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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt about any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer 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, transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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

### Financial Adviser to the Company



八方 金融有限公司  
OCTAL Capital Limited

### Independent financial adviser to the Independent Board Committee and the Independent Shareholders



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

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Capitalised terms used in this cover have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 7 to 28 of this circular. A letter from the Independent Board Committee is set out on pages 29 to 30 of this circular.

A letter from GF Capital (Hong Kong) Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, is set out on pages 31 to 50 of this circular.

A notice convening the special general meeting 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 Tuesday, 24 December 2013 at 11:00 a.m. is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the special general meeting or any adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting (as the case may be) should you so wish.

6 December 2013

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

“associates”	has the meaning ascribed thereto in the Listing Rules;
“Baoying Project”	寶應30MWp漁光互補光伏發電項目 (transliterated as Baoying 30MWp fishing-solar complementary PV power project*);
“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;
“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 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;
“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 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 established in the PRC;
“CNI23 (Nanjing) Framework Agreement”	the framework agreement dated 3 May 2013 entered into between CNI23 (Nanjing) and CNI23 Huadong Branch in relation to the provision of procurement of construction equipment and materials and technical consultancy and project management services;
“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;

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## DEFINITIONS

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“CNI Independent Shareholder(s)”	Shareholder(s) other than CNI23 HK and China He Investment and their respective associates;
“Company”	China Nuclear Industry 23 International Corporation Limited, 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;
“Datong Engineering Agreement”	the agreement dated 15 November 2013 entered into between CNI23 Energy and GCL Datong in relation to the provision of engineering design services to GCL Datong in respect of the Datong Solar Project;
“Datong EPC Agreements”	the Datong Engineering Agreement and the Datong Procurement and Construction Agreement;
“Datong Procurement and Construction Agreement”	the agreement dated 15 November 2013 entered into between CNI23 Energy and GCL Datong in relation to the provision of procurement and construction services to GCL Datong in respect of the Datong Solar Project;
“Datong Proposed Cap”	the annual cap for the continuing connected transactions contemplated under the Datong EPC Agreements for the financial year ending 31 December 2013;
“Datong Solar Project”	大同協鑫二期60MW光伏發電項目 (transliterated as Datong Xiexin 60MW PV Project Phase II*);
“Director(s)”	the director(s) of the Company;
“Engineering Proposed Cap”	the annual cap for the continuing connected transactions contemplated under the First Solar Engineering Agreement and the Second Solar Engineering Agreement for the financial year ending 31 December 2013;
“EPC”	engineering, procurement and construction;
“Equipment and Materials Procurement Agreement”	the agreement dated 3 May 2013 entered into between CNI23 (Nanjing) and CNI23 Huadong Branch in relation to the procurement of construction equipment and materials and provision of related technical support services for the Yangzhou Project and the Baoying Project;
“Fame Raise”	Fame Raise Limited, a limited liability company incorporated in the British Virgin Islands;

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## DEFINITIONS

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“First Agreements”	the Equipment and Materials Procurement Agreement and the First Technical Consultancy Agreement;
“First Solar Engineering Agreement”	the agreement dated 21 June 2013 entered into between CNI23 Energy and GCL Solar System in relation to the provision of engineering design services for the Remaining Projects by CNI23 Energy to GCL Solar System;
“First Technical Consultancy Agreement”	the agreement dated 3 May 2013 entered into between CNI23 (Nanjing) and CNI23 Huadong Branch in relation to the provision of technical consultancy and project management services for the Yangzhou Project and the Baoying Project;
“Fuhai Project”	福海漢能一期20MWp併網光伏電站項目 (transliterated as Fuhai Hanneng 20MWp grid-connection PV Project Phase I*);
“GCL Datong”	大同縣協鑫光伏電力有限公司 (transliterated as Datong Xian GCL Solar Power Co., Ltd.*), an indirect wholly-owned subsidiary of GCL-Poly Energy;
“GCL Independent Shareholder(s)”	Shareholder(s) other than Golden Concord and its associates (if they are Shareholders as at the date of the SGM);
“GCL-Poly Energy”	GCL-Poly Energy Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange;
“GCL Solar System”	Golden Concord Solar System Limited 協鑫光伏系統有限公司, a limited liability company established in the PRC;
“GF Capital” or “Independent Financial Adviser”	GF Capital (Hong Kong) Limited, a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity under the SFO, and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap;
“Golden Concord”	Golden Concord Group Limited 協鑫集團有限公司, a limited liability company incorporated in Hong Kong;
“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;

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## DEFINITIONS

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“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Huadong Existing Cap”	the annual cap for the continuing connected transactions contemplated under the CNI23 (Nanjing) Framework Agreement for the financial year ending 31 December 2013, taking into account the First Agreements and the Second Agreements, which were approved by the CNI Independent Shareholders at the special general meeting of the Company held on 21 June 2013;
“Huadong Revised Cap”	the revised annual cap for the continuing connected transactions contemplated under the CNI23 (Nanjing) Framework Agreement for the financial year ending 31 December 2013, taking into account the aggregate historical transaction amount under the First Agreements and the Second Agreements and the additional transaction amount under the Third Technical Consultancy Agreement, to be approved by the CNI Independent Shareholders at the SGM;
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors to advise the Independent Shareholders on the Datong EPC Agreements and the transactions contemplated thereunder, the Datong Proposed Cap, the Third Technical Consultancy Agreement and the transactions contemplated thereunder, and the Huadong Revised Cap;
“Independent Shareholder(s)”	CNI Independent Shareholder(s) and GCL Independent Shareholder(s);
“Jinjiang Project”	晉江市經濟開發區10MWp光伏併網金太陽項目 (transliterated as Golden-sun project for the 10MWp PV grid-connection in Jinjiang Economic Development Zone*);
“Latest Practicable Date”	4 December 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein;
“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 circular shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;

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## DEFINITIONS

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“PV”	Photovoltaic;
“Remaining Projects”	the EPC projects for PV power plants which GCL Solar System has undertaken prior to the signing of a shareholders’ agreement dated 6 January 2013 among Guoxin Energy, CNI23 New Energy, Fame Raise and Triple Delight and the EPC projects for PV power plants that GCL Solar System would undertake pursuant to the said shareholders’ agreement (having obtained the prior written consent from CNI23 New Energy);
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Agreements”	the Second Equipment and Materials Procurement Agreement and the Second Technical Consultancy Agreement;
“Second Equipment and Materials Procurement Agreement”	the agreement dated 24 May 2013 entered into between CNI23 (Nanjing) and CNI23 Huadong Branch in relation to the procurement of construction equipment and materials and provision of related technical support services for further development of the Baoying Project and the Jinjiang Project;
“Second Solar Engineering Agreement”	the agreement dated 15 November 2013 entered into between CNI23 Energy and GCL Solar System in relation to the provision of engineering design services for the Remaining Projects by CNI23 Energy to GCL Solar System;
“Second Technical Consultancy Agreement”	the agreement dated 24 May 2013 entered into between CNI23 (Nanjing) and CNI23 Huadong Branch in relation to the provision of technical consultancy and project management services for the Jinjiang Project;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	a special general meeting of the Company to be convened and held to approve, if thought fit, (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap;
“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;

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## DEFINITIONS

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“subsidiary”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
“Third Technical Consultancy Agreement”	the agreement dated 15 November 2013 entered into between CNI23 Energy and CNI23 Huadong Branch in relation to the provision of technical consultancy and project management services for the Fuhai Project and the Weishan Project;
“Triple Delight”	Triple Delight Limited, a limited liability company incorporated in the British Virgin Islands;
“Weishan Project”	中廣核太陽能山東微山30MWp光伏電站建安施工項目標段一及二 (transliterated as China-Guangdong Nuclear Solar Shandong Weishan 30MWp PV Plant Construction Project I and II*);
“Yangzhou Project”	揚州經濟開發區光伏發電示範項目出口加工區2MW子項目 (transliterated as 2MW project of PV power demonstration projects export processing zones in Yangzhou Economic Development Zone*);
“Zhu’s Family Trust”	a discretionary trust with Mr. Zhu Gongshan (a director and the chairman of GCL-Poly Energy and Fame Raise) and his family (including Mr. Zhu Yufeng, a director of GCL-Poly Energy and Fame Raise and the son of Mr. Zhu Gongshan) as beneficiaries; and
“%”	per cent.

*For the purposes of illustration only, any amount denominated in RMB in this circular and translated into HK\$ was translated at the rate of RMB0.79082 = HK\$1. Such translation 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.*

\* for identification purpose only



# 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. 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

6 December 2013

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

Dear Sir or Madam,

## CONTINUING CONNECTED TRANSACTIONS

### INTRODUCTION

Reference is made to the announcement of the Company dated 15 November 2013.

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## LETTER FROM THE BOARD

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On 15 November 2013, CNI23 Energy, an indirect non-wholly-owned subsidiary of the Company, entered into the following agreements with GCL Datong, GCL Solar System and CNI23 Huadong Branch respectively, which are connected persons of the Company, in relation to the provision of EPC services for solar energy plants in the PRC:

- (1) the Datong EPC Agreements with GCL Datong, pursuant to which GCL Datong has agreed to engage CNI23 Energy as its contractor for the provision of EPC services in respect of the Datong Solar Project;
- (2) the Second Solar Engineering Agreement with GCL Solar System, pursuant to which CNI23 Energy has agreed to provide engineering design services (such as drawing, drafting, publication of relevant documents, design and budget planning) in respect of the Remaining Projects to GCL Solar System; and
- (3) the Third Technical Consultancy Agreement with CNI23 Huadong Branch pursuant to which CNI23 Energy has agreed to provide technical consultancy and project management services in respect of the Fuhai Project and the Weishan Project to CNI23 Huadong Branch.

As certain relevant applicable percentage ratios in respect of the Datong Proposed Cap and the Huadong Revised Cap are more than 25%, the Datong EPC Agreements and the transactions contemplated thereunder, the Datong Proposed Cap, the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap are subject to the reporting, announcement, annual review and approval by the GCL Independent Shareholders (in respect of the Datong Proposed Cap and the Datong EPC Agreements and the transactions contemplated thereunder) and the CNI Independent Shareholders (in respect of the Huadong Revised Cap, the Third Technical Consultancy Agreement and the transactions contemplated thereunder) requirements under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios in respect of the Engineering Proposed Cap are less than 5%, the Engineering Proposed Cap and the Second Solar Engineering Agreement and the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but exempted from the GCL Independent Shareholders' approval requirement.

