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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**

### **THE MOYU CONSTRUCTION AGREEMENT**

On 13 March 2015 (after trading hours on the Stock Exchange), CNI23 Energy, an indirect non-wholly-owned subsidiary of the Company, entered into the Moyu Construction Agreement with Xinhua Shengshu, pursuant to which Xinhua Shengshu has agreed to engage CNI23 Energy as its contractor for the provision of procurement, construction, installation and related services in respect of the Moyu Solar Project. The total contract value of the Moyu Construction Agreement is RMB92,008,199 (equivalent to approximately HK\$115,952,000).

As at the date of this announcement, CNI23 Energy is wholly-owned by CNI23 (Nanjing) which is in turn wholly-owned by Guoxin Energy. Guoxin Energy is owned as to 51% by CNI23 New Energy (a wholly-owned subsidiary of the Company). The Company is owned as to approximately 36.3% by China He Investment. ZOC holds 100% interests in China He Investment and ZOC is 100% owned by CNEGC. The ultimate beneficial owner of China He Investment is CNEGC. CNEGC holds 55% shareholding interest of Xinhua Hydropower. Xinhua Hydropower holds approximately 98.11% interests in Xinhua Water and Electricity which in turn wholly-owns Xinhua Shengshu. Therefore, Xinhua Shengshu is a connected person of the Company within the meaning of the Listing Rules.

As certain relevant percentage ratio in respect of the Moyu Proposed Cap is more than 25%, the transactions contemplated under the Moyu Construction Agreement and the Moyu Proposed Cap are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A circular containing information in relation to (i) the Moyu Construction Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Moyu Construction Agreement and the transactions contemplated thereunder; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Moyu Construction Agreement and the transactions contemplated thereunder; and (iv) a notice of the SGM will be despatched to the Shareholders on or before 2 April 2015.

## **The Moyu Construction Agreement**

### **Date**

13 March 2015 (after trading hours)

### **Parties**

- (1) CNI23 Energy; and
- (2) Xinhua Shengshu

As at the date of this announcement, CNI23 Energy is wholly-owned by CNI23 (Nanjing) which is in turn wholly-owned by Guoxin Energy. Guoxin Energy is owned as to 51% by CNI23 New Energy (a wholly-owned subsidiary of the Company). The Company is owned as to approximately 36.3% by China He Investment. ZOC holds 100% interests in China He Investment and ZOC is 100% owned by CNEGC. The ultimate beneficial owner of China He Investment is CNEGC. CNEGC holds 55% shareholding interest of Xinhua Hydropower. Xinhua Hydropower holds approximately 98.11% interests in Xinhua Water and Electricity which wholly-owns Xinhua Shengshu. Therefore, Xinhua Shengshu is a connected person of the Company within the meaning of the Listing Rules.

### **Term**

The Moyu Construction Agreement shall take effect upon obtaining of the Independent Shareholders' approval at the SGM to the Moyu Construction Agreement and the transactions contemplated thereunder and the Moyu Proposed Cap and shall end on 30 June 2015, other than the work required to be done during the quality assurance period (being one year from the completion of the Moyu Solar Project and acceptance of the same by and transfer of the same for operation to Xinhua Shengshu).

As at the date of this announcement, the tender of CNI23 Energy for the Moyu Solar Project has already been granted to and accepted by Xinhua Shengshu.

### **Nature of Transactions**

Pursuant to the Moyu Construction Agreement, CNI23 Energy shall be mainly responsible for (i) installation work relating to solar cell component frames; (ii) construction work such as foundation, cable, tower, electrical equipment, underground facilities, roads, fence, earthwork, greening illumination, video surveillance, ventilation system, prevention of fire, flood, security, operation control system, communications, building construction and decoration; (iii) provision of services such as testing of equipment, third party system compatibility testing and modification; and (iv) the installation and operation of equipment in relation to environmental and water protection. CNI23 Energy shall not be responsible for the construction of system connecting part.

## Consideration

The total contract value of the Moyu Construction Agreement is RMB92,008,199 (equivalent to approximately HK\$115,952,000) which shall be payable by Xinhua Shengshu to CNI23 Energy in the following manners:

- (i) 10% of the total contract value as prepayment to be settled within 28 days after CNI23 Energy has provided to Xinhua Shengshu the relevant guarantee guaranteeing CNI23 Energy's obligations under the Moyu Construction Agreement and acceptance of the same by Xinhua Shengshu;
- (ii) 85% of the total contract value as progress payment which will be made monthly with reference to the completion status on the 25th day of each month;
- (iii) 5% of the total contract value will be retained as retention money to be settled within 30 days after the expiry of the quality assurance period (being one year from the completion of the Moyu Solar Project and acceptance of the same by and transfer of the same for operation to Xinhua Shengshu).

