI Yilun
Chairman

Hong Kong, 2 January 2015

For the purposes of illustration only, any amount denominated in RMB in this announcement was translated into HK\$ at the rate of RMB0.79 = HK\$1. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

As at the date of this announcement, the Directors are: Mr. Ai Yilun, who is the chairman and an executive Director; Mr. Chan Shu Kit, who is the vice-chairman and an executive Director; Mr. Han Naishan, Mr. Gao Yongping, Mr. Fu Zhigang, Ms. Jian Qing, Mr. Chung Chi Shing and Mr. Tang Chuanqing, all of whom are executive Directors; and Mr. Chan Ka Ling, Edmond, Mr. Li Baolin, Mr. Wang Jimin and Mr. Chen Ying, all of whom are independent non-executive Directors.

* *for identification purposes only*