The purpose of this circular is to provide you with, among others, information in relation to (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap; (iii) the recommendation from the Independent Board Committee to the GCL Independent Shareholders and the CNI Independent Shareholders in relation to parts (i) and (ii) respectively in this paragraph; (iv) the letter of advice from the Independent Financial Adviser to the Independent Board Committee, and the GCL Independent Shareholders and the CNI Independent Shareholders in relation to the transactions set out in parts (i) and (ii) respectively in this paragraph; and (v) a notice of the SGM.

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## LETTER FROM THE BOARD

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### DATONG EPC AGREEMENTS

On 15 November 2013, CNI23 Energy, an indirect non-wholly-owned subsidiary of the Company, entered into the Datong EPC Agreements with GCL Datong, pursuant to which GCL Datong has agreed to engage CNI23 Energy as its contractor for the provision of EPC services in respect of the Datong Solar Project. The total contract value of the Datong EPC Agreements is RMB156,026,000 (equivalent to approximately HK\$197,296,477).

#### (1) The Datong Engineering Agreement

**Date:** 15 November 2013 (after trading hours on the Stock Exchange)

**Parties:** CNI23 Energy; and  
GCL Datong

As at the Latest Practicable Date, CNI23 Energy is wholly-owned by CNI23 (Nanjing), a wholly foreign-owned enterprise established in the PRC, which in turn is wholly-owned by Guoxin Energy. Guoxin Energy is owned as to 51% by CNI23 New Energy (a wholly-owned subsidiary of the Company), 29.9% by Fame Raise and 19.1% by Triple Delight. To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, the ultimate beneficial owner of Fame Raise is Golden Concord which is the controlling shareholder of GCL-Poly Energy (the shares of which are listed on the Main Board of the Stock Exchange) and GCL-Poly Energy indirectly wholly-owns GCL Datong. Therefore, GCL Datong is a connected person of the Company within the meaning of the Listing Rules. To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, Triple Delight and its associates are third parties independent of the Company and its connected persons and its associates.

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## LETTER FROM THE BOARD

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**Term:** The Datong Engineering Agreement shall take effect upon obtaining of the GCL Independent Shareholders' approval at the SGM to the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap (certain parts of the engineering design services shall only take effect after receipt of notice by CNI23 Energy of the acceptance of the tender for the Datong Solar Project) (whichever is later) until completion of the obligations under the Datong Engineering Agreement by both parties other than the obligation of CNI23 Energy in relation to the provision of technical and design services which shall end on such date as required under the applicable PRC laws.

As at the Latest Practicable Date, the tender of CNI23 Energy for the Datong Solar Project has already been accepted by GCL Datong.

**Nature of Transactions:** Pursuant to the Datong Engineering Agreement, CNI23 Energy shall be responsible for the entire design of the Datong Solar Project (except for the booster station and system connecting part). The scope of the services covers but not limited to the preliminary design, decoration and optimization of the solar energy plant, construction and as-built drawings, review on all necessary documents in relation to the application for and acceptance check on the Datong Solar Project, budget setting and preparation of technical documents in relation to construction and tenders.

**Consideration:** The total contract value of the Datong Engineering Agreement is RMB1,190,000 (equivalent to approximately HK\$1,504,767) which shall be payable by GCL Datong to CNI23 Energy in the following manners:

- (i) 5% of the total contract value as prepayment to be settled within ten days after execution of the Datong Engineering Agreement;
- (ii) 90% of the total contract value payable in five progress payments with the first payment to be settled within ten days after passing the acceptance check of the preliminary design and the last payment to be settled within thirty days after the acceptance of the as-built drawing; and

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## LETTER FROM THE BOARD

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(iii) the remaining balance of 5% of the total contract value as retention money to be settled within ten days after the expiry of the quality assurance period (being one year from completion of the Datong Solar Project and acceptance of the same by and transfer of the same for operation to GCL Datong).

### **(2) The Datong Procurement and Construction Agreement**

**Date:** 15 November 2013 (after trading hours on the Stock Exchange)

**Parties:** CNI23 Energy; and  
GCL Datong

**Term:** The Datong Procurement and Construction Agreement shall take effect upon obtaining of the GCL Independent Shareholders' approval at the SGM to the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap until completion of the obligations under the Datong Procurement and Construction Agreement by both parties.

**Nature of Transactions:** Pursuant to the Datong Procurement and Construction Agreement, CNI23 Energy shall be responsible for (i) procurement of equipment (such as frames, combiners, inverters, cable and micro-supervision system); (ii) construction work such as pile foundation, fence wall and fence, water supply system, drainage system, illumination, prevention of fire, thunder, flood, wind, security, operation control system, building construction and decoration; (iii) installation work and implementation for quality maintenance, safety measure and rain season maintenance; (iv) provision of technical services such as staff training, acceptance check, maintenance and repair; and (v) provision of after-sale services such as testing of equipment, electricity transmission and loading. CNI23 Energy shall not be responsible for the construction of booster station (such as procurement and installation of equipment, construction and pile foundation).

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## LETTER FROM THE BOARD

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**Consideration:**

The total contract value of the Datong Procurement and Construction Agreement is RMB154,836,000 (equivalent to approximately HK\$195,791,710) and shall be payable by GCL Datong to CNI23 Energy in the following manners:

- (i) 20% of the total contract value as prepayment to be settled within seven days after completion of the foundation work and issue of the relevant invoice by CNI23 Energy and verification of the same by GCL Datong;
- (ii) (subject to the availability of the loan to GCL Datong for the Datong Solar Project) 40% of the value of installed capacity which is qualified for grid-connecting and power generation as monthly progress payments with the last payment to be settled within one month after the effective date of the Datong Procurement and Construction Agreement;
- (iii) an accumulated payment up to 95% of the total contract value (i.e. the final payment is 35% of the total contract value) to be settled after the Datong Solar Project has been connected to the grid and commenced operation for one month and transfer of the Datong Solar Project to and preliminary acceptance check of the same by GCL Datong (Suzhou GCL-Poly Solar Energy Investment Ltd., the parent company of GCL Datong, has undertaken to make such payment in the event that GCL Datong fails to do so); and
- (iv) the remaining balance of 5% of the total contract value as retention money to be settled within one week after GCL Datong has issued the final acceptance letter to CNI23 Energy upon the expiry of the quality assurance period (being 24 months after and including the date on which the preliminary acceptance check on completion of the Datong Solar Project has been passed).

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## LETTER FROM THE BOARD

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**Undertaking:** Pursuant to an undertaking dated 15 November 2013 given by CNI23 Huadong Branch and CNI23 Energy in favour of GCL Datong, CNI23 Huadong Branch and CNI23 Energy have undertaken to GCL Datong that in the event that CNI23 Energy fails to perform its obligations under the Datong Procurement and Construction Agreement (including but not limited to, the holding company of CNI23 Energy does not approve the Datong Procurement and Construction Agreement or the Company fails to obtain the GCL Independent Shareholders' approval to the Datong Procurement and Construction Agreement), CNI23 Huadong Branch will assume the obligations of CNI23 Energy under the Datong Procurement and Construction Agreement.

### Datong Proposed Cap

The following table sets out the aggregate annual cap in respect of the continuing connected transactions under the Datong EPC Agreements for the financial year ending 31 December 2013.

	<b>Datong Proposed Cap for the financial year ending 31 December 2013 (RMB'000)</b>
<b>Continuing connected transactions</b>	
<i>Pursuant to the Datong Engineering Agreement</i>	
(1) provision of engineering design services	1,190
<i>Pursuant to the Datong Procurement and Construction Agreement</i>	
(2) procurement of construction equipment and materials	90,686
(3) provision of construction, installation and related services	64,150
<i>Sub-total:</i>	154,836
<b>Total:</b>	156,026 (equivalent to approximately HK\$197,296,477)

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## LETTER FROM THE BOARD

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### **Basis in determining the Datong Proposed Cap**

In determining the Datong Proposed Cap, the Board has based their estimates on the contract value of the Datong EPC Agreements. 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:

Regarding the transactions under the Datong Engineering Agreement:

- (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 Datong Solar Project; and
- (ii) the expected unit prices of relevant engineering design services.

The Company has estimated the extent of engineering design services based on (i) the number of man-hour of engineering staff; (ii) the number and grade of drawing papers; and (iii) the number of travelling frequency of engineering staff necessary to perform the work for the Datong Solar Project as specified in the Datong Engineering Agreement and the relevant tender.

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 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.

Regarding the transactions under the Datong Procurement and Construction Agreement:

- (i) the quantity of equipment and materials to be transacted as set out in the Datong Procurement and Construction Agreement;
- (ii) the extent of the construction, installation and related services required to be provided by CNI23 Energy in relation to the Datong Solar Project; and
- (iii) the expected unit prices of relevant equipment and materials to be procured, construction equipment to be rented and construction, installation and related services.

The Company has estimated the quantity of equipment and materials to be procured based on the number of each category of equipment and materials necessary to build the solar energy plant under the Datong Solar Project and the standard as set out in the Datong Procurement and Construction Agreement and the relevant tender. Regarding the extent of construction, installation and related services, the Company has estimated such extent based on (i) the number of man-hour of relevant worker and technical staff; and (ii) the type and number of construction equipment to be rented for performing the necessary work under the Datong Solar Project as specified in the Datong Procurement and Construction Agreement and the relevant tender.

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## LETTER FROM THE BOARD

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The pricing policy for the continuing connected transactions under the Datong EPC Agreements has been determined based on normal commercial terms and 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 EPC services. Pricing has been agreed upon between the parties for each transaction by reference to the aforementioned pricing policy through arm's length negotiations.

The Company has determined the expected unit prices of the relevant equipment to be procured with reference to third party quotations with profit margin marked-up and has determined the expected unit prices of relevant construction equipment to be rented and materials to be procured with reference to the relevant market price as published on a construction related website [www.jszj.com.cn](http://www.jszj.com.cn) (江蘇工程造價信息網, transliterated as Jiangsu Project Cost Information Network\*). Regarding the determination of the expected unit labour cost for providing construction, installation and related services, the Company has made reference to the recommended salary level of similar workers as published by the local PRC government and the general salary level of relevant technical staff based on the enquiry result from a consultancy service company.

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

### **REVISION OF HUADONG EXISTING CAP FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE CNI23 (NANJING) FRAMEWORK AGREEMENT AND THIRD TECHNICAL CONSULTANCY AGREEMENT**

Reference is made to the announcements of the Company dated 3 May 2013 and 24 May 2013 and the circular of the Company dated 3 June 2013 in relation to, amongst other things, (i) the entering into of the CNI23 (Nanjing) Framework Agreement and the First Agreements; and (ii) the entering into of the Second Agreements and the Huadong Existing Cap.

