THIS CIRCULAR IS IMPORTANT AND REQUEST YOUR IMMEDIATE ATTENTION

If you are in any doubt as to 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 advisers.

If you have sold or transferred all your shares in China Nuclear Energy Technology Corporation Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

CHINA NUCLEAR ENERGY TECHNOLOGY CORPORATION LIMITED
中 國 核 能 科 技 集 團 有 限 公 司
(Incorporated in Bermuda with limited liability)
(Stock Code: 611)

(I) CONNECTED AND MAJOR TRANSACTION IN RELATION TO THE FACTORING CONTRACTS; (II) PROPOSED RE-ELECTION OF DIRECTORS; AND (III) NOTICE OF SPECIAL GENERAL MEETING

Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders

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A notice convening the SGM of China Nuclear Energy Technology Corporation Limited to be held at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 4 April 2019 at 10:30 a.m. is set out on pages N-1 to N-3 of this circular. Whether or not you are able to attend the SGM, you are requested to complete and sign the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the SGM if they so wish.

15 March 2019

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"associate"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Bye-laws"	The bye-laws of the Company currently in force
"CNECFL"	中核建融資租賃股份有限公司 (transliterated as China Nuclear E&C Financial Leasing Co., Ltd.), a company established in the PRC with limited liability
"CNICL"	中核投資有限公司 (transliterated as China Nuclear Investment Co., Ltd.), a company established in the PRC with limited liability and the controlling Shareholder of the Company and CNECFL
"CNI (Nanjing)"	中核(南京)能源發展有限公司 (transliterated as CNI (Nanjing) Energy Development Company Limited), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
"CNECC"	中國核工業建設股份有限公司 (transliterated as China Nuclear Engineering & Construction Corporation Limited), a company established in the PRC with limited liability and a subsidiary of CNECG
"CNECG"	中國核工業建設集團有限公司 (transliterated as China Nuclear Engineering & Construction Group Corporation Limited), a state-owned enterprise established in the PRC with limited liability and the controlling shareholder of the Company
"CNNC"	中國核工業集團有限公司 (transliterated as China National Nuclear Corporation), a state-owned enterprise established in the PRC with limited liability
"Company"	China Nuclear Energy Technology Corporation Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the main board of the Stock Exchange
"connected person(s)"	has the meaning ascribed to it in the Listing Rules
"controlling shareholder"	has the meaning ascribed to it in the Listing Rules
"Director(s)"	the director(s) of the Company

"Factoring Contracts"	the Nanjing Factoring Contract and the Shenzhen Factoring Contract
"Group"	the Company and its subsidiaries
"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"	an independent Board committee comprising all independent non-executive Directors, established to consider the terms of the Factoring Contracts and the transactions contemplated thereunder and to advise the Independent Shareholders in this regard
"Independent Financial Advisor" or "Euto Capital"	Euto Capital Partners Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial advisor appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders as to the transactions contemplated under the Factoring Contracts
"Independent Shareholders"	Shareholders who, under the Listing Rules, are not required to abstain from voting for the transactions contemplated under the Factoring Contracts
"Latest Practicable Date"	11 March 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained therein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Nanjing CNI"	南京中核能源工程有限公司 (transliterated as Nanjing CNI Energy Engineering Company Limited), a company established in the PRC with limited liability and a non-wholly owned subsidiary of the Company
"Nanjing Factoring Contract"	a factoring contract dated 23 January 2019 entered into between CNECFL and Nanjing CNI
"PRC"	The People's Republic of China, which for the sole purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"Proposed Re-election of Directors"	the proposed re-election of each of Mr. Zhao Yixin and Mr. Wu Yuanchen at the SGM, particulars of which are set out in the section headed "Proposed Re-election of Directors" in the "Letter from the Board" in this circular
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
"SGM"	a special general meeting to be held by the Company to approve, among other things, the transactions contemplated under the Factoring Contracts and the Proposed Re-election of Directors
"Shareholder(s)"	Holder(s) of the Shares
"Share(s)"	the ordinary share(s) of HK$0.1 each of the Company
"Shenzhen CNE"	核建融資租賃(深圳)有限公司 (transliterated as CNEC Financial Leasing (Shenzhen) Co. Ltd.), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
"Shenzhen Factoring Contract"	a factoring contract dated 23 January 2019 entered into between CNECFL and Shenzhen CNE
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent.

For the purpose of illustration only and unless otherwise stated, conversion of RMB into Hong Kong dollars in this circular is based on the exchange rate of HK$1 to RMB0.86621 promulgated by People's Bank of China on 23 January 2019. Such conversion should not be construed as a representation that any amount has been, could have been, or may be, exchanged at this or any other rate.

中核集团
CNNC

CHINA NUCLEAR ENERGY TECHNOLOGY CORPORATION LIMITED
中 國 核 能 科 技 集 團 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock Code: 611)

Executive Directors:
Mr. Zhao Yixin *(Chairman)*
Mr. Liu Genyu *(Vice Chairman)*
Mr. Chung Chi Shing
Ms. Jian Qing
Mr. Li Jinying
Mr. Tang Jianhua *(Chief Operating Officer)*
Mr. Wu Yuanchen
Mr. Zhang Rui *(Chief Executive Officer)*

Independent Non-executive Directors:
Mr. Chan Ka Ling Edmond
Mr. Li Dakuan
Mr. Tian Aiping
Mr. Wang Jimin

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

Principal Place of Business in Hong Kong:
Room 2801
28th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

15 March 2019

To the Shareholders

Dear Sir or Madam,

(I) CONNECTED AND MAJOR TRANSACTION IN RELATION TO THE FACTORING CONTRACTS; AND (II) PROPOSED RE-ELECTION OF DIRECTORS

Reference is made to the announcements of the Company dated 28 November 2018, 23 January 2019 and 18 February 2019 in relation to, among other things, the transactions contemplated under the Factoring Contracts and the appointment of executive Directors.

The purpose of this circular is (i) to provide the Shareholders with further information on the entering into of the Factoring Contracts; (ii) to set out the recommendations from the Independent Board Committee in relation to the entering into of the Factoring Contracts; (iii) to set out the letter from the Independent Financial Advisor to the Independent Board

Committee and the Independent Shareholders; (iv) to provide the Shareholders with details of the Proposed Re-election of Directors; and (v) to give the Shareholders a notice of the SGM and other information in accordance with the requirements of the Listing Rules.

FACTORING CONTRACTS

The Board is pleased to announce that on 23 January 2019, Nanjing CNI, a non-wholly owned subsidiary of the Company, entered into the Nanjing Factoring Contract with CNECFL, pursuant to which CNECFL provides Nanjing CNI with accounts receivable factoring services in a factoring credit limit of RMB435,000,000. On the same date, Shenzhen CNE, a wholly-owned subsidiary of the Company, entered into the Shenzhen Factoring Contract with CNECFL, pursuant to which CNECFL provides Shenzhen CNE with accounts receivable factoring services in a factoring credit limit of RMB29,950,000.

The principal terms of the Factoring Contracts are as follows:

Nanjing Factoring Contract

Date

23 January 2019

Parties

Factor:	CNECFL
Transferor of accounts receivable:	Nanjing CNI

Factoring arrangement

(1)	Factoring principal:	RMB435,000,000.
(2)	Financing term:	One year. Upon entering into of the Nanjing Factoring Contract by both parties, domestic factoring business occurred within the period as set out in the Nanjing Factoring Contract shall be bound by the Nanjing Factoring Contract unless otherwise agreed by the parties.
(3)	Transfer of accounts receivable:	Upon releasing the factoring principal by CNECFL, the accounts receivable will be transferred to CNECFL by Nanjing CNI.

(4) Potential accounts receivable to be factored:

No.	Potential accounts receivable	Nature of the accounts receivable	Outstanding amount	Potential factor amount
			RMB'000	*RMB'000*
1	Debtor A	Construction of solar power station	85,888	77,300
2	Debtor B	Construction of solar power station	190,186	171,400
3	Debtor C	Construction of solar power station	207,214	186,300
Total			**483,288**	**435,000**

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, the debtors and their ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

(5) Type of facility: With recourse.

(6) Repayment arrangement: Nanjing CNI shall pay interest to CNECFL on a quarterly basis. The principal and interest accruable for the final interest period shall be repaid to CNECFL on the expiration date of the Nanjing Factoring Contract. Such repayment schedule is determined after arm's length negotiations between CNECFL and Nanjing CNI with reference to similar prevailing factoring arrangements and the expected completion of construction work of the relevant engineering, procurement and construction ("**EPC**") projects.

(7) The interest and fees in relation to the Nanjing Factoring Contract include factoring interest, handling fee and other fees, etc. as specified below:

Factoring interest rate: 5.75% per annum (exclusive of tax).

	Handling fee:	CNECFL will charge Nanjing CNI a one-off handling fee, representing 1.71% (exclusive of tax) of the factoring principal of the Nanjing Factoring Contract, at the end of the third month from the actual date of advance, which is within 7 days from the effective date of the contract. The handling fee can be deducted from the deposit totalling RMB7,884,810. If the handling fee is deducted from the deposit, Nanjing CNI is not required to make up the handling fee. The handling fee will be fully deducted from the deposit notwithstanding any early repayment.
	Default penalty:	In the event that the debtors fail in making timely or sufficient repayment (including factoring interest, handling fee, factoring principal, etc.) or Nanjing CNI fails in making timely full repayment of factoring principal and interest to CNECFL which results in capital loss of CNECFL due to creditor's right on the accounts receivable is not recovered in time, default penalty of 0.05% on the overdue amount calculated on daily basis shall be charged to Nanjing CNI until the outstanding repayment is fully settled.
	Other fees:	All other expenses incurred in the process of handling and performing the domestic factoring business, such as insurance, notary fees, litigation expenses, attorney's fees, arbitration fees, travel expenses, announcement fees, delivery fees, bill processing fees, etc. will be reimbursed based on the actual amount.
(8)	Transfer of accounts receivable to Nanjing CNI:	By making full repayment of the factoring principal and interest to CNECFL on time pursuant to the Nanjing Factoring Contract, the accounts receivable will be transferred back to Nanjing CNI by CNECFL.
(9)	Conditions precedent:	The transactions contemplated under the Nanjing Factoring Contract are subject to the satisfaction of the following conditions precedent:

(1) Nanjing CNI and its holding company have obtained the approval from the Independent Shareholders (if required) for the Nanjing Factoring Contract and the transactions contemplated thereunder as required by the Listing Rules; and

(2) all consents, authorisations or approvals required for the Nanjing Factoring Contract and the transactions contemplated thereunder have been obtained and have not been revoked prior to the effective date of the Nanjing Factoring Contract.

If any of the conditions set out above has not been satisified, the Nanjing Factoring Contract shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other. Save for any antecedent breaches of the terms of the Nanjing Factoring Contract.

Except for conditions exempted in writing by CNECFL, CNECFL shall pay the factoring principal to Nanjing CNI subject to the satisfaction of all conditions precedent including but not limited to:

(1) no default event and/or disagreement and/or dispute in relation to the commercial contracts entered into by Nanjing CNI and third parties exists or is in progress;

(2) Nanjing CNI has submitted all legal documents affixed with official seal as required by CNECFL, such as photocopies of commercial contracts, commercial invoices and other transaction proofs, to CNECFL;

(3) Nanjing CNI shall guarantee the authenticity and legality of the following materials, including but not limited to Nanjing CNI's business license, capital verification report, establishment approval certificate (if any), joint venture contract (if any), articles of association and other relevant materials as required by CNECFL.

(10) Event of default:

During the term of the Nanjing Factoring Contract, the occurrence of any one of the following circumstances constitutes an event of default, including but not limited to:

(1) any relevant information provided by Nanjing CNI to CNECFL is untrue in terms of validity, authenticity, accuracy and completeness;

(2) all or any part of the assets of Nanjing CNI are subject to seizure, litigation, arbitration or other major losses by other creditors;

(3) Nanjing CNI is dissolved, applied for or filed for bankruptcy, or is revoked;

(4) Nanjing CNI ceases or is under threats to cease to carry on business;

(5) the accounts receivable transferred by Nanjing CNI to CNECFL are not transferable;

(6) no notification has been made on the fact that the accounts receivable transferred by Nanjing CNI to CNECFL have already been recovered;

(7) other circumstances that infringe CNECFL's rights and interests.

In the event of any of the above defaults, CNECFL is entitled to take one or more of the following measures based on the nature and extent of the default, including but not limited to:

(1) to order Nanjing CNI to rectify such default and take remedial measures within a specified period;

(2) in the event of any overdue payment, to charge Nanjing CNI a default interest calculated on a daily basis at 0.05% on the overdue amount;

(3) to demand payment from Nanjing CNI for all accounts receivable, default penalty and all actual expenses incurred under the Nanjing Factoring Contract that have not been recovered by CNECFL according to law;

(4) to initiate legal proceedings to ensure that all claims of CNECFL are settled on time and in full.

