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CHINA NUCLEAR ENERGY TECHNOLOGY CORPORATION LIMITED
中國核能科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 611)

**MAJOR AND CONNECTED TRANSACTION IN RELATION TO
THE DISPOSAL OF 14.43% EQUITY INTEREST IN
CHINA NUCLEAR INDUSTRY MAINTENANCE CO., LTD.***

Independent Financial Adviser to the Company



THE DISPOSAL

On 18 November 2021 (after trading hours), the Vendor, a direct wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with the Purchaser, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase 14.43% equity interest in the Target Company at a consideration of RMB141,110,970 (approximately equivalent to HK\$171,891,598.55) in cash.

The Target Company is an associate company of the Group and the results and assets and liabilities of the Target Company have been accounted for in the consolidated financial statements of the Group under equity method of accounting. Upon the Disposal Completion, the Target Company will cease to be an associate company of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the Purchaser is a direct wholly-owned subsidiary of CNNC which is the controlling shareholder of the Company. Therefore, the Purchaser is a connected person of the Company and the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Disposal exceed 25% but are all less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and the Disposal is subject to the reporting, announcement and Independent Shareholders' approval requirements.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Equity Transfer Agreement and the transactions contemplated thereunder. Octal Capital Limited has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

SGM

The SGM will be convened and held for the purposes of considering and, if thought fit, approving, among other things, the Equity Transfer Agreement and the transactions contemplated thereunder. CNNC and its associates shall be required to abstain from voting on the resolution(s) regarding the Equity Transfer Agreement and the transactions contemplated thereunder at the SGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Disposal and is required to abstain from voting on the aforesaid resolutions of the Company at the SGM.

General

A circular containing, among other matters, further information on (i) the Equity Transfer Agreement and the transactions contemplated thereunder; (ii) a letter of recommendations from the Independent Board Committee to the Independent Shareholders in respect of the Equity Transfer Agreement and the transactions contemplated thereunder; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM is expected to be despatched to the Shareholders on or before 9 December 2021.

Shareholders and potential investors of the Company should note that the Disposal Completion is subject to the satisfaction of the conditions precedent set out in the Equity Transfer Agreement and may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the securities of the Company.

THE DISPOSAL

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THE EQUITY TRANSFER AGREEMENT

Date

18 November 2021 (after trading hours)

Parties

- (a) the Vendor; and
- (b) the Purchaser.

Assets to be disposed

Pursuant to the Equity Transfer Agreement, the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase 14.43% equity interest in the Target Company.

The Target Company is an associate company of the Group and the results and assets and liabilities of the Target Company have been accounted for in the consolidated financial statements of the Group under equity method of accounting. Upon the Disposal Completion, the Target Company will cease to be an associate company of the Group.

Consideration

Pursuant to the Equity Transfer Agreement, the initial consideration for the Disposal is RMB141,110,970 (approximately equivalent to HK\$171,891,598.55) (the “**Consideration**”) and shall be paid by the Purchaser to the Vendor in full and in a lumpsum within 20 days after registration at relevant PRC governmental authorities to effect the changes in the shareholding structure as the result of the Disposal, which will take place within 15 business days after all conditions precedent of the Disposal have been satisfied or waived (as the case may be).

The Consideration for the Disposal was agreed between the Vendor and the Purchaser after arm’s length negotiations based on the valuation of the assets of the Target Company as at 30 June 2021 in a valuation report prepared by 中瑞世聯資產評估集團有限公司 (transliterated as Zhongrui Shilian Asset Valuation Group Limited Company*), an independent and duly qualified PRC valuer using the income-based approach on 14 November 2021, subject to adjustment based on the valuation of the assets of the Target Company in the valuation report to be filed with the SASAC or its authorized and/or designated entity in PRC.

Conditions Precedent

The Equity Transfer Agreement will become effective upon the satisfaction of the following conditions:

- (a) approval by the Independent Shareholders in respect of the Equity Transfer Agreement and the Disposal contemplated thereunder having been obtained by the Purchaser under the Listing Rules;

- (b) approval by the SASAC or its authorized and/or designated entity in the PRC in respect of the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained; and
- (c) relevant valuation reports having been filed with the SASAC or its authorized and/or designated entity in the PRC;

The above conditions (a) to (c) (inclusive) cannot be waived in any event.

Completion of the Disposal is conditional upon the satisfaction (if applicable, waiver) of the following conditions on or before the Long Stop Date:

- (a) all the required internal approvals, approvals by governmental or administrative authorities in Hong Kong in respect of the Equity Transfer Agreement and the transactions contemplated thereunder having been obtained by the Vendor;
- (b) all the required internal approvals, approvals by governmental or administrative authorities in the PRC in respect of the Equity Transfer Agreement and the Disposal contemplated thereunder having been obtained by the Purchaser;
- (c) the warranties, representations and undertaking given by the Vendor under the Equity Transfer Agreement remaining true and accurate in all respects and not misleading;
- (d) the warranties, representations and undertaking given by the Purchaser under the Equity Transfer Agreement remaining true and accurate in all respects and not misleading;
- (e) all parties having duly performed and complied with duties and obligations provided in the Equity Transfer Agreement in all and any material aspects, and having not breached any of the undertakings they had made in the Equity Transfer Agreement; and
- (f) the relevant shareholders of the Target Company having consented to waive any right of first refusal in respect of the Equity Transfer Agreement and the transactions contemplated thereunder.