The Huadong Existing Cap was approved by the CNI Independent Shareholders at the special general meeting of the Company held on 21 June 2013 and the transactions contemplated under the First Agreements and the Second Agreements have been substantially completed as at the Latest Practicable Date. In view of CNI23 Huadong Branch requiring technical consultancy and project management services from CNI23 Energy for the Fuhai Project and the Weishan Project, on 15 November 2013, CNI23 Energy entered into the Third Technical Consultancy Agreement with CNI23 Huadong Branch, pursuant to which CNI23 Energy has agreed to provide technical consultancy and project management services in respect of the Fuhai Project and the Weishan Project to CNI23 Huadong Branch. The total contract value of the Third Technical Consultancy Agreement is RMB2,330,000 (equivalent to approximately HK\$2,946,309).

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## LETTER FROM THE BOARD

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**Date:** 15 November 2013 (after trading hours on the Stock Exchange)

**Parties:** CNI23 Energy; and  
CNI23 Huadong Branch

As at the Latest Practicable Date, CNI23 HK holds approximately 27.23% shareholding interests of the Company and together with China He Investment, a party acting in concert with it, hold approximately 36.30% shareholding interests of the Company. CNI23 holds the entire shareholding interests of CNI23 HK and therefore is a connected person of the Company within the meaning of the Listing Rules. CNI23 Huadong Branch is a branch of CNI23 and a connected person of the Company within the meaning of the Listing Rules.

**Term:** The Third Technical Consultancy Agreement shall take effect upon obtaining of the CNI Independent Shareholders' approval at the SGM to the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap until 31 December 2014 (both dates inclusive).

**Nature of Transactions:** Pursuant to the Third Technical Consultancy Agreement, CNI23 Energy has agreed to provide technical consultancy and project management services to CNI23 Huadong Branch in relation to the Fuhai Project and the Weishan Project (such as planning and execution and project management in respect of control, quality, procurement and risks of the relevant projects).

**Consideration:** The total contract value of the Third Technical Consultancy Agreement is RMB2,330,000 (equivalent to approximately HK\$2,946,309) and shall be payable by CNI23 Huadong Branch to CNI23 Energy in the following manners:

- (i) 10% of the total contract value as prepayment to be settled upon the execution of the Third Technical Consultancy Agreement;
- (ii) 80% of the total contract value to be settled within thirty days after the relevant projects have the requisite qualification to be connected to the grid and completion of acceptance check on the same; and

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## LETTER FROM THE BOARD

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- (iii) the remaining balance of 10% of the total contract value to be settled upon the acceptance check on completion of the relevant projects but should be no later than 31 December 2014.

### Huadong Revised Cap

On the basis that the entering into of the First Technical Consultancy Agreement, the Second Technical Consultancy Agreement and the Third Technical Consultancy Agreement pursuant to the CNI23 (Nanjing) Framework Agreement involving the provision of technical consultancy and project management services to CNI23 Huadong Branch for similar projects, the continuing connected transactions contemplated under the First Technical Consultancy Agreement, the Second Technical Consultancy Agreement and the Third Technical Consultancy Agreement have been aggregated pursuant to Rule 14A.25 of the Listing Rules when determining the Huadong Revised Cap.

	<b>Huadong Existing Cap (historical transaction amount as at the Latest Practicable Date) under the First Agreements and the Second Agreements</b>	<b>Estimated additional transaction amount under the Third Technical Consultancy Agreement for the financial year ending 31 December 2013</b>	<b>Huadong Revised Cap for the financial year ending 31 December 2013</b>
<b>Continuing connected transactions</b>	(a)	(b)	(c) = (a) + (b)
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
(1) procurement of construction equipment and materials	79,761 (65,308)	Nil	79,761
(2) provision of technical consultancy and project management services	330 (200)	2,330	2,660
<b>Total:</b>	80,091 (65,508)	2,330	82,421  (equivalent to approximately HK\$104,222,200)

### Basis in determining the Huadong Revised Cap

In determining the Huadong Revised Cap, the Board has based their estimates on the total contract value of the Third Technical Consultancy Agreement. 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 technical consultancy and project management services required to be provided by CNI23 Energy pursuant to the Third Technical Consultancy Agreement in relation to the Fuhai Project and the Weishan Project;

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## LETTER FROM THE BOARD

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- (ii) the Huadong Existing Cap and the historical and expected transaction amount pursuant to the First Agreements and the Second Agreements in relation to the Yangzhou Project, the Jinjiang Project and the Baoying Project; and
- (iii) the expected unit prices required for the provision of technical consultancy and project management services.

The Company has estimated the extent of technical consultancy and project management services based on (i) the number of man-hour of relevant staff; and (ii) the number of travelling frequency of relevant staff necessary to perform the work for the Fuhai Project and the Weishan Project as specified in the Third Technical Consultancy Agreement.

The pricing policy for the continuing connected transactions under the CNI23 (Nanjing) Framework Agreement has been determined based on normal commercial terms and 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 technical consultancy and project management services. Pricing has been agreed upon between the parties for each transaction by reference to the aforementioned pricing policy through arm's length negotiations.

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 staff cost. The services fee were then determined based on such unit staff cost level plus, among other things, the expected related expenses such as staff travelling cost.

### SECOND SOLAR ENGINEERING AGREEMENT

On 15 November 2013, CNI23 Energy entered into the Second Solar Engineering Agreement with GCL Solar System, pursuant to which CNI23 Energy has agreed to provide engineering design services (such as drawing, drafting, publication of relevant documents, design and budget planning) in respect of the Remaining Projects to GCL Solar System. The total contract value of the Second Solar Engineering Agreement is RMB4,074,900 (equivalent to approximately HK\$5,152,753).

**Date:** 15 November 2013 (after trading hours on the Stock Exchange)

**Parties:** CNI23 Energy; and  
GCL Solar System

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, GCL Solar System is owned as to 70% by Mr. Zhu Yufeng and 30% by Mr. Lu Jinbiao. Mr. Zhu Yufeng is one of the beneficiaries of the Zhu's Family Trust which wholly owns Golden Concord, an indirect substantial shareholder (within the meaning of the Listing Rules) of CNI23 Energy. Therefore, GCL Solar System is a connected person of the Company within the meaning of the Listing Rules.

- Term:** The Second Solar Engineering Agreement shall take effect upon signing by both parties until completion of the obligations under the Second Solar Engineering Agreement by both parties.
- Nature of Transactions:** Pursuant to the Second Solar Engineering Agreement, CNI23 Energy shall continue to complete the unfinished engineering design services in relation to the Remaining Projects (such as design of PV power stations, survey, relevant drawings and drafting).
- Consideration:** The total contract value of the Second Solar Engineering Agreement is RMB4,074,900 (equivalent to approximately HK\$5,152,753) and shall be payable by GCL Solar System to CNI23 Energy within 10 days after GCL Solar System has received its payment from the owner of the Remaining Projects.

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## LETTER FROM THE BOARD

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### Engineering Proposed Cap

The following table sets out the historical transaction amount pursuant to the First Solar Engineering Agreement and the annual cap in respect of the continuing connected transactions under the Second Solar Engineering Agreement for the financial year ending 31 December 2013.

<b>Continuing connected transactions</b>	<b>Engineering Proposed Cap for the financial year ending 31 December 2013 (RMB'000)</b>
<i>Pursuant to the First Solar Engineering Agreement</i>	
(1) Provision of engineering design services (such as drawing, drafting, publication of relevant documents, design and budget setting)	1,025
<i>Pursuant to the Second Solar Engineering Agreement</i>	
(2) Provision of engineering design services (such as drawing, drafting, publication of relevant documents, design and budget planning)	4,075
<b>Total:</b>	5,100 (equivalent to approximately HK\$6,449,003)

### Basis in determining the Engineering Proposed Cap

In determining the Engineering Proposed Cap for the continuing connected transactions under the First Solar Engineering Agreement and the Second Solar Engineering Agreement for the financial year ending 31 December 2013, the Board has based their estimates on the contract value of the abovementioned agreements. 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 historical transaction amount pursuant to the First Solar Engineering Agreement;
- (ii) the extent of the engineering design services (such as drawing, drafting, publication of relevant documents, design and budget planning) required to be provided by CNI23 Energy in relation to the Remaining Projects; and
- (iii) the expected unit prices of relevant engineering design services.

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## LETTER FROM THE BOARD

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The Company has estimated the extent of engineering design services based on (i) the number of man-hour of engineering staff; (ii) the number and grade of drawing papers; and (iii) the number of travelling frequency of engineering staff necessary to perform the work for the Remaining Projects as specified in the First Solar Engineering Agreement and the Second Solar Engineering Agreement.

The pricing policy for the continuing connected transactions under the First Solar Engineering Agreement and the Second Solar Engineering Agreement has been determined based on normal commercial terms 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 design services. Pricing has been agreed upon between the parties for each transaction by reference to the aforementioned pricing policy through arm's length negotiations.

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 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.

### **REASONS FOR AND BENEFIT OF THE ENTERING INTO OF THE DATONG EPC AGREEMENTS AND THE THIRD 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; (ii) sub-contracting of overseas engineering and construction projects; and (iii) manufacturing and sales of prefabricated pipes and related equipment for uses by chemical plants and energy plants 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.

### **Regarding the Datong EPC Agreements and the transactions contemplated thereunder**

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 the 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, such as the Baoying Project, the Jinjiang Project and the

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## LETTER FROM THE BOARD

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Yangzhou Project. On 24 May 2013, CNI23 Energy obtained 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. In view of CNI23 Energy possessing the relevant qualification to act as the main contractor, the Company decided to enter into the Datong EPC Agreements through CNI23 Energy in order to further expand its business scope and establish its market position in the new energy industry by utilising the expertise, qualification and resources of CNI23 (Nanjing) and CNI23 Energy. The Company also believes that the entering into of the Datong EPC Agreements will provide an additional revenue stream to the Company which will increase the Shareholders' return. Therefore, the Directors (including the independent non-executive Directors) considered that the continuing connected transactions contemplated under the Datong EPC Agreements 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 Datong Proposed Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Regarding the Third Technical Consultancy Agreement and the transactions contemplated thereunder**

On 3 May 2013, CNI23 (Nanjing) and CNI23 Huadong Branch entered into the CNI23 (Nanjing) Framework Agreement on an exclusive basis, pursuant to which CNI23 (Nanjing) has agreed to procure construction equipment and materials for and provide technical consultancy and project management services to CNI23 Huadong Branch in relation to construction works mainly for the solar energy industry in the PRC during the term of the CNI23 (Nanjing) Framework Agreement, i.e. from 3 May 2013 to 31 December 2013 (both dates inclusive) or such other dates as agreed between the parties.

Thereafter, CNI23 (Nanjing) and CNI23 Huadong Branch entered into the First Agreements and the Second Agreements for the provision of procurement of construction equipment and materials and technical consultancy and project management services by CNI23 (Nanjing) to CNI23 Huadong Branch for construction projects in the PRC, including the Yangzhou Project, the Baoying Project and the Jinjiang Project.

