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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  
IN RESPECT OF FRAMEWORK AGREEMENT  
AND SUB-CONTRACTING AGREEMENTS**

**WITH 中國核工業二三建設有限公司**

**(CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION COMPANY LIMITED\*)**

**Financial Adviser to the Company**

 **金融有限公司**  
**OCTAL Capital Limited**

On 18 October 2013 (after trading hours), CNI23 Overseas, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with CNI23, pursuant to which CNI23 Overseas has agreed to engage CNI23 as a construction sub-contractor exclusively to CNI23 Overseas' construction works in the Site during the term of the Framework Agreement.

On 18 October 2013 (after trading hours), after signing of the Framework Agreement, CNI23 Overseas entered into the Sub-contracting Agreements with CNI23, which set out the detailed terms of the construction works to be carried out by CNI23 for the Additional Projects as required pursuant to the Framework Agreement. The Existing Caps has been revised to cover the estimated additional transaction amount for the Additional Projects pursuant to the Framework Agreement.

As at the date of this announcement, 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 and the transactions contemplated under the Framework Agreement and the Sub-contracting Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant applicable percentage ratios in respect of the Revised Caps are less than 5%, the Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but exempted from the Independent Shareholders' approval requirement.

## **THE FRAMEWORK AGREEMENT**

On 18 October 2013 (after trading hours), CNI23 Overseas, a wholly-owned subsidiary of the Company, entered into the Framework Agreement with CNI23, pursuant to which CNI23 Overseas has agreed to engage CNI23 as a construction sub-contractor exclusively to CNI23 Overseas' construction works in the Site during the term of the Framework Agreement. The major terms of the Framework Agreement are set out below:

### **Date**

18 October 2013 (after trading hours)

### **Parties**

- (1) CNI23 Overseas; and
- (2) CNI23

As at the date of this announcement, 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.

### **Term**

The Framework Agreement commences from, subject to the fulfillment of all the conditions precedent as set out under the paragraph "Conditions Precedent" below, the date of the Framework Agreement (i.e. 18 October 2013) and ends on 31 December 2013 or the date on which the Additional Projects have been completed and CNI23 Overseas has obtained the certificate of satisfaction issued by the owner of the Site for completion of the Additional Projects (whichever is later) or such other date as may be agreed by CNI23 Overseas and CNI23.

### **Nature of Transactions**

Pursuant to the Framework Agreement, CNI23 agrees to:

- (1) provide construction and installation works, including but not limited to construction works, installation of equipment and facilities, pipes installation, electrical equipment and meters installation, insulation and non-corrosive engineering work, testing, repair and maintenance works;
- (2) supervise and manage construction works;
- (3) supply construction equipment and designated materials;

- (4) purchase construction materials (including construction raw materials and consumables) as may be required by CNI23 Overseas from time to time;
- (5) supply management and technical personnel and construction workers;
- (6) set up production and living area in the Site (if required);
- (7) provide transportation services for the construction equipment and materials (including transportation facilities, transportation fee, customs clearance, import, export and related insurance);
- (8) provide water, electricity and related facilities, provisional power equipment and facilities and repair and maintenance services in the Site;
- (9) provide miscellaneous services such as office equipment, telecommunications systems, living facilities for staff, security, insurance and other related services; and
- (10) provide such other construction works as may be required by CNI23 Overseas from time to time.

The Framework Agreement is a master agreement which sets out the principles of the construction works to be carried out by CNI23 for CNI23 Overseas in relation to the Additional Projects and other relevant future projects (if any) upon which detailed terms (including the contract value) are to be determined between the parties by way of entering into separate sub-contracting agreement(s) or such other agreement(s) as CNI23 Overseas may require. Pursuant to the Framework Agreement, the parties have entered into the Sub-contracting Agreements which provide the detailed terms of the construction works required to be carried out by CNI23 in respect of the Additional Projects. Please refer to the section headed “Sub-contracting Agreements” below for further information. According to the Framework Agreement, the parties have agreed that such detailed terms shall be fair and reasonable and on normal commercial terms which are no less favourable than the terms which can be obtained by CNI23 Overseas from independent third parties for similar construction projects.

### **Conditions Precedent**

The Framework Agreement is conditional upon (i) the consent obtained from COOEC-ENPAL for sub-contracting the Additional Projects to CNI23 under the Construction Agreements; and (ii) the approval (if required) obtained from the Independent Shareholders pursuant to the Listing Rules and the bye-laws of the Company. The consent from COOEC-ENPAL has been obtained on 17 October 2013.