Shenzhen Factoring Contract

Date

23 January 2019

Parties

Factor:	CNECFL
Transferor of accounts receivable:	Shenzhen CNE

Factoring arrangement

(1)	Factoring principal:	RMB29,950,000.
(2)	Factoring term:	30 months. Upon entering into of the Shenzhen Factoring Contract by both parties, domestic factoring business within the term specified in the Shenzhen Factoring Contract shall be subject to the Shenzhen Factoring Contract unless otherwise agreed by the parties.
(3)	Transfer of accounts receivable:	Upon payment of the factoring principal by CNECFL, the accounts receivable will be transferred to CNECFL by Shenzhen CNE.

(4) Potential accounts receivable to be factored:

No.	Potential accounts receivable	Nature of the accounts receivable	Outstanding amount
			RMB'000
1	Debtor D	Finance lease of solar energy generating system	11,410
2	Debtor E	Finance lease of solar energy generating system	21,869
Total			**33,279**

The aggregated potential factoring amount for accounts receivable of Debtor D and Debtor E is RMB29,950,000.

The abovementioned debtors are indirect non-wholly owned subsidiaries of the Company.

(5) Type of facility: With recourse.

(6) Repayment arrangement: Shenzhen CNE shall pay part of the factoring principal and interest to CNECFL on a quarterly basis. Such repayment schedule is determined after arm's length negotiations between CNECFL and Shenzhen CNE with reference to the credit terms of the accounts receivable and similar prevailing factoring arrangements.

(7) The interest and fees in relation to the Shenzhen Factoring Contract include factoring interest, handling fee, default penalty and other fees, etc. as specified below:

Factoring interest rate: 5.8254% per annum (exclusive of tax).

Handling fee: CNECFL will charge Shenzhen CNE a one-off handling fee of RMB706,367.92, representing 2.3584% (exclusive of tax) of the factoring principal, before releasing the factoring principal to Shenzhen CNE.

	Default penalty:	In the event that the debtors fail in making timely or sufficient repayment (including factoring interest, handling fee, principal, etc.) or Shenzhen CNE fails in making timely and full repayment of factoring principal and interest to CNECFL which results in capital loss of CNECFL due to creditor's right on the accounts receivable is not recovered in time, default penalty of 0.05% on the overdue amount calculated on daily basis shall be charged to Shenzhen CNE until the overdue repayment is fully settled.
	Other fees:	All other expenses incurred in the process of handling and performing the domestic factoring business, such as insurance, notary fees, litigation expenses, attorney's fees, arbitration fees, travel expenses, announcement fees, delivery fees, bill processing fees, etc. will be reimbursed based on the actual amount.
(8)	Transfer of accounts receivable to Shenzhen CNE:	By making full repayment of the factoring principal and interest to CNECFL on time pursuant to the Shenzhen Factoring Contract, the accounts receivable will be transferred back to Shenzhen CNE by CNECFL.
(9)	Conditions precedent:	The transactions contemplated under the Shenzhen Factoring Contract are subject to the satisfaction of the following conditions precedent: (1) Shenzhen CNE and its holding company have obtained the approval from the Independent Shareholders (if required) for the Shenzhen Factoring Contract and the transactions contemplated thereunder as required by the Listing Rules; and (2) all consents, authorisations or approvals required for the Shenzhen Factoring Contract and the transactions contemplated thereunder have been obtained and have not been revoked prior to the effective date of the Shenzhen Factoring Contract.

If any of the conditions set out above has not been satisfied, the Shenzhen Factoring Contract shall cease and terminate and thereafter neither party shall have any obligations and liabilities towards each other, save for any antecedent breaches of the terms of the Shenzhen Factoring Contract.

Except for conditions exempted in writing by CNECFL, CNECFL shall pay the factoring principal to Shenzhen CNE subject to the satisfaction of all conditions precedent including but not limited to:

(1) no default event and/or disagreement and/or dispute in relation to the commercial contracts entered into by Shenzhen CNE and third parties exists or is in progress;

(2) Shenzhen CNE has submitted all legal documents affixed with official seal as required by CNECFL, such as photocopies of commercial contracts, commercial invoices and other transaction proofs, to CNECFL;

(3) Shenzhen CNE shall guarantee the authenticity and legality of the following materials, including but not limited to Shenzhen CNE's business license, capital verification report, establishment approval certificate (if any), joint venture contract (if any), articles of association and other relevant materials as required by CNECFL.

(10) Event of default: During the period of the Shenzhen Factoring Contract, any of the following circumstances constitutes an event of default, including but not limited to:

(1) any relevant information provided by Shenzhen CNE to CNECFL is untrue in terms of validity, authenticity, accuracy and completeness;

(2) all or any part of the assets of Shenzhen CNE are subject to seizure, litigation, arbitration or other major losses by other creditors;

(3) Shenzhen CNE is dissolved, applied for or filed for bankruptcy, or is revoked;

(4) Shenzhen CNE ceases or is under threats to cease to carry on business;

(5) the accounts receivable transferred by Shenzhen CNE to CNECFL are not transferable;

(6) no notification has been made on the fact that the accounts receivable transferred by Shenzhen CNE to CNECFL have already been due;

(7) other circumstances that infringe CNECFL's rights and interests.

In the event of any of the above defaults, CNECFL is entitled to take one or more of the following measures based on the nature and extent of the default, including but not limited to:

(1) to order Shenzhen CNE to rectify such default and take remedial measures within a specified period;

(2) in the event of any overdue payment, to charge Shenzhen CNE a default interest calculated on a daily basis at 0.05% on the overdue amount;

(3) to demand payment from Shenzhen CNE for all accounts receivable, default penalty and all actual expenses incurred under the Shenzhen Factoring Contract that have not been recovered by CNECFL according to law;

(4) to initiate legal proceedings to ensure that all claims of CNECFL are settled on time and in full.

(11) Others: According to the letter of undertaking dated 23 January 2019 signed by CNI (Nanjing), CNI (Nanjing) has irrevocably and unconditionally undertaken to CNECFL that, if the debtor fails to make timely payments to Shenzhen CNE in full according to the accounts receivable contracts, CNI (Nanjing) undertakes to repay the outstanding indebtedness in whole to CNECFL under the Shenzhen Factoring Contract. The scope of undertaking includes but not limited to all lease consideration, lease consideration that matures earlier, interests, taxes, handling fees, deposits, default interest, default penalty, buy-back price, etc.

Information on the parties to the Factoring Contracts

Nanjing CNI is a company established in the PRC with limited liability and is a non-wholly owned subsidiary of the Company. It is principally engaged in new energy projects contracting, construction, installation, maintenance and supervision and engineering design and consultation, sale of project equipment and materials.

Shenzhen CNE is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in finance leasing, leasing, purchasing leased assets domestically and overseas, the salvage value processing and maintenance of leased assets, consultation and guarantee of leasing transactions.

CNECFL is a company established in the PRC with limited liability and is a non-wholly owned subsidiary of CNECG. It is principally engaged in finance leasing, leasing, purchasing leased assets domestically and overseas, the salvage value processing and maintenance of leased assets, consultation and guarantee of leasing transactions, and commercial factoring in relation to the principal business.

Reasons for and benefits of entering into of the Factoring Contracts

The Group is principally engaged in new energy operations (such as provision of development, operation, engineering, construction and procurement services for solar energy plants) and finance leasing services in the PRC. 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) subcontracting of overseas engineering and construction projects via its subsidiaries and associated companies.

In recent years, the Group strives to explore other opportunities to expand its current clean energy generation and financial services business and develop new energy and related industrial finance business. The Directors are of the view that the entering into of the Factoring Contracts will enable the Group to alleviate capital occupation by accounts receivable and satisfy the funding requirement for business development and provide the

Company with the financial flexibility necessary for the potential investment targets of the Group as and when suitable investment opportunities arise as well as expanding its current clean energy generation and financial services business and developing new energy and related industrial finance business.

The new energy industry is capital intensive as the development of thermal power, solar power and wind power plants involve the use of numerous parts, components and equipment and the construction or installation process for setting up power plants varied from one month to few years depending on the installing capacity of projects. Upon securing construction or installation contracts, the Group is required to pay upfront the expenses for purchasing parts, components and equipment for customers whereas customers' payments to the Group's EPC and consultancy services are by instalments based on stage of completion of the projects. In view that the recycling of funds is relatively slow, the entering into of the Factoring Contracts will generate additional funding of RMB464,950,000 to the Group, being the aggregate of the factoring principal of RMB435,000,000 of the Nanjing Factoring Contract and RMB29,950,000 of the Shenzhen Factoring Contract, which enables the Group to operate and invest in the current and new photovoltaic solar power, thermal power and wind power projects in China.

The Directors (including independent non-executive Directors) are of the view that the transactions contemplated under the Factoring Contracts are entered into after arm's length negotiation in the ordinary course of business on normal commercial terms or better, and the terms of the Factoring Contracts and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Financial effect on the Factoring Contracts

As the Factoring Contracts are recourse factoring, the collection risk of the potential accounts receivables remains with Nanjing CNI and Shenzhen CNE. As a result, each of Nanjing CNI and Shenzhen CNE retains substantially all of the credit risk and therefore continues to recognise the accounts receivables. Moreover, the Group will recognise a financial liability in an aggregate sum of RMB464,950,000 (equivalent to approximately HK$536,763,602), assuming the factoring principals under the Factoring Contracts have been fully utilised by Nanjing CNI and Shenzhen CNE.

During the term of the Factoring Contracts, expenses of the Group will be increased by RMB38,986,130.66 (equivalent to approximately HK$45,007,713), being the aggregate sum of (i) RMB7,884,810 of handling fee payable by Nanjing CNI to CNECFL; (ii) RMB748,750 of handling fee payable by Shenzhen CNE to CNECFL; (iii) RMB26,513,250 of interest payable by Nanjing CNI to CNECFL; and (iv) RMB3,839,320.66 of interest payable by Shenzhen CNE to CNECFL. All of the above expenses are tax inclusive.

Listing Rules implications

As CNECG is the controlling shareholder of the Company and CNECFL is a non-wholly owned subsidiary of CNECG, CNECFL is a connected person of the Company. As such, the transactions contemplated under the Factoring Contracts constitute connected transactions under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Factoring Contracts exceeds 25% but is less than 100%, the transactions contemplated under the Factoring Contracts constitute major transactions under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements. A SGM will be held to seek the approval of the Independent Shareholders for the transactions contemplated under the Factoring Contracts.

Pursuant to Rule 14A.70(11) of the Listing Rules, in view of Mr. Zhao Yixin, Mr. Tang Jianhua, Mr. Wu Yuanchen and Mr. Zhang Rui are senior management of the substantial shareholder of CNECFL or its associates, they have abstained from voting on the board resolutions in respect of the entering into of the Factoring Contracts. The relevant resolutions were voted and approved by Directors who are not connected to the transactions contemplated under the Factoring Contracts.

CNECG (which held 400,000,000 issued Shares, representing approximately 30.46% of the issued Shares of the Company as at the Latest Practicable Date) and its associates shall abstain from voting on the proposed resolutions to approve the transactions contemplated under the Factoring Contracts at the SGM. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder is interested in the transactions contemplated under the Factoring Contracts.

An Independent Board Committee consisting of all the independent non-executive Directors has been established to consider the Factoring Contracts and the transactions contemplated thereunder and advise the Independent Shareholders in this regard. An independent financial advisor has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Factoring Contracts are on normal commercial terms or better, in the ordinary and usual course of business of the Company, and in the interests of the Company and the Shareholders as a whole.

PROPOSED RE-ELECTION OF DIRECTORS

Pursuant to Bye-law 83(2) of the Bye-laws, the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In accordance with Bye-law 83(2), Mr. Zhao Yixin and Mr. Wu Yuanchen, who were appointed on 23 January 2019 and 28 November 2018 respectively shall be subject to re-election by the Shareholders at the SGM, and, being eligible, have offered themselves for re-election at the SGM.

At the SGM, the ordinary resolution number 3 will be proposed to re-elect each of Mr. Zhao Yixin and Mr. Wu Yuanchen as an executive Director.

Biographical details of each Director proposed for re-election at the SGM are set out in Appendix II to this circular as required under rule 13.51(2) of the Listing Rules.

SPECIAL GENERAL MEETING

The SGM will be held at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 4 April 2019 at 10:30 a.m. to consider and if thought fit, to approve, among other things, (i) the entering into of the Nanjing Factoring Contract; (ii) the entering into of the Shenzhen Factoring Contract; and (iii) the Proposed Re-election of Directors. A form of proxy for use at the SGM is enclosed with this circular.