CNI23 Huadong Branch has obtained more construction projects for solar energy plants in the PRC, such as the Fuhai Project and the Weishan Project, but it currently does not have sufficient relevant expertise, in particular the provision of technical consultancy and project management services for new energy projects, whereas CNI23 (Nanjing) and CNI23 Energy possess the relevant expertise, experience and qualification. The Company believes that the entering into of the Third Technical Consultancy Agreement is mutually beneficial to the Company and CNI23 Huadong Branch by (i) fostering the long term business relationship with CNI23 Huadong Branch which may in return create similar business opportunity for the Group in the future; (ii) creating additional revenue stream to the Group; and (iii) expanding the market share for CNI23 (Nanjing) and CNI23 Energy and gaining experience and reputation in the PRC solar energy market.

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## LETTER FROM THE BOARD

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Nevertheless, with CNI23 Huadong Branch having obtained additional projects which require relevant technical consultancy and project management services from CNI23 (Nanjing) and CNI23 Energy, the Board considered that the Huadong Existing Cap would no longer be sufficient and therefore the Board has proposed to revise the Huadong Existing Cap to cover the estimated additional transaction amount under the Third Technical Consultancy Agreement pursuant to the CNI23 (Nanjing) Framework Agreement.

The Directors (including the independent non-executive Directors but except for Messrs. Dong Yuchuan, Lei Jian, Han Naishan, Guo Shuwei and Song Limin who had abstained from voting at the Board meeting approving, among others, the Huadong Revised Cap and the Third Technical Consultancy Agreement and the transactions contemplated thereunder due to the reasons stated in the section headed “Listing Rules Implications” on page 25) considered that the continuing connected transactions contemplated under the Third 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 Revised Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Regarding the First Solar Engineering Agreement, the Second Solar Engineering Agreement and the transactions contemplated thereunder**

Guoxin Energy is a joint venture company owned as to 51% by the CNI23 New Energy (a wholly-owned subsidiary of the Company), 29.9% by Fame Raise and 19.1% by Triple Delight pursuant to a subscription agreement dated 6 January 2013 entered into among Guoxin Energy, CNI23 New Energy, Fame Raise and Triple Delight with the aim to participate in the provision of EPC services for solar energy projects in the PRC. Subsequent to the establishment of Guoxin Energy, Guoxin Energy has established its wholly-owned subsidiary, namely, CNI23 (Nanjing). As set out in the announcement of the Company dated 6 January 2013 in relation to, amongst other things, the formation of Guoxin Energy, Fame Raise, 上海國能投資有限公司 (transliterated as Shanghai Guoneng Investment Limited\*) and Mr. Zhu Gongshan have undertaken, amongst other things, to transfer the technical and management staff from GCL Solar System to CNI23 Energy and GCL Solar System will retain the relevant technical and management staff as required to maintain its existing qualifications for its business and the remaining staff will sign new labour contracts with CNI23 (Nanjing) or CNI23 Energy on a mutual voluntary basis. On the other hand, CNI23 New Energy has undertaken, amongst other things, that CNI23 (Nanjing) and CNI23 Energy shall use their best endeavours to assist GCL Solar System to complete the unfinished works relating to the Remaining Projects subject to compliance with the Listing Rules and the relevant applicable laws and provided that such works shall not affect the ordinary course of business of CNI23 (Nanjing) and the CNI23 Energy.

In view of GCL Solar System requiring certain engineering design services in relation to the Remaining Projects after its relevant technical and management staff have joined CNI23 Energy and CNI23 Energy being qualified to provide such relevant engineering design services after obtaining its Class-B Qualification for Engineering Design in relation

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## LETTER FROM THE BOARD

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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), CNI23 Energy entered into the First Solar Engineering Agreement with GCL Solar System on 21 June 2013.

As additional engineering design services are required by GCL Solar System in relation to the Remaining Projects and CNI23 Energy is required to provide such engineering design services, CNI23 Energy and GCL Solar System entered into the Second Solar Engineering Agreement so as to fulfill the requirement of the undertaking given by CNI23 New Energy. In addition, the provision of engineering design services to GCL Solar System will also enable the Group to broaden its revenue stream.

The Directors (including the independent non-executive Directors) considered that the continuing connected transactions contemplated under the First Solar Engineering Agreement and the Second Solar Engineering 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 Engineering Proposed Cap), are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### LISTING RULES IMPLICATIONS

#### **Regarding the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap**

As at the Latest Practicable Date, CNI23 Energy is wholly-owned by CNI23 (Nanjing), a wholly foreign-owned enterprise established in the PRC, which in turn is wholly-owned by Guoxin Energy. Guoxin Energy is owned as to 51% by CNI23 New Energy (a wholly-owned subsidiary of the Company), 29.9% by Fame Raise and 19.1% by Triple Delight. To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, the ultimate beneficial owner of Fame Raise is Golden Concord which is the controlling shareholder of GCL-Poly Energy (the shares of which are listed on the Main Board of the Stock Exchange) and GCL-Poly Energy indirectly wholly-owns GCL Datong. Therefore, GCL Datong is a connected person of the Company within the meaning of the Listing Rules and the entering into of the Datong EPC Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As certain relevant applicable percentage ratios in respect of the Datong Proposed Cap are more than 25%, the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap are subject to the reporting, announcement, annual review and the GCL Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Golden Concord and its associates (if they are the Shareholders as at the date of the SGM) are required to abstain from voting on the resolution to be proposed at the SGM to approve the Datong Proposed Cap and the Datong EPC Agreements and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### **Regarding the Third Technical Consultancy Agreement, the transactions contemplated thereunder and the Huadong Revised Cap**

As at the Latest Practicable Date, CNI23 HK holds approximately 27.23% shareholding interests of the Company and together with China He Investment, a party acting in concert with it, hold approximately 36.30% shareholding interests of the Company. CNI23 holds the entire shareholding interests of CNI23 HK and therefore is a connected person of the Company within the meaning of the Listing Rules. CNI23 Huadong Branch is a branch of CNI23 and a connected person of the Company within the meaning of the Listing Rules. Accordingly, the transactions contemplated under the CNI23 (Nanjing) Framework Agreement, including the Third Technical Consultancy Agreement, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

On the basis that the entering into of the First Technical Consultancy Agreement, the Second Technical Consultancy Agreement and the Third Technical Consultancy Agreement pursuant to the CNI23 (Nanjing) Framework Agreement involving the provision of technical consultancy and project management services to CNI23 Huadong Branch for similar projects, the transactions contemplated under the First Technical Consultancy Agreement, the Second Technical Consultancy Agreement and the Third Technical Consultancy Agreement have been aggregated pursuant to Rule 14A.25 of the Listing Rules when determining the Huadong Revised Cap. As certain relevant applicable percentage ratios in respect of the Huadong Revised Cap are more than 25%, the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap are subject to the reporting, announcement, annual review and the CNI Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Dong Yuchuan, the non-executive Director and the chairman of the Board, is also the Deputy Director General of CNEGC, which is the controlling shareholder of CNI23 HK; Mr. Lei Jian, an executive Director, is a director of China He Investment, a party acting in concert with CNI23 HK; Mr. Han Naishan, an executive Director, is also the Director General of CNI23; Mr. Guo Shuwei, an executive Director, is also the Deputy Director of the Nuclear Power Engineering Department of CNEGC; and Mr. Song Limin, an executive Director, is also a member of the management team 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 Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap.

CNI23 HK and China He Investment and their respective associates are required to abstain from voting on the resolutions to be proposed at the SGM to approve the Huadong Revised Cap and the Third Technical Consultancy Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### **Regarding the First Solar Engineering Agreement, the Second Solar Engineering Agreement and the transactions contemplated thereunder and the Engineering Proposed Cap**

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, GCL Solar System is owned as to 70% by Mr. Zhu Yufeng and 30% by Mr. Lu Jinbiao. Mr. Zhu Yufeng is one of the beneficiaries of the Zhu's Family Trust which wholly owns Golden Concord, an indirect substantial shareholder (within the meaning of the Listing Rules) of CNI23 Energy. Therefore, GCL Solar System is a connected person of the Company within the meaning of the Listing Rules and the entering into of the First Solar Engineering Agreement and the Second Solar Engineering Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules.

As the relevant applicable percentage ratios in respect of the annual consideration receivable by CNI23 Energy for the transactions under the First Solar Engineering Agreement were less than 1%, the continuing connected transactions under the First Solar Engineering Agreement were de minimis transactions pursuant to Rule 14A.33(2) of the Listing Rules and were exempted from the reporting, annual review, announcement and the GCL Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules (and the transactions under the First Solar Engineering Agreement have been completed). On the basis that the entering into of the Second Solar Engineering Agreement involving the provision of engineering design services to GCL Solar System which are similar to the engineering design services previously provided pursuant to the First Solar Engineering Agreement, the transactions contemplated under the First Solar Engineering Agreement and the Second Solar Engineering Agreement have been aggregated pursuant to Rule 14A.25 of the Listing Rules when determining the Engineering Proposed Cap. As the relevant applicable percentage ratios in respect of the Engineering Proposed Cap are less than 5%, the Second Solar Engineering Agreement and the transactions contemplated thereunder and the Engineering Proposed Cap are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but exempted from the GCL Independent Shareholders' approval requirement.

### **THE SGM**

A notice convening the SGM at which ordinary resolutions will be proposed to consider and, if thought fit, to approve (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap to be held at Jade Terrace Restaurant, 2nd Floor, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Tuesday, 24 December 2013 at 11:00 a.m., is set out on pages SGM-1 to SGM-4 of this circular. Whether or not you are able to attend the SGM in person, please complete and return 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 holding the

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## LETTER FROM THE BOARD

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SGM or any adjourned meeting (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting (as the case may be) should you so wish.

In accordance with the requirements of the Listing Rules, the ordinary resolutions to be put forward at the SGM will be voted on by the Independent Shareholders by way of poll.

### **FORMATION OF THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned. Your attention is drawn to the letter from the Independent Board Committee containing its advice set out on pages 29 to 30 of this circular.

GF Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from GF Capital is set out on pages 31 to 50 of this circular.

### **RECOMMENDATION**

The Board (including all of the independent non-executive Directors after taking into account the opinion of the Independent Financial Adviser) believes that (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Board (including all of the independent non-executive Directors after taking into account the opinion of the Independent Financial Adviser) recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap.

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**LETTER FROM THE BOARD**

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**ADDITIONAL INFORMATION**

Your attention is drawn to the additional information contained in the appendix to this circular.