## **THE SUB-CONTRACTING AGREEMENTS**

On 18 October 2013 (after trading hours), after signing of the Framework Agreement, CNI23 Overseas entered into the Sub-contracting Agreements with CNI23. The Sub-contracting Agreements comprise the Torch Sub-contracting Agreement, the Fire System Sub-contracting Agreement and the Pipeline Sub-contracting Agreement, which set out the detailed terms of the construction works to be carried out by CNI23 for each of the Additional Projects as required pursuant to the Framework Agreement. The major terms of the Sub-contracting Agreements are set out below:

### **Date**

18 October 2013 (after trading hours), after signing of the Framework Agreement

### **Parties**

- (1) CNI23 Overseas; and
- (2) CNI23.

As at the date of this announcement, 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.

### **Term**

The Sub-contracting Agreements commence from the date of the Sub-contracting Agreements (i.e. 18 October 2013) and end on the expiry date of the relevant Construction Agreements entered into between CNI23 Overseas and COOEC-ENPAL.

### **Nature of Transactions**

Pursuant to the Sub-contracting Agreements, CNI23 has agreed to provide the services for the Additional Projects within the scope of works set out in the paragraph “Nature of Transactions” under the section headed “The Framework Agreement” above and the detailed requirements for the works of each of the Additional Projects are set out in each of the Sub-contracting Agreements.

On 18 October 2013, CNI23 Overseas entered into the Construction Agreements with COOEC-ENPAL in relation to the construction works for the Additional Projects in the Site. The Additional Projects include (i) the installation of two new oilfield torches pursuant to the Torch Construction Agreement; (ii) the modification of the existing fire system and water station and installation of new fire prevention facilities pursuant to the Fire System Construction Agreement; and (iii) the replacement of the existing crude oil recovery pipeline pursuant to the Pipeline Construction Agreement. For each of the Additional Projects, CNI23 Overseas also entered into a separate guarantee agreement with COOEC-ENPAL and CNI23 whereby CNI23 agreed to guarantee the obligations of CNI23 Overseas under the Construction Agreements. Pursuant to the Sub-contracting Agreements, notwithstanding the signing of the Sub-contracting Agreements, the obligations of CNI23 under the guarantee agreements would not be affected.

## **Consideration**

The total contract value for the Sub-contracting Agreements was RMB3,593,685 (equivalent to approximately HK\$4,540,405) of which RMB1,438,092 (equivalent to approximately HK\$1,816,943), RMB702,868 (equivalent to approximately HK\$888,031) and RMB1,452,725 (equivalent to approximately HK\$1,835,431) are attributable to the Torch Sub-contracting Agreement, the Fire System Sub-contracting Agreement and the Pipeline Sub-contracting Agreement respectively. The total contract value shall be paid in cash by CNI23 Overseas to CNI23 within twenty (20) days after receiving the relevant amount under the Construction Agreements from the owner of the Site or COOEC-ENPAL. If retention money for quality assurance of the Additional Projects is required by the owner of the Site or COOEC-ENPAL, a corresponding amount will be withheld from the payment to CNI23 which will be paid to CNI23 within sixty (60) days after the retention period as required by the owner of the Site or COOEC-ENPAL ends. The contract value in respect of each of the Sub-contracting Agreements has been agreed upon between the parties through arm's length negotiations.

## **Other Major Terms**

The other major terms of the Sub-contracting Agreements are as follows:

1. CNI23 is required to comply with the works required to be done by CNI23 Overseas as set out in the Construction Agreements (unless otherwise instructed by CNI23 Overseas) and also the tender document(s) submitted by COOEC-ENPAL for the Additional Projects.
2. CNI23 Overseas shall have the discretion to determine whether or not the construction equipment and materials as required under the Construction Agreements are to be supplied by CNI23 Overseas directly or to be purchased by CNI23. In the event that CNI23 Overseas shall purchase the construction equipment and materials directly, CNI23 Overseas shall have the right to adjust the contract value of the Sub-contracting Agreements or the relevant cost under the Additional Projects accordingly.

## REVISED CAPS

The following table sets out the historical transaction amount pursuant to the Existing Framework Agreement and the Revised Caps pursuant to the Framework Agreement for the year ending 31 December 2013.