The register of members of the Company will be closed from Monday, 1 April 2019 to Thursday, 4 April 2019 (both dates inclusive) for determining the entitlements to attend the SGM. No transfer of Shares will be registered during this period.

Any Shareholder and his or her or its associates with a material interest in the resolutions will be required to abstain from voting on the resolutions to approve the Factoring Contracts and the transaction contemplated thereunder at the SGM. CNECG held 400,000,000 issued Shares (representing approximately 30.46% interest in the Company) as at the Latest Practicable Date, as such, CNECG and its associates will be required to abstain from voting on the relevant resolutions at the SGM.

Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the Latest Practicable Date, no other Shareholder is interested in the transactions contemplated under the Factoring Contracts.

The notice convening the SGM is set out on pages N-1 to N-3 of this circular. Whether or not you are able to attend the SGM, you are requested to complete 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATIONS

The Directors (including the independent non-executive Directors after taking into account of the advice of the Independent Financial Advisor) are of the opinion that the terms of the Factoring Contracts and the transactions contemplated thereunder are fair and reasonable and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors after taking into account of the advice of the Independent Financial Advisor) recommend the Independent Shareholders to vote in favour of all resolutions to be proposed at the SGM.

Your attention is drawn to the "Letter from the Independent Board Committee" containing its recommendations to the Independent Shareholders set out on pages 21 to 22 of this circular and the "Letter from the Independent Financial Advisor" containing its advice to the Independent Shareholders and the Independent Board Committee and the principal factors which it has considered in arriving at its advice with regard to the Factoring Contracts and the transactions contemplated thereunder as set out on pages 23 to 50 of this circular.

Shareholders are advised to read carefully the "Letter from the Independent Board Committee" regarding the Factoring Contracts and the transactions contemplated thereunder on pages 21 to 22 of this circular. The Independent Board Committee, having taken into account the advice of the Independent Financial Advisor, the text of which is set out on pages 23 to 50 of this circular, considers that the terms of the Factoring Contracts and the transactions contemplated thereunder are fair and reasonable insofar as the Independent Shareholders are concerned and are in the interests of the Independent Shareholders. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Factoring Contracts and the transactions contemplated thereunder at the SGM.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at the general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. In compliance with the Listing Rules and pursuant to the Bye-laws, the votes at the SGM will be taken by poll, the results of which will be announced after the SGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

FURTHER INFORMATION

Your attention is drawn to the statutory and general information set out in Appendix III to this circular.

Yours faithfully,
For and on behalf of the Board
China Nuclear Energy Technology Corporation Limited
Zhao Yixin
Chairman

The following is the text of the letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders in connection with the entering into the Factoring Contracts for inclusion in this circular.

CHINA NUCLEAR ENERGY TECHNOLOGY CORPORATION LIMITED
中國核能科技集團有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 611)

15 March 2019

To the Shareholders

Dear Sir or Madam,

CONNECTED AND MAJOR TRANSACTION FACTORING CONTRACTS

We have been appointed to form the Independent Board Committee to consider the Factoring Contracts and the transactions contemplated thereunder and advise the Independent Shareholders as to our opinion on the entering into of the Factoring Contracts, details of which are set out in the circular issued by the Company to the Shareholders dated 15 March 2019 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular will have the same meanings when used herein unless the context otherwise requires. Euto Capital Partners Limited has been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholder's as to whether the terms of the Factoring Contracts and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable as far as the Independent Shareholders are concerned and whether they are in the interests of the Company and the Shareholder's as a whole. We wish to draw your attention to the letter from the Independent Financial Advisor as set out on pages 23 to 50 of the Circular.

Having taken into account (i) the reasons as disclosed in the paragraph headed "Reasons for and benefits of entering into of the Factoring Contracts" of the Circular; (ii) the principal factors and reasons considered by the Independent Financial Advisor, and its conclusion and advice, we are of the view and concur with the opinion of the Independent Financial Advisor that the Factoring Contracts and the transactions contemplated thereunder were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, the terms are fair and reasonable and 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 proposed at the SGM to approve the Factoring Contracts and the transactions contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Chan Ka Ling Edmond **Mr. Li Dakuan** **Mr. Tian Aiping** **Mr. Wang Jimin**
Independent non-executive Directors

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15 March 2019

To the Independent Board Committee and the Shareholders of
China Nuclear Energy Technology Corporation Limited

Dear Sirs and Madams,

CONNECTED AND MAJOR TRANSACTION IN RELATION TO THE FACTORING CONTRACTS

INTRODUCTION

We refer to our appointment as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in respect of the Factoring Contracts and the transactions contemplated thereunder (the "**Transaction**"), particulars of which are set out in the section headed "Letter from the Board" (the "**Letter**") contained in the circular of the Company to the Shareholders dated 15 March 2019 (the "**Circular**"), of which this letter forms part. Unless the contest requires otherwise, capitalized terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definition" in this Circular.

Reference is made to the announcement of the Company dated 23 January 2019 and 18 February 2019.

The Factoring Contracts

On 23 January 2019, Nanjing CNI, a non-wholly owned subsidiary of the Company, entered into the Nanjing Factoring Contract with CNECFL, pursuant to which CNECFL provides Nanjing CNI with accounts receivable factoring services in a factoring credit limit of RMB435,000,000.

On the same date, Shenzhen CNE, a wholly-owned subsidiary of the Company, entered into the Shenzhen Factoring Contract with CNECFL, pursuant to which CNECFL provides Shenzhen CNE with accounts receivable factoring services in a factoring credit limit of RMB29,950,000.

Implications under Listing Rules

As CNECG is the controlling shareholder of the Company and CNECFL is a non-wholly owned subsidiary of CNECG, CNECFL is a connected person of the Company. As such, the Factoring Contracts and this transactions contemplated thereunder constitute connected transactions under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements.

As one or more of the applicable percentage ratios in respect of the transactions contemplated under the Factoring Contracts exceeds 25% but is less than 100%, the transactions contemplated under the Factoring Contracts constitute major transactions under Chapter 14 of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements. An SGM will be held to seek the approval of the Independent Shareholders for the transactions contemplated under the Factoring Contracts.

INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising all independent non-executive Directors, namely Mr. Chan Ka Ling Edmond, Mr. Li Dakuan, Mr. Tian Aiping and Mr. Wang Jimin, has been established to advise the Independent Shareholders on the Factoring Contracts and the transactions contemplated thereunder. None of the members of the Independent Board Committee has any material interest in the Transaction.

In our capacity as the Independent Financial Advisor to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Factoring Contracts and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary course of business of the Company and in the interest of the Company and the Shareholders as a whole.

OUR INDEPENDENCE

We, Euto Capital Partners Limited ("**Euto Capital**"), have been appointed as the Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders in this regard. Mr. Manfred Shiu ("**Mr. Shiu**") is the person signing off the opinion letter from Euto Capital contained in the Circular. Mr. Shiu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under SFO since 2009 and has participated in and completed various independent financial advisory transactions in Hong Kong. As at the Latest Practicable Date, we confirmed that there is no relationship or interest between Euto Capital and the Company or any other parties that could be reasonably be regarded as hindrance to Euto Capital's independence as defined under Rule 13.80 of Listing Rules to act as the Independent Financial Advisor to the Independent Board Committee and the Shareholders in respect of the Transaction.

We are not associated with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Advisor to the Independent Board Committee and Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We confirmed that there is no existence of or change in any circumstances that would affect our independence. Euto Capital has not acted as a financial adviser to the Company in the last two years. Accordingly, we consider that we are eligible to give independent advice on the terms of the Factoring Contracts and the transactions contemplated thereunder.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the Factoring Contracts and the transactions contemplated thereunder, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the "**Management**"). We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Transactions, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the Factoring Contracts and the transactions contemplated thereunder, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASON CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

I. Background of the Transaction

On 23 January 2019, Nanjing CNI, a non-wholly owned subsidiary of the Company, entered into the Nanjing Factoring Contract with CNECFL, pursuant to which CNECFL provides Nanjing CNI with accounts receivable factoring services in a factoring credit limit of RMB435,000,000.

On the same date, Shenzhen CNE, a wholly-owned subsidiary of the Company, entered into the Shenzhen Factoring Contract with CNECFL, pursuant to which CNECFL provides Shenzhen CNE with accounts receivable factoring services in a factoring credit limit of RMB29,950,000.

CNECG is a company registered in the PRC with limited liability, a non-wholly owned subsidiary of CNECG. As CNECG is the controlling shareholder of the Company, CNECFL is a connected person of the Company.

(i) Information of the Company and the Group

The Company is a company incorporated in the Bermuda with limited liability and the issued Shares of which have been listed on the Main board of the Stock Exchange. The Company is an investment holding company and the holding company of the Group.

(a) Principal business of the Group

The Group is principally engaged in new energy operations (such as provision of development, operation, engineering, construction and procurement services for solar energy plants) and finance leasing services in the PRC. 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) subcontracting of overseas engineering and construction projects via its subsidiaries and associated companies.

(b) Financial performance of the Group

Set out below is the consolidated financial information of the Group as extracted from the annual report of the Company for the year ended 31 December 2017 (the "**2017 Annual Report**") and the interim report of the Company for the six months period ended 30 June 2018 (the "**2018 Interim Report**").

Table 1: Summary of the audited consolidated financial performance of the Group

	For the year ended 31 December		For the six months ended 30 June	
	2016	**2017**	**2017**	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Segment revenue				
Engineering, procurement and construction ("**EPC**") and consultancy	2,010,939	1,881,031	341,015	768,717
Solar power generation	24,926	52,037	21,225	45,708
Financing	5,678	31,313	9,482	12,068
Manufacturing and trading	–	–	–	200,003
Sub-total of revenue	**2,041,543**	**1,963,381**	**371,722**	**1,026,496**
Segment results				
EPC and consultancy	114,976	151,524	32,620	74,727
Solar power generation	14,786	30,671	12,709	21,931
Financing	(971)	5,274	(1,548)	(10,863)
Manufacturing and trading	–	(4,528)	–	5,126
Others	(19,251)	(25,114)	(11,552)	(15,958)
Sub-total of profits	**109,540**	**157,827**	**32,229**	**74,963**
Profit before income tax for the year/period	**95,560**	**120,402**	**30,565**	**57,407**
Profit for the year/period	**76,990**	**120,402**	**26,824**	**28,217**

For the year ended 31 December 2017

For the year ended 31 December 2017, revenue of the Group mainly derived from three segments, namely, (i) EPC and consultancy, (ii) solar power generation and (iii) financing. As set out in the above table 1, the audited consolidated total revenue of the Group for the year ended 31 December 2017 was decreased by approximately HK$78,162,000 or 3.83% to approximately HK$1,963,381,000, as compared with approximately HK$2,041,543,000 for the year ended 31 December 2016. Such decrease was mainly due to a decrease in revenue generated from EPC and consultancy segment by approximately 6.46% from HK$2,010,939,000 for the year ended 31 December 2016 to HK$1,881,031,000 for the year ended 31 December 2017.

As further set out in the table 1, the Group's profit for the year was approximately HK$120,402,000 for the year ended 31 December 2017, representing an increase of approximately HK$43,412,000, or 56.39%, from approximately HK$76,990,000 for the year ended 31 December 2016. Such increase in profit for the year was mainly attributable to a net effect of the followings:

(i) the EPC and consultancy segment achieved segment result of approximately HK$151,524,000 for the year 31 December 2017 (2016: approximately HK$114,976,000), representing a year-on-year increase of approximately 31.79%, which was mainly attributable to the implementation of effective cost control that enabled the Group to attain lower cost of inventories used and construction cost;

(ii) the solar power generation segment achieved a year-on-year growth of approximately 107.43%, contributing approximately HK$30,671,000 to the Group's revenue for the year 31 December 2017 (2016: approximately HK$14,786,000). Such increase was mainly attributable to the expansion of solar photovoltaic power stations to operate a total installed capacity of 40MW solar power in Taizhou during the year 2017; and

(iii) the financing segment result increased from a loss of approximately HK$971,000 for the year ended 31 December 2016 to a profit of approximately HK$5,274,000 for the year ended 31 December 2017. Such increase was mainly attributable to an increased revenue from approximately HK$5,678,000 for the year ended 31 December 2016 to HK$31,313,000 for the year ended 31 December 2017.