Yours faithfully,  
For and on behalf of  
**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)**

6 December 2013

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

Dear Sir or Madam,

## **CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company to its Shareholders dated 6 December 2013 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap are fair and reasonable so far as the Independent Shareholders are concerned. Details of (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap are set out in the letter from the Board contained in the Circular. GF Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the letter from GF Capital contained in the Circular.

Having considered (i) terms of the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the terms of the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap and taking into account the information contained in the Circular

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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and the advice of GF Capital, we are of the opinion that (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap are on normal commercial terms, fair and reasonable and are 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 resolutions to be put forward at the SGM to approve (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap.

Yours faithfully,

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

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## LETTER FROM GF CAPITAL

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*The following is the 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.*



29–30/F, Li Po Chun Chambers  
189 Des Voeux Road Central  
Hong Kong

6 December 2013

*To the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

## **NON-EXEMPTED CONTINUING CONNECTED TRANSACTIONS**

### **INTRODUCTION**

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of (i) the Datong EPC Agreements and the transactions contemplated thereunder and the Datong Proposed Cap; and (ii) the Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap (together, the “**Non-Exempted Continuing Connected Transactions**”), particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of this circular to the Shareholders dated 6 December 2013 (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.

- (i) On 15 November 2013 (after trading hours on the Stock Exchange), CNI23 Energy, an indirect non-wholly-owned subsidiary of the Company, entered into the Datong EPC Agreements with GCL Datong, pursuant to which GCL Datong has agreed to engage CNI23 Energy as its contractor for the provision of EPC services in respect of the Datong Solar Project. The total contract value of the Datong EPC Agreements is RMB156,026,000 (approximately HK\$197,296,477).

As GCL Datong is a connected person of the Company within the meaning of the Listing Rules, the entering into of the Datong EPC Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Listing Rules, and the transactions contemplated thereunder and the Datong Proposed Cap are subject to the reporting, announcement, annual review and the GCL Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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- (ii) The Huadong Existing Cap was approved by the CNI Independent Shareholders at the special general meeting of the Company held on 21 June 2013 and the transactions contemplated under the First Agreements and the Second Agreements had been substantially completed as at the Latest Practicable Date. In view of CNI23 Huadong Branch requiring technical consultancy and project management services from CNI23 Energy for the Fuhai Project and the Weishan Project, on 15 November 2013 (after trading hours on the Stock Exchange), CNI23 Energy entered into the Third Technical Consultancy Agreement with CNI23 Huadong Branch, pursuant to which CNI23 Energy has agreed to provide technical consultancy and project management services in respect of the Fuhai Project and the Weishan Project to CNI23 Huadong Branch. The total contract value of the Third Technical Consultancy Agreement is RMB2,330,000 (approximately HK\$2,946,309).

CNI23 Huadong Branch is a branch of CNI23 and a connected person of the Company within the meaning of the Listing Rules. Accordingly, the transactions contemplated under the CNI23 (Nanjing) Framework Agreement, including the Third Technical Consultancy Agreement, constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Third Technical Consultancy Agreement and the transactions contemplated thereunder and the Huadong Revised Cap are subject to the reporting, announcement, annual review and the CNI Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **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 (the “**Management**”) 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 Management regarding the Company and the terms of the Non-Exempted Continuing Connected Transactions. The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Management respectively in the Circular were reasonably made after due enquiry.

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 Management. We have not, however, conducted any

independent in-depth investigation into the business and affairs of the Company, GCL Datong, CNI23 Huadong Branch, 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 Non-Exempted Continuing Connected Transactions, we have considered the following principal factors and reasons:

### **1. Background of and reasons for the Continuing Connected Transactions**

As set out in the Letter from the Board, 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; (ii) sub-contracting of overseas engineering and construction projects; and (iii) manufacturing and sales of prefabricated pipes and related equipment for uses by chemical plants and energy plants via its subsidiaries and associated companies.

#### *(A) Datong Engineering Agreement and (B) Datong Procurement and Construction Agreement*

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, such as the Baoying Project, the Jinjiang Project and the Yangzhou Project. On 24 May 2013, CNI23 Energy obtained 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. In view of CNI23 Energy possessing the relevant qualification to act as the main contractor, the Company decided to enter into the Datong EPC Agreements through CNI23 Energy in order to further expand its business scope and establish its market position in the new energy industry by utilising the expertise, qualification and resources of CNI23 (Nanjing)

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and CNI23 Energy. The Company also believes that the entering into of the Datong EPC Agreements will provide an additional revenue stream to the Company which will increase the Shareholders' return.

*(C) Third Technical Consultancy Agreement*

On 3 May 2013, CNI23 (Nanjing) and CNI23 Huadong Branch, a branch of CNI23, entered into the CNI23 (Nanjing) Framework Agreement on an exclusive basis, pursuant to which CNI23 (Nanjing) has agreed to procure construction equipment and materials for and provide technical consultancy and project management services to CNI23 Huadong Branch in relation to construction works mainly for the solar energy industry in the PRC during the term of the CNI23 (Nanjing) Framework Agreement, i.e. from 3 May 2013 to 31 December 2013 (both dates inclusive) or such other dates as agreed between the parties.

Thereafter, CNI23 (Nanjing) and CNI23 Huadong Branch entered into the First Agreements and the Second Agreements for the provision of procurement of construction equipment and materials and technical consultancy and project management services by CNI23 (Nanjing) to CNI23 Huadong Branch for construction projects in the PRC, including the Yangzhou Project, the Baoying Project and the Jinjiang Project.

CNI23 Huadong Branch has obtained more construction projects for solar energy plants in the PRC, such as the Fuhai Project and the Weishan Project, but it currently does not have sufficient relevant expertise, in particular the provision of technical consultancy and project management services for new energy projects, whereas CNI23 (Nanjing) and CNI23 Energy possess the relevant expertise, experience and qualification. The Company believes that the entering into of the Third Technical Consultancy Agreement is mutually beneficial to the Company and CNI23 Huadong Branch by (i) fostering the long term business relationship with CNI23 Huadong Branch which may in return create similar business opportunity for the Group in the future; (ii) creating additional revenue stream to the Group; and (iii) expanding the market share for CNI23 (Nanjing) and CNI23 Energy and gaining experience and reputation in the PRC solar energy market.

Nevertheless, with CNI23 Huadong Branch having obtained additional projects which require relevant technical consultancy and project management services from CNI23 (Nanjing) and CNI23 Energy, the Board considered that the Huadong Existing Cap would no longer be sufficient and therefore the Board has proposed to revise the Huadong Existing Cap to cover the estimated additional transaction amount under the Third Technical Consultancy Agreement pursuant to the CNI23 (Nanjing) Framework Agreement.

Based on the foregoing, we concur with the Directors' view that there is a justifiable commercial rationale for the Company to enter into (A) the Datong Engineering Agreement, (B) the Datong Procurement and Construction Agreement, and (C) the Third Technical Consultancy Agreement, especially taking into account of

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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.

**2. Principal terms of the Non-Exempted Continuing Connected Transactions**

We analyse the key terms of each of (A) the Datong Engineering Agreement, (B) the Datong Procurement and Construction Agreement, and (C) the Third Technical Consultancy Agreement below, in relation to the aspects of (1) Proposed caps, (2) Pricing, and (3) Settlement.

***(1) Proposed cap***

As our due diligence exercise, we have obtained from the Company a breakdown of the actual historical amounts, (i) the Datong Proposed Cap, and (ii) the Huadong Revised Cap of the Non-Exempted Continuing Connected Transactions up to 31 December 2013 in the table below:

<i>RMB' 000</i>		<b>Actual historical amounts For the period (/year) ended (/ending) the Latest Practicable Date</b>	<b>Proposed caps ended (/ending) 31 December 2013</b>
(A) Datong Engineering Agreement	(I) Provision of engineering design services	0	1,190
(B) Datong Procurement and Construction Agreement	(II) Procurement of construction equipment and materials	0	90,686
	(III) Provision of construction, installation and related services	0	64,150
(C) Third Technical Consultancy Agreement	(IV) provision of technical consultancy and project management services	200* (Capped at 330 under the First Agreements and the Second Agreements)	2,330

\* *representing historical transaction amount in relation to the Yangzhou Project, the Jinjiang Project and the Baoying Project*

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We note that the Board has based their estimates on the total contract value of the Datong EPC Agreements in determining the Datong Proposed Cap for the financial year ending 31 December 2013, both of which equally amounts to RMB156,026,000 (approximately HK\$197,296,477). We analyse the relevant important and objective assumptions and factors as below:

*(A) Datong Engineering Agreement*

**Assumptions and factors    Our analysis**

- (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 Datong Solar Project; and
- We have obtained the fee breakdown of the engineering design services for Datong Solar Project, which amounts to a total of RMB1,190,000.
- We have reviewed that the said fee breakdown is the sum of three different parameters, namely, (1) staff cost; (2) drawing paper cost; and (3) staff travelling cost.
- For (1) staff cost, we have discussed with the Management on the reasonableness of each of (a) the unit engineering staff cost (Price) and (b) the number of staff required (Quantity), and we have reviewed the arithmetic multiplication of these two components to arrive at the said fee breakdown. We have enquired and have been reaffirmed by the Management that it is entirely necessary to deploy (a) such grades of staff (with designated expertise) and (b) such number of man-hour in order to adequately cover the work to be done for the Datong Solar Project (under both the Datong EPC Agreements and the same tender accepted by GCL Datong).
- For (2) drawing paper cost, we have discussed with the Management on the reasonableness of each of (a) the unit drawing paper cost (Price) and (b) the number of drawing paper required (Quantity), and we have reviewed the arithmetic multiplication of these two components to arrive at the said fee breakdown. We have enquired and have been reaffirmed by the Management that it is entirely necessary to deploy (a) such grades of drawing paper (with different size and texture) and (b) such number of drawing paper in order to adequately cover the work to be done for the Datong Solar Project (under both the Datong EPC Agreements and the same tender accepted by GCL Datong).

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For (3) staff travelling cost, we have discussed with the Management on the reasonableness of each of (a) the unit travelling cost (Price) and (b) the number of travelling frequency (Quantity), and we have reviewed the arithmetic multiplication of these two components to arrive at the said fee breakdown. We have enquired and have been reaffirmed by the Management that it is entirely necessary to consume (a) such type of travelling cost (including room and board expenses) and (b) such number of travelling frequency in order to adequately cover the work to be done for the Datong Solar Project (under both the Datong EPC Agreements and the same tender accepted by GCL Datong).

- (ii) the expected unit prices of relevant engineering design services.