		For the financial year ending 31 December 2013			
Continuing Connected Transactions		Historical transaction amount pursuant to the Existing Framework Agreement	Estimated additional transaction amount pursuant to the Framework Agreement	Total amount	Revised Caps (after taking into account a buffer for the additional transactions)
		(a)	(b)	(c) = (a)+(b)	(c) + (b)x10%
		(RMB)	(RMB)	(RMB)	(RMB)
(1)	provide construction and installation works, including but not limited to construction works, installation of equipment and facilities, pipes installation, electrical equipment and meters installation, insulation and non-corrosive engineering work, testing, repair and maintenance works;	336,498	Nil	336,498	336,498
(2)	supervise and manage construction works;	61,641	Nil	61,641	61,641
(3)	supply construction equipment and designated materials;	87,711	1,745,274	1,832,985	2,007,512
(4)	purchase materials and consumables;	32,786	Nil	32,786	32,786
(5)	supply management and technical personnel and construction workers;	68,812	1,848,411	1,917,223	2,102,064
(6)	provide water, electricity and related facilities, provisional power equipment and facilities and repair and maintenance services in the Site; and	11,730	Nil	11,730	11,730
(7)	provide miscellaneous services such as office equipment, telecommunications systems, living facilities for staff, security, insurance and other related services.	20,435	Nil	20,435	20,435
<b>Total amount:</b>		619,613	3,593,685	4,213,298	4,572,666 (equivalent to approximately HK\$5,777,288)

## BASIS IN DETERMINING THE REVISED CAPS

In determining the Revised Caps for the Continuing Connected Transactions for the financial year ending 31 December 2013, the Board has taken into account the historical transaction amount pursuant to the Existing Framework Agreement and based their estimates on the Sub-contracting Agreements. Important and objective assumptions and factors, though not exhaustive which 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 Existing Framework Agreement;
- (ii) expected quantity of materials, equipment, facilities, utilities and services required to be provided by CNI23 for the Additional Projects pursuant to the Sub-contracting Agreements;
- (iii) the expected price of relevant materials, equipment, facilities, utilities and services; and
- (iv) a buffer to cater for fluctuation in price of the materials, equipment, facilities, utilities and services, inflation, foreign exchange rate and any relevant future transactions.

The pricing policy for each of the Continuing Connected Transactions has been determined based on normal commercial terms which are no less favourable than the terms which can be obtained by CNI23 Overseas from independent third parties for similar construction projects. Pricing has been agreed upon between the parties for each transaction by reference to the aforementioned pricing policy through arm's length negotiations.

## **REASONS FOR AND BENEFIT OF THE CONTINUING CONNECTED TRANSACTIONS**

The Group is principally engaged in restaurant and hotel operation and property investments in Hong Kong. In addition, the Group has also 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 also provision of construction works for non-nuclear power companies; (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 associated company.

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.

As announced by the Company on 15 October 2012, 14 November 2012 and 3 May 2013, CNI23 Overseas entered into construction agreements with COOEC-ENPAL in relation to the construction of power stations and an API oil return pipeline in the Site. Since the owner of the Site and COOEC-ENPAL were satisfied with the quality of these construction projects, COOEC-ENPAL has decided to continue to sub-contract new construction works to CNI23 Overseas. In view of establishing a long-term business relationship with COOEC-ENPAL and building the reputation of CNI23 Overseas in the industry, CNI23 Overseas has decided to undertake the Additional Projects by utilising the expertise of CNI23. Furthermore, the transactions under the Framework Agreement will provide additional revenue stream to the Company and thereby facilitating the expansion of the Group's businesses. Therefore, the Directors considered that it is for the Group's benefit to enter into the Framework Agreement and the Sub-contracting Agreements and the terms thereof are in the interest of the Company and the Shareholders as a whole.

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 Framework Agreement, the Sub-contracting Agreements and the transactions contemplated thereunder.

The Board confirmed that except for Messrs. Dong Yuchuan, Lei Jian, Han Naishan, Guo Shuwei and Song Limin, none of the other Directors had any material interest in the Framework Agreement, the Sub-contracting Agreements and the transactions contemplated thereunder. Accordingly, none of the other Directors, except for the abovementioned Directors, was required to abstain from voting at the Board meeting in relation to the Framework Agreement, the Sub-contracting Agreements and the transactions contemplated thereunder.