For the 6 months ended 30 June 2018

As set out in the above table 1, the unaudited consolidated total revenue of the Group was increased from approximately HK$371,722,000 for the six months ended 30 June 2017 to approximately HK$1,026,496,000 for the six months ended 30 June 2018, representing an increase of approximately HK$654,774,000 or 176.15%. Such increase was attributable to the following reasons:

(i) the EPC and consultancy segment recorded segment sales to external customers of approximately HK$768,717,000 for the period ended 30 June 2018 (2017: approximately

HK$341,015,000), representing an increase of approximately 125.42% as compared to that of the last interim period. Such increase was primarily attributable to projects of larger scale were secured and more projects with significant percentage of completion recognised during the period, together with the implementation of effective cost control management;

(ii) the solar power generation segment recorded segment sales to external customers of approximately HK$45,708,000 for the six months ended 30 June 2018 (2017: approximately HK$21,225,000). Such increase was mainly attributable to the operation of a total installed capacity of 142.29MW solar photovoltaic power stations and rooftop distributed solar photovoltaic systems in Jiangsu and Hebei of PRC;

(iii) the revenue from financing segment recorded a growth of approximately 27.27% to approximately HK$12,068,000 (2017: approximately HK$9,482,000) as the Group began to receive interest income during the period 30 June 2018 from certain financial leasing projects that were incepted last year; and

(iv) the commencement of Group's module plant operation in Peixian of Xuzhou in 2018 and the manufacturing and trading segment recorded sales to external customers of approximately HK$200,003,000 for the six months ended 30 June 2018 (2017: Nil). The module plant was principally engaged in assembling silicon wafers and other components for the formation of solar photovoltaic modules.

As further set out in the table 1, the Group's profit for the year was approximately HK$28,217,000 for the six months ended 30 June 2018, representing an increase of approximately HK$1,393,000, or 5.19%, from approximately HK$26,824,000 for the six months ended 30 June 2017. Such increase in profit for the year was mainly attributable to an increase in the total revenue as described above.

Table 2: Summary of the audited consolidated financial position of the Group

	As at 31 December		As at 30 June
	2016	**2017**	**2018**
	HK$000	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Unaudited)*
Non-current assets	496,336	1,457,698	1,547,566
Current assets	2,100,636	2,864,610	2,813,760
Total assets	**2,596,972**	**4,322,308**	**4,361,326**
Current liabilities	1,685,666	2,883,447	2,809,382
Non-current liabilities	402,517	564,148	668,749
Total liabilities	**2,088,183**	**3,447,595**	**3,478,131**
Total equity	**508,789**	**874,713**	**883,195**

As at 30 June 2018

- Non-current assets and current assets

As set out in the table 2 above, as at 30 June 2018, non-current assets and current assets of the Group are amounted to approximately HK$1,547,566,000 and HK$2,813,760,000 respectively. Set out below is the breakdown of the non-current assets and current assets of the Group as at 31 December 2017 and 30 June 2018.

Table 3: Breakdown of the consolidated total assets of the Group

	As at	
	31 December 2017	**30 June 2018**
	HK$'000	*HK$'000*
	(Audited)	*(Unaudited)*
Non-current assets		
Property, plant and equipment	831,298	916,419
Prepaid land lease payments	21,039	19,942
Available-for-sale investments	29,273	–
Financial assets at fair value through profit or loss	–	28,882
Interest in associates	95,781	97,590
Finance lease receivables	438,945	443,947
Loan receivable	41,362	40,786
	1,457,698	1,547,566
Current assets		
Inventories	–	48,707
Trade and bills receivables	1,605,327	1,439,950
Loan receivable	6,594	6,502
Finance lease receivables	52,372	58,347
Prepayments, deposits and other receivables	305,299	382,489
Contract assets	–	151,978
Amount due from customers for contract work	380,473	–
Pledged bank deposits	194,260	279,614
Cash and cash equivalents	320,285	446,173
	2,864,610	2,813,760
Total assets	**4,322,308**	**4,361,326**

As set out in the above table, the non-current assets of the Group were increased from approximately HK$1,457,698,000 as at 31 December 2017 to approximately HK$1,547,566,000 as at 30 June 2018, representing an increase of approximately HK$89,868,000 or 6.17%. The increase in non-current assets of the Group was mainly due to an increase in the amount of property, plant and equipment from approximately HK$831,298,000 as at 31 December 2017 to approximately HK$916,419,000 as at 30 June 2018, representing an increase of approximately 10.24%. As advised by the Management, such increase was mainly due to the expansion of development of self-owned and self-operated rooftop distributed photovoltaic power generation facilities during the year 2017.

Further set out in the above table, the total assets of the Group were increased from approximately HK$4,322,308,000 as at 31 December 2017 to approximately HK$4,361,326,000 as at 30 June 2018, representing an increase of approximately HK$39,018,000 or 0.90%. Such increase was primarily due to (i) an increase in the cash and cash equivalents from approximately HK$320,285,000 as at 31 December 2017 to approximately HK$446,173,000 as at 30 June 2018, representing an increase of approximately 39.30%; and (ii) an increase in the pledged bank deposits from approximately HK$194,260,000 as at 31 December 2017 to approximately HK$279,614,000 as at 30 June 2018. Such increase of the cash and cash equivalents and pledged bank deposits were mainly attributable to (i) the decrease in net cash outflows from operating activities from approximately HK$416,808,000 to approximately HK$280,667,000; and (ii) the increase in net cash inflows from financing activities from approximately HK$497,206,000 to approximately HK$538,843,000 for the 6 months ended 30 June 2018.

- Non-current liabilities and current liabilities

As set out in the table 2 above, as at 30 June 2018, non-current liabilities and current liabilities of the Group are amounted to approximately HK$668,749,000 and HK$2,809,382,000 respectively. Set out below is the breakdown of the non-current liabilities and current liabilities of the Group as at 31 December 2017 and 30 June 2018.

Table 4: Breakdown of the consolidated total liabilities of the Group

	As at	
	31 December 2017	**30 June 2018**
	HK$'000	*HK$'000*
	(Audited)	*(Unaudited)*
Current liabilities		
Trade and bills payables	2,031,259	1,482,058
Contract liabilities	–	16,544
Other payables and accruals	245,120	189,338
Bank and other borrowings	574,039	1,100,312
Obligations under finance leases	13,378	13,537
Tax payables	19,651	7,593
	2,883,447	2,809,382
Non-current liabilities		
Bank and other borrowings	458,066	571,009
Obligations under finance leases due after one year	106,082	97,740
	564,148	668,749
Total liabilities	**3,447,595**	**3,478,131**

As set out in the above table, the current liabilities of the Group were decreased by approximately HK$74,065,000 or 2.57% from approximately HK$2,883,447,000 as at 31 December 2017 to approximately HK$2,809,382,000 as at 30 June 2018. The decrease in current liabilities of the Group was mainly due to the net effect of (i) the decrease in the amount trade and bills payables from approximately HK$2,031,259,000 as at 31 December 2017 to approximately HK$1,482,058,000 as at 30 June 2018; and (ii) the increase in the amount of bank and other borrowings from approximately HK$574,039,000 to approximately HK$1,100,312,000 as at 30 June 2018.

As further set out in the above table, the non-current liabilities of the Group were increased by approximately HK$104,601,000 or 18.54% from approximately HK$564,148,000 as at 31 December 2017 to approximately HK$668,749,000 as at 30 June 2018. Such increase was mainly due to an increase in the amount of bank and other borrowings from approximately HK$458,066,000 to approximately HK$571,009,000 as at 30 June 2018.

Table 5: Calculation of the gearing ratio of the Group

	As at			
	31 December 2017		**30 June 2018**	
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Total debt				
Other payables and accruals *(Note)*				
● non-interest-bearing shareholders' loan from a non-controlling interest shareholder	11,449		11,290	
● unsecured interest-bearing loan from an intermediate holding company of the Company	119,890		118,220	
● unsecured interest-bearing loan from immediate holding	59,945		–	
Sub-total of other payables and accruals		191,284		129,510
Bank and other borrowings		1,032,105		1,671,321
Obligation under finance lease		119,460		111,277
Sub-total of total debt		1,342,849		1,912,108
Total equity		874,713		883,195
Gearing ratio		1.54		2.16

As stated in the above table, as at 30 June 2018, the Group's gearing ratio was 2.16 (31 December 2017: 1.54), which was calculated on the basis of total debt over total equity of the Company. Total debt comprise loans included in other payables and accruals, bank and other borrowings and obligation under finance lease.

(ii) Information of the CNECFL, being the factor under the Factoring Contracts

CNECFL is a company established in the PRC with limited liability and is a non-wholly owned subsidiary of CNECG. It is principally engaged in finance leasing, leasing, purchasing leased assets domestically and overseas, the salvage value processing and maintenance of leased assets, consultation and guarantee of leasing transactions, and commercial factoring in relation to the principal business.

(iii) Information of Nanjing CNI and Shenzhen CNE, being the transferors of accounts receivable under the Factoring Contracts

(a) Information of Nanjing CNI

Nanjing CNI is a company established in the PRC with limited liability and is a non-wholly owned subsidiary of the Company. It is principally engaged in new energy projects contracting, construction, installation, maintenance and supervision and engineering design and consultation, sale of project equipment and materials.

(b) Information of Shenzhen CNE

Shenzhen CNE is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in finance leasing, leasing, purchasing leased assets domestically and overseas, the salvage value processing and maintenance of leased assets, consultation and guarantee of leasing transactions.

II. Reasons for and benefits of entering into the Factoring Contracts and use of proceeds

The Group is principally engaged in new energy operations (such as provision of development, operation, engineering, construction and procurement services for solar energy plants) and finance leasing services in the PRC. 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) subcontracting of overseas engineering and construction projects via its subsidiaries and associated companies.

(i) The Board's view on entering into of the Factoring Contracts

As stated in the Letter, the Group strives to explore other opportunities to expand its current clean energy generation and financial services business and develop new energy and related industrial finance business in recent years. The Directors are of the view the entering into of the Factoring Contracts will enable the Group to alleviate capital occupation by accounts receivable and satisfy the funding requirement for business development and provide the Company with the financial flexibility necessary for the potential investment targets of the Group as and when suitable investment opportunities arise as well as expand its current clean energy generation and financial services business and develop new energy and related industrial finance business.

The Directors (including independent non-executive Directors) are of the view that the transactions contemplated under the Factoring Contracts are entered into after arm's length negotiation in the ordinary course of business on normal commercial terms or better, and the terms of the Factoring Contracts and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

(ii) Factors in assessing the reasons and benefits of entering into of the Factoring Contracts

In assessing the fairness and reasonableness of entering into the Factoring Contracts and forming the view that the terms of the Factoring Contracts are in the interests of the Company and its Shareholders as a whole, we have considered the following factors:

(a) the Group's liquidity, financial resources and gearing

As set out in the 2018 Interim Report, we noted that the Group maintained cash and cash equivalents of approximately HK$446,173,000 as at 30 June 2018. We further noted that the Group had outstanding bank and other borrowings of approximately HK$1,671,321,000 as at 30 June 2018 and the gearing ratio of the respective period is approximately 2.16, which was calculated on the basis of total debt over total equity of the Company. Out of the total bank and other borrowings as at 30 June 2018, approximately HK$944,312,000 refers to loans repayable within one year, representing approximately 56.5% of Group's total outstanding bank and other borrowings as at 30 June 2018. As advised by the Management, the Group is expected to service the debt repayments repayable in 2019 utilising (i) cash flows generated from its operations and loan re-financing and (ii) the existing cash resources available to the Group. Besides, we have reviewed the working capital projection prepared by the Management for the next 12 months commencing from March 2019 and noted that based on the Group's existing revenue and cost structure, approximately HK$1,585.14 million will be generated from its business operations and approximately HK$1,933.88 million of the total cash and cash equivalents will be utilized to cover the Group's general working capital needs for the next 12 months, without taking into account of any additional working capital that may be required shall there be any further business expansion or developments in light of the Company's clean energy generation and financial services business. The said estimated working capital needs of the Group for the next 12 months of approximately HK$1,933.88 million comprises (i) cash outflow used in EPC and consultancy operations of approximately HK$1,364.91 million; (ii) cash outflow used in financing operations of approximately HK$92.71 million; (iii) cash outflow used in manufacturing and trading operations of approximately HK$229.04 million; and (iv) cash outflow used in daily administrative and operation expenses of approximately HK$247.22 million including but not limited to salaries and allowances; rental expenses and other office expenses of the Group.

Having taken into account the general working capital needs and the debt repayment requirement for the coming 12 months, the Company currently expects that the cash resources available to the Group to satisfy additional working capital needs for business development and/or to finance any future acquisitions or investments is limited. In light of this, we concur with the Directors that by entering into the Factoring Contracts could allow the Group to improve its liquidity position, diversify the financing source and provide additional working capital needs for business development and/or to finance any future acquisitions or investments.

(b) the business model of the Group

As advised by the Management, the Group has been focused in its existing photovoltaic power generation business in China and the overseas during the year 2018. We understand that apart from the installation of distributed photovoltaic power system, the Group had also pipelined a number of distributed photovoltaic power projects in Jiangsu, China with a planned capacity of about 112 megawatt ("**MW**"), whereby the filing of 19MW and 5MW distributed photovoltaic projects in Suining and Yizheng respectively with the relevant government authorities had been completed in the 2017.