For (1) staff cost, we have discussed with the Management on the reasonableness of (a) the unit engineering staff cost, which is based on three different grades of staff (with designated expertise of senior, middle and junior) to be deployed for the Datong Solar Project under the Datong EPC Agreements. Upon comparison, we note that the expected unit engineering staff cost (after averaging the three different grades) is in line with the general salary levels of technical/management staff in the solar PV industry in Nanjing as reported on by 南京佑佐管理諮詢有限公司(Nanjing Youzuo Management Consulting Co., Ltd\*).

For (2) drawing paper cost, we have discussed with the Management (and we concur therewith) on the reasonableness of (a) the unit drawing paper cost, which is based on designated grades of drawing paper (with different size and texture) to be applicable for the Datong Solar Project under the Datong EPC Agreements.

For (3) staff travelling cost, we have discussed with the Management (and we concur therewith) on the reasonableness of (a) the unit travelling cost, which includes designated room and board expenses to be applicable for the Datong Solar Project under the Datong EPC Agreements.

We consider that the actual service fee income level **per MW** is an objective, overall, and ultimate benchmarking parameter encompassing all the relevant underlying components of service factors (of different price x different quantity). For further overall comparison, we note that so far in 2013, the (I) engineering design service fee income of approximately RMB19,800 **per MW** (representing the total contract value of RMB1,190,000/60 MW) under (A) the Datong Engineering Agreement is within the range of those levels actually recognised by the Group for providing such similar services to those independent third party customers. Given that the actual service fee income level **per MW** under (A) the Datong Engineering Agreement is comparable to the independent market level, we

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consider this is an external and independent reflection that the relevant assumptions and factors of (i) and (ii) above have been arrived at after due care and consideration for the interests of CNI23 Energy (as service provider).

*(B) Datong Procurement and Construction Agreement*

**Assumptions and factors    Our analysis**

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| (i) the quantity of equipment and materials to be transacted as set out in the Datong Procurement and Construction Agreement; | <p>We have obtained the list of equipment and materials to be procured for the Datong Solar Project, which amounts to a total of RMB90,686,000.</p> <p>We have reviewed that the said list of equipment and materials has not less than a dozen of different items/categories, which includes transformer, power cables, security system, fire alarm system, and lighting system.</p> <p>In assessing the reasonableness of (b) the number of equipment and materials to be procured (Quantity), we have enquired and have been reaffirmed by the Management that it is entirely necessary to deploy (b) such number of each category of equipment and materials (with designated usage and specification) in order to adequately cover the list of equipment and materials work to be procured for the Datong Solar Project (under the standard as set out in both the Datong EPC Agreements and the same tender accepted by GCL Datong).</p> |
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(ii) the extent of the construction, installation and related services required to be provided by CNI23 Energy in relation to the Datong Solar Project; and

We have obtained the fee breakdown of the construction, installation and related services for the Datong Solar Project, which amounts to a total of RMB64,150,000 (being the sum of (a) RMB33,583,000 for construction; (b) RMB28,100,000 for installation; and (c) RMB2,467,000 for related technical services).

For (a) RMB33,583,000 for construction, we have reviewed that the said fee breakdown is the sum of three different parameters, namely, (a1) construction worker cost; (a2) equipment rental cost; and (a3) construction materials cost. We have obtained the list of (a2) rental equipment and (a3) construction materials, each of which comprises different items/categories (including (a2) digging machine, welder, and crane; and (a3) brick, cement, and fence) respectively:

For RMB28,100,000 for installation, we have reviewed that the said fee breakdown is the sum of three different parameters, namely, (b1) construction worker cost; (b2) equipment rental cost; and (b3) construction materials cost. We have obtained the list of (b2) rental equipment and (b3) construction materials, each of which comprises different items/categories (including (b2) digging machine, forklift, and crane; and (b3) auxiliary material) respectively:

For (a1) and (b1) construction worker cost above, we have discussed with the Management on the reasonableness of each of (a) the unit cost of the construction worker (Price) and (b) the number of construction worker required (Quantity), and we have reviewed the arithmetic multiplication of these two components to arrive at the said fee breakdown. We have enquired and have been reaffirmed by the Management that it is entirely necessary to deploy (a) such grades of construction worker (with designated expertise) and (b) such number of man-hour in order to adequately cover the work to be done for the Datong Solar Project (under both the Datong EPC Agreements and the same tender accepted by GCL Datong).

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For (a2) and (b2) rental equipment cost above, we have discussed with the Management on the reasonableness of each of (a) the unit equipment rental cost (Price) and (b) the number of rental equipment required (Quantity), and we have reviewed the arithmetic multiplication of these two components to arrive at the said fee breakdown. We have enquired and have been reaffirmed by the Management that it is entirely necessary to deploy (a) such types and numbers of rental equipment (with designated usage) and (b) such number of usage hour in order to adequately cover the work to be done for the Datong Solar Project (under both the Datong EPC Agreements and the same tender accepted by GCL Datong).

For (a3) and (b3) construction materials cost above, we have discussed with the Management on the reasonableness of each of (a) the unit construction materials cost (Price) and (b) the number of construction materials required (Quantity), and we have reviewed the arithmetic multiplication of these two components to arrive at the said fee breakdown. We have enquired and have been reaffirmed by the Management that it is entirely necessary to deploy (a) such types of construction materials (with designated usage) and (b) such number of man-hour in order to adequately cover the work to be done for the Datong Solar Project (under both the Datong EPC Agreements and the same tender accepted by GCL Datong).

For (c) RMB2,467,000 for related technical services, we have reviewed that the said fee breakdown is the sum of a number of different parameters, which includes project management fee, equipment testing fee, and construction inspection fee. We have enquired and have been reaffirmed by the Management that it is entirely necessary to deploy (a) such types of technical services (with designated usage) or such number of man-hour of relevant technical staff and (b) such number of service frequency or man-hour in order to adequately cover the work to be done for the Datong Solar Project (under both the Datong EPC Agreements and the same tender accepted by GCL Datong).

(iii) the expected unit prices of relevant equipment and materials to be procured, construction equipment to be rented, and construction, installation and related services.

For procurement service, we have discussed with the Management on the reasonableness of the expected unit prices of relevant construction equipment and materials to be procured, which is determined on a cost-plus-margin basis on top of the best cost quotation offered from several independent third party suppliers of construction equipment as shortlisted by CNI23 Energy. We understand that the margin marked-up is determined in line with those levels recorded by independent comparable companies which are engaged in the business of EPC services or equipment provision for solar energy plant developers.

For (a) construction and (b) installation service, we have discussed with the Management on the reasonableness of (a1 and b1) the expected unit cost (Price) of the construction worker, which is determined with reference to the recommended salary level of similar workers as published by the local PRC government. Upon comparison, we note that the expected unit cost of the construction worker is in line with the salary levels as cited under 山西省住房和城鄉建設廳關於調整山西省建設工程計價依據中人工單價的通知 (dated 8 April 2013) (Notice of wage adjustment for construction tender by Shanxi provincial department of Housing and Urban Construction\*).

For (a) construction and (b) installation service, we have discussed with the Management on the reasonableness of (a2 and b2) the expected unit rental costs of relevant rental equipment and (a3 and b3) the expected unit construction materials cost to be procured, both of which are determined mainly in line with 江蘇工程造價信息網 [www.jszj.com.cn](http://www.jszj.com.cn) (Jiangsu Project Cost Information Network\*).

For (c) related technical service, we have discussed with the Management on the reasonableness of the expected unit costs of relevant types of technical services, which are determined in line with (c) the unit technical staff cost of such grades of staff (with designated expertise) to be deployed to provide the relevant project management service. Upon comparison, we note that the expected unit technical staff cost (after averaging the three different grades of senior, middle and junior) is in line with the general salary levels of technical/management staff in the solar PV industry in Nanjing as reported on by 南京佑佐管理諮詢有限公司 (Nanjing Youzuo Management Consulting Co., Ltd\*).

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We consider that the actual service fee income level **per MW** is an objective, overall, and ultimate benchmarking parameter encompassing all the relevant underlying components of service factors (of different price x different quantity). For further overall assessment, we have obtained market comparable data that the actual service fee income level as accepted by an independent third party customer out of 14 competing tender bids for (II) procurement and (III) construction services for a PRC solar energy plant project in August 2013 was approximately RMB1,700,000 **per MW** (which was external and independent information available from the Group's independent third party customer and was a representative deal which CNI23 Energy bids in its usual and ordinary course of (II) procurement and (III) construction services). Upon comparison, we note that the actual service fee income level as accepted by GCL Datong (being a connected customer) under (B) Datong Procurement and Construction Agreement is approximately RMB2,580,600 **per MW** (representing the total contract value of approximately RMB154,836,000/60 MW), which is higher than (i.e. no less favourable than) the independent market level. Given that the actual service fee income level **per MW** under (B) Datong Procurement and Construction Agreement is no less favourable than the independent market level, we consider this is an external and independent reflection that the relevant assumptions and factors of (i), (ii) and (iii) above have been arrived at after due care and consideration for the interests of CNI23 Energy (as service provider).

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### *(C) Third Technical Consultancy Agreement*

We note that the Board has based their estimates on the total contract value of the Third Technical Consultancy Agreement in determining the Huadong Revised Cap for the financial year ending 31 December 2013, both of which equally amounts to RMB2,330,000 (approximately HK\$2,946,309). We analyse the relevant important and objective assumptions and factors as below:

#### **Assumptions and factors    Our analysis**

- (i) the extent of the technical consultancy and project management services required to be provided by CNI23 Energy pursuant to the Third Technical Consultancy Agreement in relation to the Fuhai Project and the Weishan Project;
- We have obtained the fee breakdown of the technical consultancy and project management services for each of (1) the Fuhai Project and (2) the Weishan Project, which amounts to a total of (1) RMB1,410,000 and (2) RMB920,000 (being the sum of (2a) RMB480,000 for phase 1 and (2b) RMB440,000 for phase 2) respectively.
- We have reviewed that the said fee breakdown is the sum of two different parameters, namely, (1) staff cost and (2) staff travelling cost.
- For (1) staff cost, we have discussed with the Management on the reasonableness of each of (a) the unit technical staff cost (Price) and (b) the number of staff required (Quantity), and we have reviewed the arithmetic multiplication of these two components to arrive at the said fee breakdown. We have enquired and have been reaffirmed by the Management that it is entirely necessary to deploy (a) such grades of staff (with designated expertise) and (b) such number of man-hour in order to adequately cover the work to be done for the Fuhai Project and the Weishan Project under the Third Technical Consultancy Agreement.
- For (2) staff travelling cost, we have discussed with the Management on the reasonableness of each of (a) the unit travelling cost (Price) and (b) the number of travelling frequency (Quantity), and we have reviewed the arithmetic multiplication of these two components to arrive at the said fee breakdown. We have enquired and have been reaffirmed by the Management that it is entirely necessary to consume (a) such type of travelling cost (including room and board expenses) and (b) such number of travelling frequency in order to adequately cover the work to be done for the Fuhai Project and the Weishan Project under the Third Technical Consultancy Agreement.