## MOYU PROPOSED CAP

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

<b>Continuing connected transactions</b>	<b>Proposed transaction amount for the year ending 31 December 2015 (RMB'000)</b>
<i>Pursuant to the Moyu Construction Agreement</i>	
— provision of procurement, construction, installation and related services	101,209 <i>(equivalent to approximately HK\$127,548,000)</i>

## Basis in determining the Moyu Proposed Cap

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

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

The Company has estimated the quantity of equipment and materials to be procured based on the number of each category of the equipment and materials necessary to complete the Moyu Solar Project in accordance with the required scope of work under the Moyu Construction Agreement. 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 work under the Moyu Solar Project as specified in the Moyu Construction Agreement and the relevant tender. Besides, the Company has estimated the expected unit price of the construction equipment to be rented, the construction equipment and materials to be procured and the service fees by making references to, amongst other things, third party supplier/service provider quotations, guidance prices and general salary level of construction work published regularly by local authorities.

For determination of the Moyu Proposed Cap in respect of the continuing connected transactions contemplated under the Moyu Construction Agreement:

- (i) a buffer has been made to cater for the change in quantity/extent of the construction equipment and materials, as the Moyu Construction Agreement has provided terms which permit the contract value to be adjusted if there is any change in the requirements or conditions of the Moyu Solar Project. The buffer will also cater for any foreign exchange rate difference in accounts reporting due to the appreciation in translation rate from RMB to HK\$.

The reasons for applying a buffer are that due to the nature of the construction industry, there may be change in quantity or extent of the construction equipment and materials to be provided by CNI23 Energy for the relevant transactions contemplated under the Moyu Construction Agreement. There may also be subsequent follow-up work required after completion of the projects or change in the requirements by the counterparty to the Moyu Construction Agreement during the actual construction or installation process. As such, in determining the Moyu Proposed Cap, the Company has to take into account of such factors and the foreign exchange rate difference due to the time involved for such projects. CNI23 Energy has considered such factors to the extent possible when determining the contract value of the Moyu Construction Agreement but the Company considers that if the aforesaid unforeseen circumstances shall arise, a buffer would enable CNI23 Energy to continue carrying on the projects without causing any delay to or interruption on the work progress of the counterparty of the Moyu Construction Agreement provided that such buffer would fall within the ambit of the Moyu Proposed Cap.

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

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

## **PRINCIPAL BUSINESS OF XINHUA SHENGSHU**

The principal business of Xinhua Shengshu is the investment, development, construction and operation of new energy projects.

## **MATERIAL INTEREST OF DIRECTORS IN THE MOYU CCT**

As at the date of this announcement, Mr. Ai Yilun, who is the chairman and an executive Director, Mr. Gao Yongping, Mr. Fu Zhigang, Mr. Tang Chuanqing and Mr. Xu Zhaoyang who are executive Directors, are materially interested in the Moyu CCT as each of Mr. Ai Yilun, Mr. Gao Yongping, Mr. Fu Zhigang, Mr. Tang Chuanqing and Mr. Xu Zhaoyang holds senior management position in ZOC which is 100% owned by CNEGC and ZOC holds 100% interests in China He Investment. Furthermore, Mr. Ai Yilun is a director of ZOC. China He Investment holds approximately 36.3% of the Company and therefore is the controlling shareholder (as defined in the Listing Rules) of the Company. As such, Mr. Ai Yilun, Mr. Gao Yongping, Mr. Fu Zhigang, Mr. Tang Chuanqing and Mr. Xu Zhaoyang have abstained from voting on the relevant board resolutions in respect of the Moyu CCT and the Moyu Proposed Cap.

## **REASONS FOR AND BENEFIT OF THE ENTERING INTO THE MOYU CONSTRUCTION AGREEMENT**

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

It is the corporate strategy of the Group to continue to identify investment opportunities with the aim to diversify its business to a section which is less susceptible to global financial markets while at the same time has a steady revenue stream.

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

The Board (except for Messrs. Mr. Ai Yilun, Mr. Gao Yongping, Mr. Fu Zhigang, Mr. Tang Chuanqing and Mr. Xu Zhaoyang (together, the “**Excluded Directors**”) who had abstained from voting at the Board meeting approving, among others, the Moyu Proposed Caps and the Moyu Construction Agreement and the transactions contemplated thereunder due to the reasons stated above and the Independent Non-executive Directors whose views will be contained in the circular to be issued by the Company after considering the advice from the independent financial adviser) considers that the continuing connected transactions contemplated under the Moyu Construction 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 Moyu Proposed Cap) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board (excluding the Excluded Directors and the Independent Non-executive Directors whose views will be contained in the circular to be issued by the Company after considering the advice from the independent financial adviser) considers that the Moyu CCT will be carried out in the ordinary and usual course of business of CNI23 Energy and on normal commercial terms or better from the perspective of CNI23 Energy, and the terms of the transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CNI23 Energy is wholly-owned by CNI23 (Nanjing) which is in turn wholly-owned by Guoxin Energy. Guoxin Energy is owned as to 51% by CNI23 New Energy (a wholly-owned subsidiary of the Company). The Company is owned as to approximately 36.3% by China He Investment. ZOC holds 100% interests in China He Investment and ZOC is 100% owned by CNEGC. The ultimate beneficial owner of China He Investment is CNEGC. CNEGC holds 55% shareholding interest of Xinhua Hydropower. Xinhua Hydropower holds approximately 98.11% interests in Xinhua Water and Electricity which in turn wholly-owns Xinhua Shengshu. Therefore, Xinhua Shengshu is a connected person of the Company within the meaning of the Listing Rules.