In most of the projects, the Company, as a contractor, had to proceed with the execution of works with reserved fund utilizing for the advance payment. Based on the past experience, the percentage of the required minimum fund increases with the increase of the contract value. Therefore, under the existing business model, the Company is required to fund most of the project costs incurred during the construction phases from external bank loans, cash from operations and equity contributions. During the construction phase of the projects, the Company generally receive only part of the payments from customers. Hence, the Company would be exposed to cash flow risks in respect of the payment structure under the existing business model.

Given that the photovoltaic power industry is capital intensive and the construction or installation period of the solar photovoltaic system for power generation is relatively short, which varies from 1 month to 1 year depending on the size of projects, we are of the view that it is imperative for the Group to maintain sufficient cash resources to finance projects on a timely manner and the application of the proceeds obtained under the Factoring Contracts on these photovoltaic solar projects would lower the Group's finance cost completed.

(c) alternative financing methods of the Group

The Directors have considered other financing alternatives apart from factoring such as debt financing, placement of new shares, rights issue or open offer to meet the financial requirements of the Group, if appropriate, taking into consideration the then financial position, capital structure and cost of funding of the Group as well as the prevailing market condition.

However, as regard to other debt financing options, the capital structure of the Company may need to be altered substantially to meet the granting criteria, including but not limited to, limitations on debt level and leverage, minimum requirements on equity level and interest coverage etc.. Moreover, given the Company's current debt level, it is considered that any further financing aid from external parties and/or financial institutions would: (i) demand an interest rate that shall rise steeply as the Company's financial need grows; and (ii) impose covenants by which the Company's debt financing ability would be limited.

As regard to the equity financing, the Management has considered (i) the Company's substantial funding needs; (ii) the costly placement and underwriting commission; (iii) difficulty in finding an independent underwriter which would be interested in fully underwriting a rights issue or an open offer of the Company; and (iv) the price of the Share has not been trending strongly, the Company is given to understand that an issue of new shares shall be offered at a discount to attract potential investors and the outcome would remain substantially uncertain. In that case, the Company might neither achieve its financing goal nor avoid an immediate dilution on the other Shareholders. As such, the Board is of the view that financing through equity at this moment is of high uncertainty and such funding method is not in the interests of the Company and its Shareholders as a whole.

We further advised by the Management that the Company also encountered difficulties in obtaining additional bank loan financing in the existing financing environment if the Company's gearing ratio is not improved (gearing ratio of the Group as at 30 June 2018: 2.16). Given the Group's ability to generate sufficient cash to satisfy its general working capital and future debt obligations as mentioned above will depend upon its future operating performance and its re-financing abilities, which will be affected by, among other things, prevailing economic conditions, PRC governmental regulation, the financial performance of the Group and other factors, many of which are beyond the Company's control. The Group may trigger a situation of generating not sufficient cash flow to pay the anticipated operating expenses and to service the debts if in any event the Group encounters difficulties in obtaining credit from banks and financial institutions under the existing PRC environment. In addition, any expansion plans will be limited by the Group capacity to obtain external financing from sources other than banks or financial institutions and the Group may be required to scale back our planned expansion, which may adversely affect its ability to execute its planned growth strategy. In light of the above, we concur with the Directors' view that the entering into of the Factoring Contracts will enable the Group to alleviate capital occupation by accounts receivable and satisfy the funding requirement for business development and provide the Company with the financial flexibility necessary for the potential investment targets of the Group.

Given the above, we considered that the entering into of the Factoring Contracts are fair and reasonable so far as the Independent Shareholders are concerned.

Conclusion

Having considered the above, we are of the view that the entering into of the Factoring Contracts are fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as whole.

III. Principal terms of the Factoring Contracts

On 23 January 2019, Nanjing CNI (being a non-wholly owned subsidiary of the Company) and Shenzhen CNE (being a wholly-owned subsidiary of the Company) entered into the Nanjing Factoring Contract and Shenzhen Factoring Contract with CNECFL respectively, pursuant to which CNECFL provides each of them with accounts receivable factoring services.

(i) Major terms of the Factoring Contracts

(a) Nanjing Factoring Contract

The factoring arrangement and principal terms of the Nanjing Factoring Contract are set out below:

Principal:	RMB435,000,000
Term:	One year. Upon entering into the Nanjing Factoring Contract by both parties, domestic factoring business occurred within the period as set out in the Nanjing Factoring Contract shall be bound by the Nanjing Factoring Contract unless otherwise agreed by the parties.
Type of financing:	With recourse
Transfer of accounts receivable:	Upon releasing the factoring principal by CNECFL, the accounts receivable will be transferred to CNECFL by Nanjing CNI.
Repayment arrangement:	Nanjing CNI shall pay interest to CNECFL on a quarterly basis. The principal and interest accruable for the final interest period shall be repaid to CNECFL on the expiration date of the Nanjing Factoring Contract. Such repayment schedule is determined after arm’s length negotiations between CNECFL and Nanjing CNI with reference to similar prevailing factoring arrangements and the expected completion of construction work of the relevant EPC projects.

The interest and fees in relation to the Nanjing Factoring Contract include factoring interest, handling fee and other fees, etc. as specified below:

Factoring interest rate:	5.75% per annum (exclusive of tax).
Handling fee:	CNECFL will charge Nanjing CNI a one-off handling fee, representing 1.71% (exclusive of tax) of the factoring principal of the Nanjing Factoring Contract, at the end of the third month from the actual date of advance, which is within 7 days from the effective date of the contract. The handling fee can be deducted from the deposit totalling RMB7,884,810. If the handling fee is deducted from the deposit, Nanjing CNI is not required to make up the handling fee. The handling fee will be fully deducted from the deposit notwithstanding any early repayment.
Default penalty:	In the event that the debtors fail in making timely or sufficient repayment (including factoring interest, handling fee, factoring principal, etc.) or Nanjing CNI fails in making timely full repayment of factoring principal and interest to CNECFL which results in capital loss of CNECFL due to creditor's right on the accounts receivable is not recovered in time, default penalty of 0.05% on the overdue amount calculated on daily basis shall be charged to Nanjing CNI until the outstanding repayment is fully settled.
Other fees:	All other expenses incurred in the process of handling and performing the domestic factoring business, such as insurance, notary fees, litigation expenses, attorney's fees, arbitration fees, travel expenses, announcement fees, delivery fees, bill processing fees, etc. will be reimbursed based on the actual amount.
Transfer of accounts receivable to Nanjing CNI:	By making full repayment of the factoring principal and interest to CNECFL on time pursuant to the Nanjing Factoring Contract, the accounts receivable will be transferred back to Nanjing CNI by CNECFL.

(b) Shenzhen Factoring Contract

The factoring arrangement and principal terms of the Shenzhen Factoring Contract are set out below:

Principal:	RMB29,950,000.
Term:	30 months. Upon entering into the Shenzhen Factoring Contract by both parties, domestic factoring business within the term specified in the Shenzhen Factoring Contract shall be subject to the Shenzhen Factoring Contract unless otherwise agreed by the parties.
Type of financing:	With recourse
Transfer of accounts receivable:	Upon payment of the factoring principal by CNECFL, the accounts receivable will be transferred to CNECFL by Shenzhen CNE.
Repayment arrangement:	Shenzhen CNE shall pay part of the factoring principal and interest to CNECFL on a quarterly basis. Such repayment schedule is determined after arm's length negotiations between CNECFL and Shenzhen CNE with reference to the credit terms of the accounts receivable and similar prevailing factoring arrangements.

The interest and fees in relation to the Shenzhen Factoring Contract include factoring interest, handling fee, default penalty and other fees, etc. as specified below:

Factoring interest rate:	5.8254% per annum (exclusive of tax).
Handling fee:	CNECFL will charge Shenzhen CNE a one-off handling fee of RMB706,367.92, representing 2.3584% (exclusive of tax) of the factoring principal, before releasing the factoring principal to Shenzhen CNE.

Default penalty:	In the event that the debtors fail in making timely or sufficient repayment (including factoring interest, handling fee, principal, etc.) or Shenzhen CNE fails in making timely and full repayment of factoring principal and interest to CNECFL which results in capital loss of CNECFL due to creditor's right on the accounts receivable is not recovered in time, default penalty of 0.05% on the overdue amount calculated on daily basis shall be charged to Shenzhen CNE until the overdue repayment is fully settled.
Other fees:	All other expenses incurred in the process of handling and performing the domestic factoring business, such as insurance, notary fees, litigation expenses, attorney's fees, arbitration fees, travel expenses, announcement fees, delivery fees, bill processing fees, etc. will be reimbursed based on the actual amount.
Transfer of accounts receivable:	By making full repayment of the factoring principal and interest to CNECFL on time pursuant to the Shenzhen Factoring Contract, the accounts receivable will be transferred back to Shenzhen CNE by CNECFL.

(ii) Assessment of the terms of the Factoring Contracts

We have enquired and were informed by the Management that there is no other factoring transaction entered into by the Company or any of its subsidiaries as transferor of accounts receivable. We have further reviewed the Factoring Contracts and have discussed with the Management regarding the pricing policy and control measures under the Factoring Contracts. As advised by the Management, the factoring interest rate and handling fee of each Factoring Contracts was determined based on various factors including but not limited to the (1) face value of the potential accounts receivable, (2) the credit standing of Nanjing CNI and Shenzhen CNE and (3) the terms offered by an independent third parties under similar nature of factoring services (e.g. with recourse) and accounts receivables.

In order to assess the fairness and reasonableness of the terms of the Factoring Contracts in particular to (a) the interest rate, (b) handling fee and (c) credit limit and terms of the accounts receivables, we have compared the aforesaid terms of the Factoring Contracts with those offered by independent third parties with recent precedents of other companies listed on the Stock Exchange.

(a) Criteria for identifying and selecting the Comparables (as defined below)

In order to carry out the above analysis, we have based on the information available from the Stock Exchange's website, identified an exhaustive list of 5 transactions announced by 4 companies listed on the Stock Exchange since July 2017 and including the date of the Factoring Contracts, being the last 18 months commencing from the date of announcement of the Transaction ("**Comparables**"). For the purpose of our selection, we have selected the Comparables based on the following criteria:

(i) the transaction as published on the website of the Stock Exchange involved one or more factoring arrangement(s);

(ii) (1) the credit limit or factoring principal amount of not less than HK$30,000,000 (being the amount close to the factoring principal amount of the Shenzhen Factoring Contract of HK$29,950,000) for comparison with terms pursuant to the Shenzhen Factoring Contract; and (2) the credit limit or factoring principal amount of not less than HK$300,000,000 (being the amount close to the factoring principal amount of the Nanjing Factoring Contract of HK$435,000,000) for comparison with terms pursuant to the Nanjing Factoring Contract, given the factoring credit limit represents the maximum amount of the underlying accounts receivable that could be utilized by the factoring parties; and

(iii) the type of financing under the respective factoring arrangement is with recourse.

Based on the above criteria, we considered that the Comparables provide a relevant benchmark for the purpose of assessing the terms of the Factoring Contracts. We consider the Comparables an exhaustive list of relevant comparable companies based on the said criteria above and the selection of comparable companies within an approximate 18-month period to be sufficient and appropriate for our analysis as it has covered the prevailing market conditions and sentiments in the Hong Kong stock market at the time which the terms of the Factoring Contracts were determined.

(b) Analysis conducted to assess the fairness and reasonableness of the terms of the Factoring Contracts

Set out below is the table setting out the (i) credit limit; (ii) terms; (iii) type of financing; (iv) factoring interest rate; (v) handling or management fee; and (vi) Effect Cost (as defined below) of each of the Comparables:

Table 6: List of Comparables

a) Comparables for comparison with Shenzhen Factoring Contract

No.	Name of company	Stock code	Date of announcement	Factoring services	Factoring ratio#	Credit limit/ principal amount	Term	Type of financing	Factoring interest rate	One off handling/ management fee	Effective cost
						RMB			*(per annum)*		*(per annum)*
1.	Xingfa Aluminum Holdings Limited	98	31 July 2018	Factoring finance and management of account receivable(s)	58% of the respective accounts receivable	42,000,000	13 months	With recourse	5.50%	5.88% of the factoring amount	10.85%
2.	FY Financial (Shenzhen) Co., Ltd	8452	29 June 2018	Accounts receivable factoring services	not more than 80%	40,000,000	18 months	With recourse	7.33%	Nil	7.33%
3.	Goldbond Group Holdings Limited	172	23 October 2017	Accounts receivable factoring services	Not more than 75%	30,000,000	2 years	With recourse	12.00%	Nil	12.00%
				Maximum	80%	42,000,000	2 years		12.00%	5.88%	12.00%
				Minimum	58%	30,000,000	13 months		5.50%	Nil	7.33%

b) Comparables for comparison with Nanjing Factoring Contract

No.	Name of company	Stock code	Date of announcement	Factoring services	Factoring ratio#	Credit limit/ principal amount	Term	Type of financing	Factoring interest rate	One off handling/ management fee	Effective cost
1.	Sheng Ye Capital Limited	8469	2 July 2017	Accounts receivable factoring services	Not more than 100%	300,000,000	10 months	With recourse	15.00%	Nil	15.00%
2.	Sheng Ye Capital Limited	8469	29 December 2017	Accounts receivable factoring services	Not more than 100%	300,000,000	1 year	With recourse	8.00%	Nil	8.00%
				Maximum	100%	300,000,000	1 year		15.00%	Nil	15.00%
				Minimum	100%	300,000,000	10 months		8.00%	Nil	8.00%
			Overall	**Maximum**	100%	300,000,000	2 years		15.00%	5.88%	15.00%
				Minimum	58%	30,000,000	10 months		5.50%	Nil	7.33%

Source: Stock Exchange of Hong Kong

\# The factoring ratio, which represents the ratio of the maximum factoring principal amount to the accounts receivable being assigned.