The Purchaser reserves the right to waive the above conditions (a), (c) and (e); the Vendor reserves the right to waive the above conditions (b), (d) and (e); the above condition (f) cannot be waived.

As at the date of this announcement, none of the above conditions precedent has been satisfied or waived.

Disposal Completion

The Disposal Completion shall occur immediately upon the satisfaction (if applicable, waiver) of all conditions precedent of the Disposal or such other date as the Vendor and the Purchaser may agree in writing.

Upon the Disposal Completion, the Target Company will cease to be an associate company of the Group.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability. It is principally engaged in the (a) construction work for various types of nuclear reactors, nuclear power plants, and radioactive chemical engineering projects in the PRC; (b) businesses of maintenance of nuclear power plants; and (c) the provision of electrical equipment technology consultancy and technical services.

Set out below is the audited financial information of the Target Company for the two financial years ended 31 December 2019 and 2020 prepared in accordance with the generally accepted accounting standards in the PRC are as follows:

	For the year ended 31 December 2019 RMB (audited)	For the year ended 31 December 2020 RMB (audited)
Net Profit before tax	121,209,082.92	153,417,280.63
Net Profit after tax	105,221,968.33	133,395,527.50

The audited net asset value of the Target Company as at 31 December 2020 was RMB634,077,628.98.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

Upon Disposal Completion, the Company will focus on its new energy operations in the PRC. Besides, the Consideration will be settled in cash which would be used to repay the loans of the Company and improve the liquidity of the Company.

The Directors, including the independent non-executive Directors, (other than directors who had abstained from voting on the Board resolutions) are of the view that the transactions contemplated under the Equity Transfer Agreement are entered into after arm’s length negotiation in the ordinary course of business on normal commercial terms or better, and the terms of the Equity Transfer Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Based on the consideration for the Disposal and the net assets value of the equity interests to be disposed of, it is estimated that a gain of approximately HK\$11,900,000 (after profits tax paid) will be recognized. The actual gain or loss from the Disposal to be recorded by the Company will depend on the audited consolidated financial statements of the Company.

Upon the Disposal Completion, the Target Company will cease to be an associate company of the Group.

The Group intends to utilize the proceeds for the repayment of the loans of the Company.

INFORMATION OF THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Vendor is a company incorporated in the British Virgin islands with limited liability and is a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

The Purchaser is a company established in the PRC with limited liability and principally engaged in investment holding. It is a direct wholly-owned subsidiary of CNNC, the controlling shareholder of the Company, which is a state-owned enterprise established in the PRC and ultimately owned by the SASAC and is primarily engaged in nuclear energy utilization, natural uranium, nuclear fuel and nuclear technology application, engineering construction, nuclear environmental protection, equipment manufacturing, financial investment and other core industries, as well as market-oriented emerging industries such as nuclear industry services, new energy, trade, and health care.

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DEFINITIONS

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

“Board”	the board of Directors
“CNNC”	China National Nuclear Corporation (中國核工業集團有限公司), a state-owned enterprise established in the PRC, the controlling shareholder of the Company as at the date of this announcement

“Company”	China Nuclear Energy Technology Corporation Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 611)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 14.43% equity interest in the Target Company by the Vendor to the Purchaser pursuant to the Equity Transfer Agreement
“Disposal Completion”	the completion of the Disposal
“Equity Transfer Agreement”	the equity transfer agreement dated 18 November 2021 entered into between the Vendor and the Purchaser in relation to the Disposal
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, established to consider the terms of the Equity Transfer Agreement and the transactions contemplated thereunder and to advise the Independent Shareholders in this regard
“Independent Financial Adviser”	Octal Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and appointed by the Company for the purposes of advising the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement and the transactions contemplated thereunder

“Independent Shareholders”	Shareholders who, under the Listing Rules, are not required to abstain from voting for the transactions contemplated under the Equity Transfer Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 December 2021 or such later date as the Vendor and the Purchaser may agree
“PRC”	the People’s Republic of China, which for the purposes of this announcement, shall exclude Hong Kong, Macau Special Administrative Region and Taiwan
“Purchaser”	中核投資有限公司 (transliterated as China Nuclear Investment Company Limited*), a company established in the PRC with limited liability and direct wholly-owned subsidiary of CNNC
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“SGM”	a special general meeting of the Company to be convened and held for the purposes of, among other matters, considering and, if thought fit, approving the Equity Transfer Agreement 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 Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	中核檢修有限公司 (transliterated as China Nuclear Industry Maintenance Co., Ltd.*), a company established in the PRC with limited liability
“Vendor”	CNE Holdings Company Limited (中國核能控股有限公司), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company

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

Hong Kong, 18 November 2021

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

For the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this announcement is based on the exchange rate of HK\$1.00 to RMB0.82093. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

* *For identification purpose only*