As certain relevant percentage ratio in respect of the Moyu Proposed Cap is more than 25%, the transactions contemplated under the Moyu Construction Agreement and the Moyu Proposed Cap are subject to the reporting, announcement, annual review and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

A circular containing information in relation to (i) the Moyu Construction Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Moyu Construction Agreement and the transactions contemplated thereunder; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Moyu Construction Agreement and the transactions contemplated thereunder; and (iv) a notice of the SGM will be despatched to the Shareholders on or before 2 April 2015.

## DEFINITIONS

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

“associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“China He Investment”	China He Investment (Hong Kong) Company Limited (中核投資(香港)有限公司), a company incorporated in Hong Kong with limited liability;
“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 and owns 55% of Xinhua Water and Electricity;
“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 (Nanjing)”	中核二三(南京)能源發展有限公司 (CNI23 (Nanjing) Energy Development Company Limited*), an indirect non wholly-owned subsidiary of the Company which was established in the PRC;
“CNI23 New Energy”	CNI23 New Energy Limited (中核二三新能源有限公司), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company;
“Company”	China Nuclear Industry 23 International Corporation Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the same meaning ascribed thereto in the Listing Rules;
“Director(s)”	director(s) of the Company;
“EPC”	engineering, procurement and construction;
“Fame Raise”	Fame Raise Limited, a limited liability company incorporated in the British Virgin Islands;
“Group”	the Company and its subsidiaries;
“Guoxin Energy”	Guoxin Energy Limited, a limited liability company incorporated in Hong Kong, which is owned as to 51% by CNI23 New Energy, 29.9% by Fame Raise and 19.1% by Triple Delight;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Independent Board Committee”	the independent committee of the Board, comprising all of the Independent Non-executive Directors, formed to advise the Independent Shareholders in respect of the Moyu Construction Agreement and the transactions contemplated thereunder and the Moyu Proposed Cap;
“Independent Non-executive Directors”	the independent non-executive Directors of the Company, namely Mr. Chan Ka Ling, Edmond, Mr. Li Baolin, Mr. Wang Jimin and Mr. Chen Ying;
“Independent Shareholder(s)”	Shareholder(s) other than China He Investment and its associates (if they are Shareholders as at the date of the SGM);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Moyu CCT”	the continuing connected transactions contemplated under the Moyu Construction Agreement to be completed by 30 June 2015;
“Moyu Construction Agreement”	the agreement dated 13 March 2015 entered into between CNI23 Energy and Xinhua Shengshu in relation to the provision of procurement, construction, installation and related services by CNI23 Energy to Xinhua Shengshu in respect of the Moyu Solar Project;
“Moyu Proposed Cap”	the annual cap for the continuing connected transactions contemplated under the Moyu Construction Agreement for the financial year ending 31 December 2015;
“Moyu Solar Project”	新疆新華墨玉50MWp光伏發電工程 (transliterated as Xinjiang Xinhua Moyu 50MWp Solar Power Project*) pursuant to the Moyu Construction Agreement;
“MWp”	Megawatt Peak
“PRC”	The People’s Republic of China and for the sole purpose of this announcement shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi, the lawful currency of the PRC;
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Moyu Proposed Cap and the Moyu Construction Agreement and the transaction contemplated thereunder;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;

“subsidiary”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Triple Delight”	Triple Delight Limited, a limited liability company incorporated in the British Virgin Islands;
“Xinhua Hydropower”	新華水力發電有限公司 (transliterated as Xinhua Hydropower Company Limited*), a limited liability company incorporated in PRC, which is owned by 新華水利控股集團公司 as to 45% and CNEGC as to 55%;
“Xinhua Shengshu”	新疆新華聖樹光伏發電有限公司 (transliterated as Xinjiang Xinhua Shengshu Solar Photovoltaic Company Limited*), a limited liability company incorporated in PRC, which is wholly-owned by Xinhua Water and Electricity;
“Xinhua Water and Electricity”	新疆新華水電投資股份有限公司 (transliterated as Xinjiang Xinhua Water and Electricity Investment Company Limited*), a limited liability company incorporated in PRC, which is owned by Xinhua Water Hydropower as to 98.11%, 新疆水利水電勘測設計研究院 as to 0.6% and 新疆布爾津縣水電公司 as to 1.29%;
“ZOC”	ZOC Investment Co., Ltd. (中核投資有限公司), a limited liability company incorporated in the PRC, which is wholly-owned by CNEGC; and
“%”	per cent.

\* *for identification purposes only*

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

Hong Kong, 13 March 2015

*For the purposes of illustration only, any amount denominated in RMB in this announcement and translated into HK\$ at the rate of RMB0.7935 = HK\$1. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.*

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