- Assessment to the interest rate and handling fee

As advised by the Management, the factoring interest rate and handling fee were determined after arm's length negotiations between the parties to the Factoring Contracts with reference to the prevailing market rates of comparable factoring transactions. Assuming the credit limits under each of the Factoring Contracts are fully utilized, the factoring interest rate and handling fee payable by Nanjing CNI and Shenzhen CNE to CNECFL are calculated as below:

No.	Transferor of accounts receivable	Credit Limit	Basis of factoring interest rate	Basis of handling fee	Total factoring interest payable	Total handling fee payable
		RMB			*RMB*	*RMB*
1	Nanjing CNI	435,000,000	5.75% per annum (exclusive of tax)	1.71% of the factoring payment	25,012,500	7,438,500
2	Shenzhen CNE	29,950,000	5.8254% per annum (exclusive of tax).	2.3584% of the factoring payment	3,622,001	706,368

As shown in the table above, the factoring interest rate of approximately RMB25,012,500 and RMB3,622,001 in respect of Nanjing Factoring Contract and Shenzhen Factoring Contract are calculated based on the fixed interest rate of 5.75% and 5.8254% per annum respectively. Further, the handling fee of approximately RMB7,438,500 and RMB706,368, being approximately 1.71% and 2.3584% of the factoring payment in respect of the Nanjing Factoring Contract and Shenzhen Factoring Contract, are payable by Nanjing CNI and Shenzhen CNE to CNECFL on a one-off basis at the commencement of the Factoring Contracts. Taking into account the handling fee, which represents 1.71% and 0.94% per annum (i.e. handling fee of RMB706,368 over the factoring principal of RMB29,950,000 over 2.5 years) over the terms of each of the Nanjing Factoring Contract and Shenzhen Factoring Contract respectively, the effective costs ("**Effective Cost**") of the Nanjing Factoring Contract and Shenzhen Factoring Contract represents approximately 7.46% (i.e. 5.75% + 1.71%) and 6.7654% (i.e. 5.8254% + 0.94%) per annum.

As show in the table 6 above, the interests rates of the Comparables for comparison with Shenzhen Factoring Contract ("**Shenzhen Comparables**") ranged from a minimum of approximately 5.5% to a maximum of approximately 12.0% and the interests rates of the Comparables for comparison with Nanjing Factoring Contract ("**Nanjing Comparables**") ranged from a minimum of approximately 8.0% to a maximum of approximately 15.0%, we therefore concluded that (i) the interest rate of Shenzhen Factoring Contract, being 5.8254% pre annum, falls within the range of the Shenzhen Comparables and (ii) the interest rate of Nanjing Factoring Contract, being 5.75% per annum, falls below the Nanjing Comparables.

In addition to the above, we have also conducted a comparison on the Effective Cost between the Factoring Contracts and the Comparables. We noted that the Effective Cost of the Shenzhen Comparables ranged from a minimum of approximately 7.33% to a maximum of approximately 12.0% and the Effective Cost of the Nanjing Comparables ranged from a minimum of approximately 8.0% to a maximum of approximately 15.0%, we therefore concluded that (i) the Effective Cost of Shenzhen Factoring Contract, being 6.7654% pre annum, falls within the range of the Shenzhen Comparables and (ii) the Effective Cost of Nanjing Factoring Contract, being 7.46% per annum, falls below the Nanjing Comparables.

Based on the above, we consider that the determination of interest rate and handling fee of each of the Factoring Contracts are fair and reasonable.

- Assessment to the credit limit and factoring terms

As advised by the Company, the credit limit of RMB435,000,000 and RMB29,950,000 were determined after arm's length negotiations between Nanjing CNI, Shenzhen CNE and CNECFL with reference to the outstanding balance of the potential accounts receivable as reflected in the respective financial statements as at the date of the Factoring Contracts, the credit term and similar prevailing factoring arrangements.

We have reviewed the potential list of accounts receivable to be factored under the Factoring Contracts and set out below are the list of the potential accounts receivable to be applied for the factoring services:

No.	**Potential accounts receivable**	**Nature of the accounts receivable**	**Outstanding amount**	**Potential factor amount**	**Factoring ratio**
			RMB'000	*RMB'000*	
			(A)	*(B)*	*(B)/(A)*
A)	**Nanjing Factoring Contract**				
1	Debtor A	Construction of solar power station	85,888	77,300	
2	Debtor B	Construction of solar power station	190,186	171,400	
3	Debtor C	Construction of solar power station	207,214	186,300	
Sub-total			**483,288**	**435,000**	**90.00%**

No.	Potential accounts receivable	Nature of the accounts receivable	Outstanding amount	Factoring ratio
			RMB'000	
B)	**Shenzhen Factoring Contract**			
4	Debtor D	Finance lease of solar energy generating system	11,410	
5	Debtor E	Finance lease of solar energy generating system	21,869	
Sub-total			**33,279**	**90.00%**

As shown in the above table, the total sum of the assignment of account receivable(s) to be granted under the Nanjing Factoring Contract and Shenzhen Factoring Contract by CNECFL are approximately RMB483,288,000 and RMB33,279,000 respectively. In addition, the factoring principals of the Nanjing Factoring Contract and Shenzhen Factoring Contract are approximately RMB435,000,000 and RMB29,950,000 respectively. Hence, the factoring ratio, which represents the ratio of the maximum factoring principal amount to the accounts receivable being assigned, under each of the Nanjing Factoring Contract and Shenzhen Factoring Contract is approximately 90%. Based on this, we refer to the list of comparables as set out in the sub-section headed "*(b) Analysis conducted to assess the fairness and reasonableness of the terms of the Factoring Contracts*" and noted that the factoring ratios of the Comparables is ranged from a maximum of 100% to a minimum of 58%, given the factoring ratio under the Factoring Contracts (i.e. 90%) is within the range of the Comparables, we considered that the determination of the credit limit under the Factoring Contracts, which is determined based on the factoring ratios to be factored, are fair and reasonable.

In assessing the fairness and reasonableness of the factoring terms, we have considered the relationship between the factor terms and the factoring rate and conducted a comparison with that of the Comparables, however, we are given to understand that the determination of the factoring rate, being the cost of the factoring, is mainly affected by (i) the size of the accounts receivables; (ii) the credit quality of the accounts receivables; and (iii) the assessment of the financial conditions of the factor to the factoring contract. Therefore, despite the term of the Comparables, of which the maximum term is 2 years, is out of the range of that of the Shenzhen Factoring Contract, we consider that such comparison is not representable in our assessment on the factoring terms of the Factoring Contracts.

Nevertheless, we are given to understand that the factoring terms are determined after considering the timing of repayment of the potential accounts receivables to be factored. In light of this, we have requested the

Management and reviewed the contracts of the underlying accounts receivables to be factored under each of the Factoring Contracts and noted the followings:

i) as regard to the potential accounts receivable to be factored under the Nanjing Factoring Contracts, each of the accounts receivable represents revenue generated from contracts relating to the construction of solar power station. Pursuant to the respective construction contracts, each of the accounts receivable would be settled only when the construction work has been completed after the required inspection and it is estimated that the completion date of debtor A, debtor B and debtor C is June 2019. Hence, based on the terms of each construction contracts, the accounts receivable should be settled within 12 months upon the date of the Nanjing Factoring Contracts;

ii) as regard to the potential accounts receivable to be factored under the Shenzhen Factoring Contracts, each of the accounts receivable represents revenue generated from the finance lease of solar power generation system. Pursuant to the respective finance lease agreements, each of the accounts receivable would be settled according to the repayment of factoring principal and interest schedule and based on the repayment schedule, the receivables of Debtor D and Debtor E should be settled in full on 30 months upon the date of the Shenzhen Contracts.

In addition to the above, we understand that the Management has conducted a credit assessment on the recoverability of the potential accounts receivable (i.e. Debtor A to Debtor E) to be factored under each of the Factoring Contracts based on historical settlement records, the financial position of the debtors and its past experience. Based on the assessment conducted by the Management, we understand that apart from Debtor D and Debtor E, who are indirect non-wholly owned subsidiaries of the Company, the Group has established business relationships with Debtor A since 2014, Debtor B since 2014 and Debtor C since 2017 and there were no recent history of default incurred by any of them. Therefore, the expected credit loss for the potential accounts receivable is not material and the credit quality of the accounts receivable is in good standing.

Having considered that the repayment terms of the underlying accounts receivables are matched with or within the terms of the Factoring Contracts as mentioned above, we consider that given (i) the credit quality of the accounts receivable is assessable and in good standing; and (ii) the cash flow received from the accounts receivable to settle the factoring payments could be managed by the Management, therefore the risk of default that may arise from failing to make required factoring payments upon the due date would be minimized. In view of that, we considered that the determination of the terms of the Factoring Contracts (i.e. 1 year and 30 months) is fair and reasonable.

- Assessment to the remaining terms of the Factoring Contracts

  We have reviewed the remaining terms of each of the Factoring Contracts including (i) the repurchase of accounts receivables; (ii) the event of default and (iii) arrangement for all other expenses incurred in the process of handling and performing the factoring services. We have compared the aforesaid terms with that of the Comparables and concluded that these terms are determined under normal market practices, hence, we considered that such remaining terms of each of the Factoring Contracts are fair and reasonable.

IV. Financial effects on the Factoring Contracts

As the Factoring Contracts are recourse factoring, the collection risk of the potential accounts receivables remains with Nanjing CNI and Shenzhen CNE. As a result, each of Nanjing CNI and Shenzhen CNE retains substantially all of the credit risk and therefore continues to recognise the accounts receivables. Moreover, the Group will recognise a financial liability in an aggregate sum of RMB464,950,000 (equivalent to approximately HK$536,763,602), assuming the factoring principals under the Factoring Contracts have been fully utilised by Nanjing CNI and Shenzhen CNE.

During the term of the Factoring Contracts, expenses of the Group will be increased by RMB38,986,130.66 (equivalent to approximately HK$45,007,713), being the aggregate sum of (i) RMB7,884,810 of handling fee payable by Nanjing CNI to CNECFL; (ii) RMB748,750 of handling fee payable by Shenzhen CNE to CNECFL; (iii) RMB26,513,250 of interest payable by Nanjing CNI to CNECFL; and (iv) RMB3,839,320.66 of interest payable by Shenzhen CNE to CNECFL. All of the above expenses are tax inclusive.

RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that:

(i) the Factoring Contracts are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned; and

(ii) the entering into of the Factoring Contracts are in the ordinary and usual course of business of the Company and is in the interests of the Company and its shareholders as a whole.

We therefore advise the Independent Board Committee to recommend, and ourselves recommend, the Independent Shareholders to vote in favor of the ordinary resolution to be proposed at the SGM to approve, among others, the Factoring Contracts and the transactions contemplated thereunder.

Yours faithfully
For and on behalf of
Euto Capital Partners Limited
Manfred Shiu
Director

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese names prevail.*

1. FINANCIAL INFORMATION OF THE GROUP

Financial Information of the Group

Financial information of the Group for each of the three financial years ended 31 December 2015, 2016 and 2017 and details of the unaudited interim financial information of the Group for the six months ended 30 June 2018 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.cnetcl.com):

- annual report of the Group for the year ended 31 December 2015 published on 18 April 2016 (pages 30 to 98);
- annual report of the Group for the year ended 31 December 2016 published on 11 April 2017 (pages 32 to 114);
- annual report of the Group for the year ended 31 December 2017 published on 10 April 2018 (pages 37 to 122); and
- the interim report of the Company for the six months ended 30 June 2018 published on 4 September 2018 (pages 3 to 29).