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- (ii) the Huadong Existing Cap and the historical and expected transaction amount pursuant to the First Agreements and the Second Agreements in relation to the Yangzhou Project, the Jinjiang Project and the Baoying Project; and
- We note that the latest historical transaction amount of the same nature of the technical consultancy and project management services pursuant to the First Agreements and the Second Agreements amounted to RMB200,000 up to 14 November 2013, which was actually incurred under the Huadong Existing Cap of RMB330,000 in relation to the Yangzhou Project, the Jinjiang Project and the Baoying Project.
- Upon comparison on a pro-rata basis of 12 month/11.5 month, we note that such historical transaction amount already accounts for approximately 63% of the Huadong Existing Cap of RMB330,000 for the year ending 31 December 2013. We have enquired and have been explained by the Management that the remaining portion of the Huadong Existing Cap of RMB330,000 is expected to be fully utilised in accordance with the prevailing work schedule of the Yangzhou Project, the Jinjiang Project and the Baoying Project up to 31 December 2013.
- On such basis, we consider the Huadong Revised Cap to be sought of RMB2,330,000 (approximately HK\$2,946,309) for the year ending 31 December 2013 is purely additional to the Huadong Existing Cap arising from the new work requirement of the Fuhai Project and the Weishan Project under the Third Technical Consultancy Agreement.
- (iii) the expected unit prices required for the provision of technical consultancy and project management services.
- For (1) staff cost, we have discussed with the Management on the reasonableness of (a) the unit technical staff cost, which is based on three different grades of staff (with designated expertise of senior, middle and junior) to be deployed for the Fuhai Project and the Weishan Project under the Third Technical Consultancy Agreement. Upon comparison, we note that the expected unit technical staff cost (after averaging the three different grades) is in line with the general salary levels of technical/management staff in the solar PV industry in Nanjing as reported on by 南京佑佐管理諮詢有限公司(Nanjing Youzuo Management Consulting Co., Ltd\*).
- For (2) staff travelling cost, we have discussed with the Management (and we concur therewith) on the reasonableness of (a) the unit travelling cost, which includes designated room and board expenses to be applicable for the Fuhai Project and the Weishan Project under the Third Technical Consultancy Agreement.

We consider that the actual service fee income level **per MW** is an objective, overall, and ultimate benchmarking parameter encompassing all the relevant underlying components of service factors (of different price x

different quantity). For further overall comparison, we note that so far in 2013, the (IV) technical consultancy and project management services fee income ranging from approximately RMB15,000 to RMB70,000 **per MW** (representing the range of contract value component of (1) RMB1,410,000/20 MW, (2a) RMB480,000/30 MW, and (2b) RMB440,000/30 MW) under (C) Third Technical Consultancy Agreement is within and/or above the range of those levels actually recognised by the Group for providing such similar services to those independent third party customers. Given that the actual service fee income level **per MW** under (C) Third Technical Consultancy Agreement is comparable to the independent market level, we consider this is an external and independent reflection that the relevant assumptions and factors of (i), (ii) and (iii) above have been arrived at after due care and consideration for the interests of CNI23 Energy (as service provider).

Based on our above analysis, we consider that each of the Datong Proposed Cap and the Huadong Revised Cap have been arrived at on an acceptable and pre-determined basis.

**(2) Pricing**

The pricing policy for the continuing connected transactions under each of (I)(II)(III) the Datong EPC Agreements and (IV) the CNI23 (Nanjing) Framework Agreement has been determined based on normal commercial terms 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 each of similar (I)(II)(III) EPC services and (IV) technical consultancy and project management services. Pricing has been agreed upon between the parties for each transaction by reference to the aforementioned pricing policy through arm's length negotiations. We understand that the fair market price

1. (of relevant construction equipment and materials to be procured) is determined with reference to the best cost quotation offered from several independent third party suppliers of construction equipment as shortlisted by CNI23 Energy (plus profit margin levels which are in line with those recorded by independent comparable companies which are engaged in the business of EPC services or equipment provision for solar energy plant developers);
2. (of the construction worker cost) is determined with reference to the salary levels as cited under 山西省住房和城乡建设廳關於調整山西省建設工程計價依據中人工單價的通知 (dated 8 April 2013) (Notice of wage adjustment for construction tender by Shanxi provincial department of Housing and Urban Construction\*);

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3. (of the expected unit rental costs of relevant rental equipment and the expected unit construction materials cost to be procured) is determined with reference to 江蘇工程造價信息網 [www.jszj.com.cn](http://www.jszj.com.cn) (Jiangsu Project Cost Information Network\*); and
4. (of the engineer and technical staff cost) is determined with reference to the general salary levels of technical/management staff in the solar PV industry in Nanjing as reported on by 南京佑佐管理諮詢有限公司 (Nanjing Youzuo Management Consulting Co., Ltd\*).

For the expected unit prices of relevant construction equipment and materials to be procured under the Datong Procurement and Construction Agreement, we have obtained and reviewed the costs offered from several independent third party suppliers of each construction equipment as shortlisted by CNI23 Energy. Upon comparison, we note that the said expected unit prices are determined on a cost-plus-margin basis on top of the best cost offered from independent third party suppliers of construction equipment as shortlisted by CNI23 Energy. Upon further comparison, we note that the relevant profit margin percentage assigned for (II) procurement service under (B) the Datong Procurement and Construction Agreement is comparable to (or within the range of) those profit margin levels recorded by independent comparable companies which are engaged in the business of EPC services or equipment provision for solar energy plant developers.

In an attempt for further comparison, we have been confirmed by the Management that so far in 2013 the Group has provided (I) engineering design service and (IV) technical consultancy and project management services to several independent third party customers; and (II) procurement service and (IV) technical consultancy and project management services to connected person (namely, CNI23 Huadong Branch) under the First Agreements and the Second Agreements in relation to the Yangzhou Project, the Jinjiang Project and the Baoying Project, all within solar industry. Upon comparison, we have been advised by the Management that

- (i) each of the (I) engineering design service fee income per MW and (IV) technical consultancy and project management services fee income per MW under (A) the Datong Engineering Agreement and (C) Third Technical Consultancy Agreement is within and/or above the range of those levels actually recognised by the Group for providing such similar services to those independent third party customers; and
- (ii) the profit margin percentage assigned for (II) procurement service under (B) the Datong Procurement and Construction Agreement is comparable to those profit margin levels actually recognised by the Group for providing such similar services under the First Agreements and the Second Agreements in relation to the Yangzhou Project, the Jinjiang Project and the Baoying Project.

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## LETTER FROM GF CAPITAL

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### *(3) Settlement*

We summarise the settlement terms for the continuing connected transactions under each of (A) the Datong Engineering Agreement, (B) the Datong Procurement and Construction Agreement, and (C) the Third Technical Consultancy Agreement below:

<b>(A) Datong Engineering Agreement</b>	<b>(B) Datong Procurement and Construction Agreement</b>	<b>(C) Third Technical Consultancy Agreement</b>
(i) 5% of the total contract value as prepayment to be settled within ten days after execution of the Datong Engineering Agreement;	(i) 20% of the total contract value as prepayment to be settled within seven days after completion of the foundation work and issue of the relevant invoice by CNI23 Energy and verification of the same by GCL Datong;	(i) 10% of the total contract value as prepayment to be settled upon the execution of the Third Technical Consultancy Agreement;
(ii) 90% of the total contract value payable in five progress payments with the first payment to be settled within ten days after passing the acceptance check of the preliminary design and the last payment to be settled within thirty days after the acceptance of the as-built drawing; and	(ii) (subject to the availability of the loan to GCL Datong for the Datong Solar Project) 40% of the value of installed capacity which is qualified for grid-connecting and power generation as monthly progress payments with the last payment to be settled within one month after the effective date of the Datong Procurement and Construction Agreement;	(ii) 80% of the total contract value to be settled within thirty days after the relevant projects have the requisite qualification to be connected to the grid and completion of acceptance check on the same; and

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**LETTER FROM GF CAPITAL**

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- (iii) the remaining balance of 5% of the total contract value as retention money to be settled within ten days after the expiry of the quality assurance period (being one year from completion of the Datong Solar Project and acceptance of the same by and transfer of the same for operation to GCL Datong).
- (iii) an accumulated payment up to 95% of the total contract value (i.e. the final payment is 35% of the total contract value) to be settled after the Datong Solar Project has been connected to the grid and commenced operation for one month and transfer of the Datong Solar Project to and preliminary acceptance check of the same by GCL Datong (Suzhou GCL-Poly Solar Energy Investment Ltd., the parent company of GCL Datong, has undertaken to make such payment in the event that GCL Datong fails to do so); and
- (iii) the remaining balance of 10% of the total contract value to be settled upon the acceptance check on completion of the relevant projects but should be no later than 31 December 2014.
- (iv) the remaining balance of 5% of the total contract value as retention money to be settled within one week after GCL Datong has issued the final acceptance letter to CNI23 Energy upon the expiry of the quality assurance period (being 24 months after and including the date on which the preliminary acceptance check on completion of the Datong Solar Project has been passed).

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## LETTER FROM GF CAPITAL

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In an attempt for further comparison, we have been confirmed by the Management that so far in 2013 the Group has provided (I) engineering design service and (IV) technical consultancy and project management services to several independent third party customers; and (II) procurement service and (IV) technical consultancy and project management services to connected person (namely, CNI23 Huadong Branch) under the First Agreements and the Second Agreements in relation to the Yangzhou Project, the Jinjiang Project and the Baoying Project, all within solar industry.

Upon comparison, we note that and have further been reaffirmed by the Company that the relevant settlement terms assigned under each of (II) procurement service under (B) the Datong Procurement and Construction Agreement, and (C) Third Technical Consultancy Agreement is comparable to those settlement terms adopted under the Yangzhou Project, the Jinjiang Project and the Baoying Project.

### **3. Measures to ensure compliance with the Listing Rules**

In compliance with the annual review requirements under the Listing Rules, the Company will comply with the following during the term of the Non-Exempted Continuing Connected Transactions:

- (i) each year the independent non-executive Directors must review the continuing connected transactions and confirm in the Company's annual report and accounts that the continuing connected transactions have been entered into:
  - in the ordinary and usual course of business of the Company;
  - either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and
  - in accordance with the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the annual report of the Company) confirming that the continuing connected transactions:
  - have received the approval of the Board;
  - are in accordance with the pricing policies of the Company if the continuing connected transactions involve provision of goods or services by the Company;



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually 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 enquires, 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 of Director	Nature of interests	Number of Shares held	Approximate percentage <sup>†</sup> of the issued share capital of the Company (%)
Mr. Chan Shu Kit ( <i>Note</i> )	Interest of a controlled corporation	114,240,000	10.36

*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.