The Directors (except for Messrs. Dong Yuchuan, Lei Jian, Han Naishan, Guo Shuwei and Song Limin who had abstained from voting at the Board meeting approving the Framework Agreement, the Sub-contracting Agreements and the transactions contemplated thereunder due to the reasons stated above) considered that the Framework Agreement and the Sub-contracting 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 Revised Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, 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 and the transactions contemplated under the Framework Agreement and the Sub-contracting Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the relevant applicable percentage ratios in respect of the Revised Caps are less than 5%, the Continuing Connected Transactions are subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but exempted from the Independent Shareholders' approval requirement.

## **DEFINITIONS**

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

- “Additional Projects” the three construction projects to be carried out in the Site under the Construction Agreements;
- “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;
- “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 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 Overseas”	CNI23 Overseas Development Limited, a company incorporated in Hong Kong with limited liability and an indirect 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;
“Construction Agreements”	the Torch Construction Agreement, the Fire System Construction Agreement and the Pipeline Construction Agreement;
“Continuing Connected Transactions”	the transactions between CNI23 Overseas and CNI23 as set out in the paragraph headed “REVISED CAPS” in this announcement;
“COOEC-ENPAL”	COOEC-ENPAL Engineering Co., Ltd. 海工英派爾工程有限公司, a limited liability company established in the PRC;
“Director(s)”	director(s) of the Company;
“Existing Caps”	the existing annual caps for the continuing connected transactions pursuant to the Existing Framework Agreement;
“Existing Framework Agreement”	the framework agreement dated 18 January 2013 entered into between CNI23 Overseas and CNI23 in relation to the sub-contracting of the API oil return pipeline project in the Site;
“Fire System Construction Agreement”	the construction agreement dated 18 October 2013 entered into between CNI23 Overseas and COOEC-ENPAL in relation to the modification of the existing fire system and water station and installation of new fire prevention facilities in the Site;
“Fire System Sub-contracting Agreement”	the sub-contracting agreement dated 18 October 2013 entered into between CNI23 Overseas and CNI23 in relation to the sub-contracting of certain construction works required under the Fire System Construction Agreement;
“Framework Agreement”	the framework agreement dated 18 October 2013 entered into between CNI23 Overseas and CNI23 in relation to the sub-contracting of construction works in the Site;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Independent Shareholder(s)”	Shareholder(s) other than CNI23 HK and its associates;

“Iraq”	the Republic of Iraq;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Pipeline Construction Agreement”	the construction agreement dated 18 October 2013 entered into between CNI23 Overseas and COOEC-ENPAL in relation to the replacement of the existing crude oil recovery pipeline in the Site;
“Pipeline Sub-contracting Agreement”	the sub-contracting agreement dated 18 October 2013 entered into between CNI23 Overseas and CNI23 in relation to the sub-contracting of certain construction works required under the Pipeline Construction Agreement;
“PRC”	The People’s Republic of China;
“Revised Caps”	the revised annual caps for the continuing connected transactions contemplated under the Framework Agreement for the financial year ending 31 December 2013, taking into account the historical transaction amount pursuant to the Existing Framework Agreement;
“RMB”	Renminbi, the lawful currency of the PRC;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Site”	Missan Oil Fields of Buzurgan area in Iraq;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Sub-contracting Agreements”	the Torch Sub-contracting Agreement, the Fire System Sub-contracting Agreement and the Pipeline Sub-contracting Agreement;
“Torch Construction Agreement”	the construction agreement dated 18 October 2013 entered into between CNI23 Overseas and COOEC-ENPAL in relation to the installation of two new oilfield torches in the Site;
“Torch Sub-contracting Agreement”	the sub-contracting agreement dated 18 October 2013 entered into between CNI23 Overseas and CNI23 in relation to the sub-contracting of certain construction works required under the Torch Construction Agreement; and
“%”	per cent.

*For the purposes of illustration only, any amount denominated in RMB in this announcement and translated into HK\$ was translated at the rate of RMB0.79149 = 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.*

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

Hong Kong, 18 October 2013

*As at the date of this announcement, the Directors are: Mr. Dong Yuchuan, who is the chairman and the non-executive Director; Mr. Chan Shu Kit, who is the vice-chairman and an executive Director; Mr. Lei Jian, Mr. Han Naishan, Mr. Guo Shuwei, Mr. Chung Chi Shing, Ms. Jian Qing and Mr. Song Limin, all of whom are executive Directors; and Mr. Chan Ka Ling, Edmond, Mr. Chang Nan, Dr. Dai Jinping and Mr. Yu Lei, all of whom are independent non-executive Directors.*

\* *For identification purposes only*