Statement of Indebtedness

As at the close of business on 31 January 2019, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group was as follows:

(a) Borrowings

As at the close of business on 31 January 2019, the Group's borrowings as follows:

	HK$'000
Bank and other borrowings	1,843,805
Obligations under finance leases	103,392
Shareholder's loan from a non-controlling interest shareholder	11,159
Loan from holding company	52,583
	2,010,939

(b) Capital commitment

The Group had capital commitment as follows:

	HK$'000
Contracted but not provided for:	
– Acquisition of land and property, plant and equipment	–

Disclaimer

Save as aforesaid or as otherwise disclosed herein, as at the close of business on 31 January 2019, and apart from intra-group liabilities, the Group did not have any loan capital issued and outstanding or agreed to be issued, or any outstanding bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

Working Capital Sufficiency

The Directors are of the opinion that, taking into account the effect of the transactions contemplated under the Factoring Contracts, and the financial resources and banking facilities available to the Group, the Group will have sufficient working capital to satisfy its present requirements for the next twelve months from the date of this circular in the absence of unforeseen circumstances.

2. FINANCIAL AND TRADING PROSPECT OF THE GROUP

Since 2013, the Group has marked a new chapter to its business by entering into the new energy industry in China, majoring in the EPC of photovoltaic ("**PV**") solar power stations and eventually maintaining and operating its own PV solar power stations. Over the years, the Group has gained extensive experience and obtained awards in the installation of solar power generation systems and has extended to partner with other PRC new energy core players to develop thermal power and wind power projects. The Group further diversified its business to the finance leasing market in PRC in 2015 in order to generate new source of revenue and simultaneously open a new financing channel to satisfy the capital needs of the Group's new energy business.

In 2018, the national power consumption in China increased 8.5% yearly to 6.84 trillion kilowatt hours, with the growth rate 1.9 percentage points faster than the previous year, quoted the latest data of China Electricity Council. By the end of 2018, the national installed capacity totaled 1.9 billion kilowatts, a yearly increase of 6.5%. Amongst which, the total installed capacity of non-fossil energy power generation was 770 million kilowatts, accounting for 40.8% of the total installed capacity with an increase of 2.0 percentage points over the previous year, whereby the total installed capacity of thermal power, grid-connected wind power and grid-connected solar power were 1.14 billion kilowatts, 180 million kilowatts and 170 million kilowatts respectively. Being one of the seasoned players of EPC and consultancy in PRC power generation industry and in view of the growth potential of the new energy market, the Group has secured and implemented a number of major PV solar power, wind power and thermal power projects aiming to expedite its development, enhance its competitiveness and optimise its production in order to cultivate new profits to the Group. As the power generation industry is capital intensive, the Factoring Contracts are part of the Group's arrangement to replenish the operating cash of the Group so as to achieve continuous business growth.

The Group will endeavor to enhance its market competitiveness through precise management and risk mitigation efforts. In addition, the Group will proactively explore investment opportunities in other new energy and other engineering, procurement and construction sector in PRC and the overseas to achieve positive returns and enable sustainability.

The details of the Directors proposed to be re-elected at the SGM (as required by the Listing Rules) are set out as follows:

Mr. Zhao Yixin

Mr. Zhao Yixin, aged 43, has been appointed as the executive Director and chairman of the Board since 23 January 2019. Mr. Zhao graduated from 武漢大學 (transliterated as Wuhan University) with a bachelor's degree in ideological and political education in 1997. He further obtained a master's degree in economics from 首都經濟貿易大學 (transliterated as Capital University of Economics and Business) in 2004. Mr. Zhao was recognised as a senior economist in business administration by CNECG in 2014. Mr. Zhao is currently the party committee secretary and chairman of CNICL, a controlling shareholder (as defined in the Listing Rules) of the Company. From August to December 2018, he was the party branch secretary and deputy director (department level) of the operation management department of CNNC. From June 2013 to August 2018, Mr. Zhao served as deputy director of operation planning department of CNECG, a controlling shareholder of CNICL, and successively as deputy director and director of strategic planning department of CNECG. From June 2013 to December 2017, he also served as deputy director of operation planning department of CNECC and successively as director of operation planning department of CNECC.

Save as disclosed above, Mr. Zhao has not previously held and is not holding any other position with the Company or any of its subsidiaries. Save as disclosed above, Mr. Zhao does not hold any other directorships in any listed companies in the last three years or other major appointments and qualifications.

Save as disclosed above, Mr. Zhao does not have any relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders of the Company, nor does he have any interests in the Shares within the meaning of Part XV of the SFO. Mr. Zhao has entered into a letter of appointment with the Company for a term of three years commencing on 23 January 2019, unless terminated by the parties pursuant to the letter of appointment and subject to the Bye-laws in relation to retirement by rotation and re-election and the Listing Rules. Mr. Zhao is not entitled to receive a remuneration as an executive Director and the chairman of the Board.

Save as disclosed above, there is no other matter in relation to the appointment of Mr. Zhao that needs to be brought to the attention of the Shareholders nor is there any information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

Mr. Wu Yuanchen

Mr. Wu Yuanchen, aged 36, has been appointed as the executive Director since 28 November 2018. Mr. Wu graduated from 西安交通大學 (transliterated as Xi'an Jiaotong University), majoring in nuclear engineering and technology, and received a bachelor degree in engineering in 2005. He further obtained a master degree in management from 中國人民大學 (transliterated as Renmin University of China) in 2011. Mr. Wu was recognised as an engineer in nuclear engineering by 中國核工業中原建設有限公司 (transliterated as China Nuclear Industry Zhongyuan Construction Co. Ltd.) in 2010. Mr. Wu is currently the deputy general manager of CNICL, a controlling shareholder (as defined in the Listing Rules) of the Company. He was as the party sub-division secretary of 中核新能源投資有限公司 (transliterated as China Nuclear New Energy Investment Co., Ltd.), an associate (as defined in the Listing Rules) of CNICL from May 2017 to January 2019. From December 2015 to September 2017, he served as an assistant to general manager of CNICL. From March 2016 to August 2016, he was head of secretarial division of the general office of CNECG and division head of president office of CNECC, which were a controlling shareholder of the Company and an associate of CNECG respectively. Prior to that, Mr. Wu served as head of the general office of CNECG, and successively as secretary to president of CNECC and division head of president office of CNECG during the period from January 2011 to March 2016. He held the position of board secretary of 中核能源科技有限公司 (transliterated as China Nuclear Energy Science and Technology Co., Ltd.), an associate of CNECG, from October 2007 to June 2014. Mr. Wu acted as an executive Director for the period from 14 December 2016 to 30 June 2017.

Save as disclosed above, Mr. Wu has not previously held and is not holding any other position with the Company or any of its subsidiaries. Save as disclosed above, Mr. Wu does not hold any other directorships in any listed companies in the last three years or other major appointments and qualifications.

Save as disclosed above, Mr. Wu does not have any relationship with any Directors, senior management, substantial Shareholders or controlling shareholders of the Company, nor does he have any interests in the Shares within the meaning of Part XV of the SFO. Mr. Wu has entered into a letter of appointment with the Company for a term of three years commencing on 28 November 2018, unless terminated by the parties pursuant to the letter of appointment and subject to the Bye-laws in relation to retirement by rotation and re-election and the Listing Rules. Mr. Wu is not entitled to receive any remuneration from the Company as an executive Director.

Save as disclosed above, there is no other matter in relation to the appointment of Mr. Wu that needs to be brought to the attention of the Shareholders nor is there any information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

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 enquiries, 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.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 the Directors and the chief executive have taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company under section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules.

(b) Interests of Substantial Shareholders

As at the Latest Practicable Date, so far as is known to the Directors or chief executive of the Company, each of the following persons and entities (other than a Director or chief executive of the Company) had or was deemed to have interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions in the Shares and underlying Shares

Name of Shareholder	Capacity/nature of interest	Number of issued Shares/ underlying Shares held	Approximate percentage of shareholding in issued share capital *(Note 1)*
CNECG	Controlled corporation	400,000,000 *(Note 2)*	30.46%
CNICL	Controlled corporation	400,000,000 *(Note 2)*	30.46%
China He Investment (Hong Kong) Company Limited ("**China He (HK)**")	Beneficial owner	400,000,000 *(Note 2)*	30.46%
Zhao Xu Guang ("**Mr. Zhao**")	Controlled corporation	84,676,000 *(Note 3)*	6.45%

Notes:

(1) The percentage of shareholding was calculated based on the Company's total issued share capital of 1,313,094,192 Shares as at the Latest Practicable Date.

(2) China He (HK) is a wholly-owned subsidiary of CNICL, which in turn is wholly-owned by CNECG. As at the Latest Practicable Date, China He (HK) held 400,000,000 Shares and accordingly, both CNICL and CNECG were deemed to be interested in the same block of Shares which was registered under China He (HK) by virtue of SFO.

(3) Mr. Zhao was beneficially interested in the entire issued share capital of Prosper Alliance Investments Limited and Rui Tong Investments Limited which in turn were directly interested in 60,000,000 Shares and 24,676,000 Shares respectively as at the Latest Practicable Date. By virtue of SFO, Mr. Zhou was deemed to be interested in 84,676,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any person or entity who had or was deemed to have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

4. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENT SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date:

(a) none of the Directors had any interest, direct or indirect, in any assets which had been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Company were made up. As at the Latest Practicable Date, four Directors are also senior management of the substantial shareholder of CNECFL or its associate, namely:

(a) Mr. Zhao Yixin is a party committee secretary and a chairman of CNICL;

(b) Mr. Tang Jianhua is an assistant to general manager of CNICL;

(c) Mr. Wu Yuanchen is a deputy general manager of CNICL;

(d) Mr. Zhang Rui is a director of China He (HK); and

hence are interested in the Factoring Contracts; and

(b) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group which was subsisting as at the Latest Practicable Date and was significant in relation to the business of the Group.

5. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was involved in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

8. EXPERTS' QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
BDO Limited	Certified Public Accountants
Euto Capital Partners Limited	a licensed corporation permitted to carry on Type 6 regulated activities under the SFO

Each of BDO Limited and Euto Capital Partners Limited has given and has not withdrawn its written consent to the issue of this circular with its letter included or references to its name in the form and context in which it is included.

The letter from the Independent Financial Advisor is given as of the date of this circular for incorporation in this circular.

As at the Latest Practicable Date, each of BDO Limited and Euto Capital Partners Limited did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, and did not have any direct or indirect interests in any assets which have been, since 31 December 2017 (being the date to which the latest published audited consolidated accounts of the Group were made up), acquired or disposed of by or leased to, any member of the Group, or which are proposed to be acquired or disposed of by or leased to, any member of the Group.

9. MATERIAL CONTRACTS

Save for the Factoring Contracts and the agreements set out below, no contract (not being contract in the ordinary course of business), which is or may be material, has been entered into by the Company or any of its subsidiaries within the two years immediately preceding the Latest Practicable Date:

(a) The termination agreement dated 1 June 2017 entered into between Shenzhen CNE and 泰州核潤新能源有限公司 (transliterated as Taizhou Herun New Energy Ltd.) ("**Taizhou Herun**") for the termination of the finance lease agreement (direct lease) dated 14 December 2016.

(b) The finance lease agreement dated 1 June 2017 entered into between 招銀金融租賃有限公司 (transliterated as CMB Financial Leasing Co., Ltd.) ("**CMB Financial**") (as lessor) and Taizhou Herun (as lessee), whereby CMB Financial agreed to purchase the equipment and assets for a 20MW agricultural photovoltaic power station and lease the same back to Taizhou Herun for a term of eight years at an aggregate lease consideration of approximately RMB131,341,000.

(c) The placing agreement dated 9 June 2017 entered into between the Company and Eternal Pearl Securities Limited (a third party independent of the Company and was not a connected person of the Company) (as placing agent) in relation to the placement of a maximum of 180,000,000 placing shares to the placees who and whose ultimate beneficial owners are third parties independent of and not connected with the Company and its connected persons at the placing price of HK$1.01 per placing share.