<sup>†</sup> 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 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:

(i) Long position in the Shares:

Name	Nature of interests	Number of Shares held	Approximate percentage <sup>†</sup> of the issued share capital of the Company (%)
CNEGC ( <i>Note 1</i> )	Interest of controlled corporations	400,000,000	36.30
CNECC <sup>#</sup> ( <i>Note 1</i> )	Interest of controlled corporations	300,000,000	27.23
CNI23 ( <i>Note 1</i> )	Interest of a controlled corporation	300,000,000	27.23
CNI23 HK ( <i>Note 1</i> )	Directly beneficially owned	300,000,000	27.23
Zhong He Investment Company Limited ( <i>Note 1</i> )	Interest of a controlled corporation	100,000,000	9.07
China He Investment ( <i>Note 1</i> )	Directly beneficially owned	100,000,000	9.07
Hoylake Holdings Limited ( <i>Note 2</i> )	Directly beneficially owned	114,240,000	10.36
Zhao Xu Guang ( <i>Note 3</i> )	Interest of controlled corporations	84,676,000	7.68

Name	Nature of interests	Number of Shares held	Approximate percentage <sup>†</sup> of the issued share capital of the Company (%)
Prosper Alliance Investments Limited (Note 3)	Directly beneficially owned	60,000,000	5.44
Cheung Mui (Note 4)	Interest of a controlled corporation	60,000,000	5.44
Grand Honest Limited (Note 4)	Directly beneficially owned	60,000,000	5.44
Jiang Hailing (Note 5)	Interest of a controlled corporation	100,000,000	9.07
Shining Rejoice Limited (Note 5)	Directly beneficially owned	100,000,000	9.07

# CNECC — 中國核工業建設股份有限公司 (transliterated as China Nuclear Engineering Corporation Co., Ltd.\*)

*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. 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 Mr. Zhao Xu Guang. Mr. Zhao is the sole member of Rui Tong Investments Limited which holds 24,676,000 Shares.
4. Grand Honest Limited is wholly-owned by Ms. Cheung Mui.
5. Shining Rejoice Limited holds 40,000,000 Shares and 60,000,000 underlying Shares which are derived from the zero coupon rate unsecured redeemable convertible notes due 2014 in the principal amount of HK\$72,000,000, which are unlisted and physically settled. Ms. Jiang Hailing is deemed to be interested in such 100,000,000 Shares and underlying Shares in total by virtue of her 100% interests in Shining Rejoice Limited.

† 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.

(ii) Long positions in underlying Shares:

Name	Nature of interests	Number of underlying Shares held	Approximate percentage <sup>†</sup> of the issued share capital of the Company (%)
Jiang Hailing ( <i>Note</i> )	Interest of a controlled corporation	60,000,000	5.44
Shining Rejoice Limited ( <i>Note</i> )	Directly beneficially owned	60,000,000	5.44

*Note:*

- Such interests in 60,000,000 underlying Shares are included in the 100,000,000 Shares as disclosed in Note 5 to “Interests of substantial shareholders of the Company” above.

† 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 that was required to be recorded pursuant to Section 336 of the SFO.

### 3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group which does not expire or is not determinable within one year without payment of compensation (other than statutory compensation).

#### 4. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which have, since 31 December 2012, being the date of the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group as a whole.

#### 5. EXPERT'S CONSENT AND QUALIFICATION

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

<b>Name</b>	<b>Qualification</b>
GF Capital	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

GF Capital has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and all references to its name in the form and context in which they appear.

As at the Latest Practicable Date, GF Capital was not beneficially interested in the share capital of any member of the Group nor did it has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by, or leased to, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

#### 6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and his or her associates was interested directly or indirectly in a business, apart from his or her interest in the Company, which competes or is likely to compete with the business of the Group.

**7. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2012, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**8. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 12:30 p.m. and from 2:00 p.m. to 5:30 p.m. (other than Saturdays, Sundays and public holidays in Hong Kong) at the principal place of business of the Company at Room 2801, 28/F China Resources Building, 26 Harbour Road, Wanchai, Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 29 to 30 of this circular;
- (b) the letter of advice from GF Capital, the text of which is set out on pages 31 to 50 of this circular;
- (c) the written consent from GF Capital referred to in the paragraph under the heading “Expert’s Consent and Qualification” in this appendix;
- (d) the Datong EPC Agreements (i.e. the Datong Engineering Agreement and the Datong Procurement and Construction Agreement);
- (e) the CNI23 (Nanjing) Framework Agreement;
- (f) the First Agreements (i.e. the Equipment and Materials Procurement Agreement and the First Technical Consultancy Agreement);
- (g) the Second Agreements (i.e. the Second Equipment and Materials Procurement Agreement and the Second Technical Consultancy Agreement);
- (h) the Third Technical Consultancy Agreement;
- (i) the First Solar Engineering Agreement; and
- (j) the Second Solar Engineering Agreement.



# 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 IS HEREBY GIVEN** that a special general meeting of China Nuclear Industry 23 International Corporation Limited (the “**Company**”) will be held at Jade Terrace Restaurant, 2nd Floor, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Tuesday, 24 December 2013 at 11:00 a.m., for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions of the Company:

## **ORDINARY RESOLUTIONS**

1. “**THAT**

- (a) the agreement in relation to the provision of engineering design services in respect of 大同協鑫二期60MW光伏發電項目 (transliterated as Datong Xiexin 60MW Photovoltaic (“**PV**”) Project Phase II\*) (the “**Datong Solar Project**”) (a copy of which has been produced to the meeting and marked “**A**” and initialed by the chairman of the meeting for the purpose of identification) and the agreement in relation to the provision of procurement and construction services in respect of the Datong Solar Project (a copy of which has been produced to the meeting and marked “**B**” and initialed by the chairman of the meeting for the purpose of identification) (collectively the “**Datong EPC Agreements**”), both dated 15 November 2013 and entered into between 南京中核二三能源工程有限公司 (transliterated as Nanjing CNI23 Energy Engineering Company Limited\*) (“**CNI23 Energy**”), an indirect non-wholly-owned subsidiary of the Company and 大同縣協鑫光伏電力有限公司 (transliterated as Datong Xian GCL Solar Power Co., Ltd.\*) and the transactions contemplated thereunder and the annual cap for the continuing connected transactions contemplated under the Datong EPC Agreements for the financial year ending 31 December 2013 (the “**Datong Proposed Cap**”) be and are hereby approved, ratified and confirmed; and
- (b) any one of the directors of the Company (“**Directors**”) be and is hereby authorised to exercise all the powers of the Company and take all other steps and execute all such documents which he/she/they consider(s) necessary, desirable or expedient for the implementation of and giving effect to the

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Datong Proposed Cap and the Datong EPC Agreements and the transactions contemplated thereunder and generally to exercise all the powers of the Company as he/she/they deem(s) desirable or necessary in connection with the forgoing.”

2. “**THAT**

- (a) the agreement (the “**Third Technical Consultancy Agreement**”) in relation to the provision of technical consultancy and project management services in respect of 福海漢能一期20MWp併網光伏電站項目 (transliterated as Fuhai Hanneng 20MWp grid-connection PV Project Phase I\*) (the “**Fuhai Project**”) and 中廣核太陽能山東微山30MWp光伏電站建安施工項目標段一及二 (transliterated as China-Guangdong Nuclear Solar Shandong Weishan 30MWp PV Plant Construction Project I and II\*) (the “**Weishan Project**”), dated 15 November 2013 and entered into between CNI23 Energy and 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\*) (“**CNI23 Huadong Branch**”) (a copy of which has been produced to the meeting and marked “C” and initialed by the chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder and the revised annual cap for the continuing connected transactions contemplated under the framework agreement dated 3 May 2013 and entered into between 中核二三(南京)能源發展有限公司 (CNI23 (Nanjing) Energy Development Company Limited) (“**CNI23 (Nanjing)**”) and CNI23 Huadong Branch in relation to the provision of procurement of construction equipment and materials and technical consultancy and project management services for the financial year ending 31 December 2013, taking into account the aggregate historical transaction amount under the agreement in relation to the procurement of construction equipment and materials and provision of related technical support services for 揚州經濟開發區光伏發電示範項目出口加工區2MW子項目 (transliterated as 2MW project of PV power demonstration projects export processing zones in Yangzhou Economic Development Zone\*) (the “**Yangzhou Project**”) and 寶應30MWp漁光互補光伏發電項目 (transliterated as Baoying 30MWp fishing-solar complementary PV power project\*) (the “**Baoying Project**”) and the agreement in relation to the provision of technical consultancy and project management services for the Yangzhou Project and the Baoying Project, both dated 3 May 2013 and entered into between CNI23 (Nanjing) and CNI23 Huadong Branch, and the agreement in relation to the procurement of construction equipment and materials and provision of related technical support services for further development of the Baoying Project and 晉江市經濟開發區10MWp光伏併網金太陽項目 (transliterated as Golden-sun project for the 10MWp PV grid-connection in Jinjiang Economic Development Zone\*) (the “**Jinjiang Project**”) and the agreement in relation to the provision of technical consultancy and project management services for the Jinjiang Project, both dated 24 May 2013 and entered into between CNI23 (Nanjing) and CNI23

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Huadong Branch, and the additional transaction amount under the Third Technical Consultancy Agreement (the “**Huadong Revised Cap**”) be and are hereby approved, ratified and confirmed; and

- (b) any one of the Directors be and is hereby authorised to exercise all the powers of the Company and take all other steps and execute all such documents which he/she/they consider(s) necessary, desirable or expedient for the implementation of and giving effect to the Huadong Revised Cap and the Third Technical Consultancy Agreement and the transactions contemplated thereunder and generally to exercise all the powers of the Company as he/she/they deem(s) desirable or necessary in connection with the forgoing.”

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

Hong Kong, 6 December 2013

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

*Principal place of business in Hong Kong:*  
Room 2801  
28/F China Resources Building  
26 Harbour Road  
Wanchai  
Hong Kong

**Notes:**

1. A shareholder entitled to attend and vote at the meeting may appoint one or more than one proxies to attend and to vote on a poll in his/her/its stead. On a poll, votes may be given either personally (or in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any share(s), any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share(s) as if he/she were solely entitled thereto; but if more than one of such joint holders are present at the meeting 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 share(s) shall alone be entitled to vote in respect thereof.

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3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered 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 not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if shareholders so wish.
5. The ordinary resolutions set out in this notice will be put to shareholders to vote by way of a poll.

\* *for identification purpose only*