(d) The finance lease agreements dated 9 June 2017 entered into between Shenzhen CNE (as lessor) and 寶豐北控清潔能源電力有限公司 (transliterated as Baofeng Beikong Clean Energy Electricity Co., Ltd.) ("**Baofeng Beikong**"), 蕪湖北控清潔能源科技有限公司 (transliterated as Wuhu Beikong Clean Energy Technology Company Limited) ("**Wuhu Beikong**") and 新鄉市北控光伏有限公司 (transliterated as Xinxiang Beikong Photovoltaic Company Limited) ("**Xinxiang Beikong**") respectively (all of Baofeng Beikong, Wuhu Beikong and Xinxiang Beikong are third parties independent of the Company and were not connected persons of the Company) (as lessees), whereby Shenzhen CNE agreed to purchase from 四川通藝來電力工程有限公司 (transliterated as Sichuan Tongyilai Electricity Engineering Company Limited) ("**STEE**") the equipment and assets for each of (i) the construction and operation of the 15.1MW photovoltaic power plant in Pingdingshan City (平頂山市), Henan Province, the PRC; (ii) the construction and operation of the 11.4MW photovoltaic power plant in Wuhu City (蕪湖市), Anhui Province, the PRC; and (iii) the construction and operation of the 12MW photovoltaic power plant in Xinxiang City (新鄉市), Henan Province, the PRC, and lease respective equipment and assets to Baofeng Beikong, Wuhu Beikong and Xinxiang Beikong for a term of eight years at an aggregate lease consideration of approximately RMB97,962,375, RMB72,866,528 and RMB84,759,605 respectively.

(e) The finance lease agreement dated 30 June 2017 entered into between Shenzhen CNE (as lessor) and 漣水鑫源光伏電力有限公司 (transliterated as Lianshui Xinyuan Photovoltaic Electricity Ltd.) ("**Lianshui Xinyuan**") (a third party independent of the Company and was not a connected person of the Company) (as lessee) whereby Shenzhen CNE agreed to purchase from 西安大唐電力設計研究院有限公司 (transliterated as Xian Datang Electricity Design Research Limited) the equipment and assets to be used by Lianshui Xinyuan (the "**Lianshui Leased Assets**") for the construction and operation of the 15MW solar power plant project owned by Lianshui Xinyuan located in Tangji Town, Lianshui County, Huaian City, Jiangsu Province, the PRC, and lease the Lianshui Leased Assets to Lianshui Xinyuan for a term of eight years at an aggregate lease consideration of approximately RMB106,161,198.

(f) The finance lease agreement dated 18 August 2017 entered into between Shenzhen CNE (as lessor), 北控清潔能源電力有限公司 (transliterated as Beikong Clean Energy Electricity Co., Ltd.) and 濰坊明峰新能源科技有限公司 (transliterated as Weifang Mingfeng New Energy Technology Company Limited) (collectively the "**Joint Lessees**") (third parties independent of the Company and were not connected persons of the Company), whereby Shenzhen CNE agreed to purchase from STEE the equipment and assets (the "**Weifang Leased Assets**") for the construction and operation of a 6MW photovoltaic power plant in Pingdu City (平度市), Shandong Province, the PRC at a total consideration of RMB36,000,000 and lease the Weifang Leased Assets to the Joint Lessees, for a term of eight years at the estimated aggregate lease consideration of RMB46,855,800.

(g) The cooperation agreement dated 26 October 2017 entered into between Nanjing CNI with the Agricultural Bank of China, Jiangsu Branch (the "**Bank**") (a third party independent of the Company and was not a connected person of the Company), whereby the Bank agreed to provide a revolving loan facility in the amount up to RMB200,000,000 to the qualified natural person(s) in the designated rural areas as agreed by the parties (the "**Borrowers**") and Nanjing CNI and CNI (Nanjing) agreed to provide a joint guarantee for the due performance of the repayment obligations of the Borrowers to the Bank in respect of the entire amount of indebtedness payable and payments owed by the Borrowers to the Bank under the revolving loan facility from time to time, including the accrued interest.

(h) The underwriting agreement dated 23 November 2017 entered into between the Company and China He (HK) (as underwriter) for the underwriting and other arrangements in relation to the proposed offer for subscription by the qualifying shareholders of 164,136,774 Shares at a subscription price of HK$1.36 per Share on the terms and conditions as set out in the underwriting agreement.

(i) A purchasing contract dated 18 December 2017 entered into between Nanjing CNI (as contractor) and 江蘇中盛創新機電科技有限公司 (transliterated as Jiangsu Zhongsheng Chuangxin Electrical Technology Company Limited) ("**Jiangsu Zhongsheng**") (as supplier) for the purchase of equipment for the development of the rooftop distributed photovoltaic power generation facilities with an installed capacity of 19MW located in Suining, Xuzhou, Jiangsu Province of the PRC with an aggregate consideration of RMB86,831,565.

(j) 16 purchasing contracts each dated 20 December 2017 entered into between certain project subsidiaries of the Company (as purchasers) and Jiangsu Zhongsheng (as supplier) for the purchase of equipment for the development of 15 distributed solar photovoltaic power generation projects with an aggregate installed capacity of 46.29MW and a solar cells module plant with annual production capacity of 500MW all located in Jiangsu Province, PRC with an aggregate consideration of RMB187,771,575.71.

(k) The termination agreement dated 24 January 2018 entered into between the Company and China He (HK) in relation to terminate the underwriting agreement dated 23 November 2017.

(l) The cooperation agreement dated 29 May 2018 entered into between Nanjing CNI and the Agricultural Bank of China, Zaozhuang Branch, whereby the Agricultural Bank of China, Zaozhuang Branch agreed to provide a loan facility in the amount up to RMB200,000,000 to the borrowers and Nanjing CNI agreed to provide the guarantee for the due performance of the repayment obligations of the borrowers to the Agricultural Bank of China, Zaozhuang Branch in respect of the entire amount of the guaranteed indebtedness.

(m) The equipment and materials purchasing contract dated 31 May 2018 entered into between 臨滄核潤新能源有限公司 (transliterated as Lincang Herun New Energy Limited) (an indirect non-wholly-owned subsidiary of the Company) (as principal) and 北京漢能薄膜太陽能電力工程有限公司 (translated as Beijing Hanergy Thin Film Solar Energy Electricity Engineering Limited) (as supplier) for the purchase of equipment for the development of the poverty alleviation photovoltaic power station with a total capacity of 30MW in Linxiang District, Lincang City, Yunnan Province of the PRC with an aggregate consideration of RMB136,487,457.6.

(n) The agreement dated 5 June 2018 entered into among STEE, Shenzhen CNE and Baofeng Beikong, pursuant to which, among other things, STEE, Shenzhen CNE and Baofeng Beikong agreed to restate the principal amount of the finance lease to RMB64,000,000.

(o) The agreement dated 5 June 2018 entered into among STEE, 北控清潔能源電力有限公司 (transliterated as Beikong Clean Energy Electricity Co., Ltd.) and 濰坊明峰新能源科技有限公司 (transliterated as Weifang Mingfeng New Energy Technology Company Limited) (the "**Joint Lessees**") pursuant to which, among other things, STEE, Shenzhen CNE and Joint Lessees agreed to increase the total non-refundable handling fee to RMB2,952,000.

(p) The sale and purchase agreement dated 31 December 2018 entered into between CNE New Energy Limited ("**CNE New Energy**") and Triple Delight Limited ("**Triple Delight**") in relation to, among other things, the acquisition of 19.1% of the total number of issued shares in Guoxin Energy Limited ("**Guoxin**") by CNE New Energy at a total consideration of RMB29,423,000 and CNE New Energy has conditionally agreed to repay the outstanding shareholder's loan in the amount of RMB9,550,000 due from Guoxin to Triple Delight for and on behalf of Guoxin.

(q) The Nanjing Factoring Contract.

(r) The Shenzhen Factoring Contract .

10. GENERAL

(a) The company secretary of the Company is Ms. Chu Lai Shan Sammie. Ms. Chu Lai Shan Sammie is a fellow member of each of The Institute of Chartered Secretaries and Administrators in United Kingdom and The Hong Kong Institute of Chartered Secretaries. She is also the holder of practitioner's endorsement certificate issued by The Hong Kong Institute of Chartered Secretaries.

(b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(c) The Hong Kong principal office of the Company is at Room 2801, 28/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong.

(d) The address of the Company's branch share registrar in Hong Kong is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(e) In the event of inconsistency, the English language text of this circular shall prevail over the Chinese language text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company at Room 2801, 28th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong during normal business hours from 9:30 a.m. to 5:00 p.m. on any weekday, except public holidays from the date of this circular up to and including the date of the SGM:

(a) the Nanjing Factoring Contract;

(b) the Shenzhen Factoring Contract;

(c) the Bye-laws;

(d) the annual reports of the Company for each of the three years ended 31 December 2015, 2016 and 2017;

(e) the interim report of the Company for the six months ended 30 June 2018;

(f) the material contracts as referred to in the section headed "MATERIAL CONTRACTS" in this appendix;

(g) the written consents referred to in the section headed "EXPERTS' QUALIFICATION AND CONSENT" in this appendix;

(h) the letter from the Board to the Shareholders, the text of which is set out from pages 4 to 20 of this circular;

(i) the letter of the recommendation from the Independent Board Committee, the text of which is set out on pages 21 to 22 of this circular;

(j) the letter of advice from the Independent Financial Advisor, the text of which is set out on pages 23 to 50 of this circular;

(k) the Company's circulars which have been issued since the date of the latest published audited accounts of the Company; and

(l) this circular.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 611)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the special general meeting (the "**SGM**") of China Nuclear Energy Technology Corporation Limited (the "**Company**") will be held at Regus Conference Centre, 35/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong on Thursday, 4 April 2019, at 10:30 a.m. to consider and, if thought fit, passing, with or without modifications, the following resolutions (unless otherwise indicated, capitalised terms used in this notice shall have the same meanings as those defined in the circular (the "**Circular**") of the Company dated 15 March 2019):

ORDINARY RESOLUTIONS

"**THAT**

(1) (a) the factoring contract dated 23 January 2019 (the "**Nanjing Factoring Contract**") entered into between 中核建融資租賃股份有限公司 (transliterated as China Nuclear E&C Financial Leasing Co., Ltd.) ("**CNECFL**") and 南京中核能源工程有限公司 (transliterated as Nanjing CNI Energy Engineering Company Limited) ("**Nanjing CNI**"), pursuant to which CNECFL provides Nanjing CNI with accounts receivable factoring services in a factoring credit limit of RMB435,000,000 (a copy of which marked "A" has been produced to the Meeting and initialed by the chairman of the Meeting for identification purpose), the transactions contemplated thereunder and all other transactions in connection therewith and any other ancillary documents, be and are hereby confirmed, approved and ratified, subject to such addition or amendment as any director(s) of the Company (the "**Director(s)**") may consider necessary, desirable or appropriate;

(b) any Director(s) be and are hereby authorised for and on behalf of the Company to, amongst others, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Nanjing Factoring Contract and any ancillary documentation and transactions thereof;

(2) (a) the factoring contract dated 23 January 2019 (the "**Shenzhen Factoring Contract**") entered into between CNECFL and 核建融資租賃（深圳）有限公司 (transliterated as CNEC Financial Leasing (Shenzhen) Co., Ltd.) ("**Shenzhen CNE**"), pursuant to which CNECFL provides CNECFL with accounts receivable factoring services in a factoring credit limit of RMB29,950,000 (a copy of which marked "B" has been produced to the Meeting and initialed by the chairman of the Meeting for identification purpose), the transactions contemplated thereunder and all other transactions in connection therewith and any other ancillary documents, be and are hereby confirmed, approved and ratified, subject to such addition or amendment as the Directors may consider necessary, desirable or appropriate;

(b) any Director(s) be and are hereby authorised for and on behalf of the Company to, amongst others, sign, execute and deliver or to authorise the signing, execution and delivery of all such documents and deeds, to do or authorise doing all such acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the Shenzhen Factoring Contract and any ancillary documentation and transactions thereof;

(3) **THAT**

(a) Mr. Zhao Yixin be re-elected as the executive Director; and

(b) Mr. Wu Yuanchen be re-elected as the executive Director."

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

Hong Kong, 15 March 2019

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

Principal Place of Business in Hong Kong:
Room 2801, 28th Floor
China Resources Building, 26 Harbour Road
Wanchai
Hong Kong

Notes:

1. A member of the Company (the "**Shareholder**") entitled to attend and vote at the SGM convened by the above notice is entitled to appoint one or, if such Shareholder is a holder of more than one share, more proxies to attend and vote in his stead. A proxy need not be a Shareholder.

2. In order to be valid, the form of proxy must be deposited with Tricor Tengis Limited, the share registrar of the Company, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney, not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof.

3. For the purpose of ascertaining Shareholders' right to attend and vote at the meeting, the register of members of the Company will be closed from 1 April 2019 to 4 April 2019, both days inclusive, during which no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the meeting, all transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 29 March 2019.

4. Where there are joint registered holders of any share of the Company, any one of such holders may vote at the SGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such holders be present at the SGM personally or by proxy, that one of such holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

6. Completion and delivery of the form of proxy will not preclude the Shareholder from attending and voting in person at the SGM if the Shareholder so desires and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

7. This notice is prepared in both English and Chinese. In the event of inconsistency, the English text of the notice shall prevail over the Chinese text.

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