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If you are in doubt about any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your securities in China Nuclear Industry 23 International Corporation Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser, transferee or the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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中国核建

CHINA NUCLEAR INDUSTRY 23 INTERNATIONAL CORPORATION LIMITED

中國核工業二三國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 611)

**REVISION OF THE EXISTING CAPS FOR
CONTINUING CONNECTED TRANSACTIONS
UNDER CNI23 (NANJING) FRAMEWORK AGREEMENT
AND
ENTERING INTO SECOND EQUIPMENT AND MATERIALS
PROCUREMENT AGREEMENT
AND SECOND TECHNICAL CONSULTANCY AGREEMENT
WITH 中國核工業二三建設有限公司華東分公司
(CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION COMPANY LIMITED
HUADONG BRANCH*)**

Financial Adviser to the Company



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



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

A letter from the Board is set out on pages 5 to 19 of this circular. A letter from the Independent Board Committee is set out on pages 20 to 21 of this circular.

A letter from GF Capital (Hong Kong) Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 37 of this circular.

A notice convening the special general meetings of the Company to be held at Jade Terrace Restaurant, 2nd Floor, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 21 June 2013 at 3:00 p.m. is set out on pages 45 to 46 of this circular. Whether or not you are able to attend the special general meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the office of the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the special general meeting or any adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the special general meeting or any adjourned meeting (as the case may be) should you so wish.

3 June 2013

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DEFINITIONS

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

| | |
|---------------------------------------|--|
| “associates” | has the meaning ascribed thereto in the Listing Rules |
| “Baoying Project” | 寶應30MWp漁光互補光伏發電項目 (transliterated as Baoying 30MWp fishing-solar complementary photovoltaic power project*) |
| “Board” | the board of Directors |
| “China He Investment” | China He Investment (Hong Kong) Company Limited 中核投資(香港)有限公司, a company incorporated in Hong Kong with limited liability |
| “CNECC” | 中國核工業建設股份有限公司 (transliterated as China Nuclear Engineering Corporation Co., Ltd.*), a state-owned enterprise established in the PRC and owns 80% of CNI23 |
| “CNEGC” | 中國核工業建設集團公司 (transliterated as China Nuclear Engineering Group Co.*), a state-owned enterprise established in the PRC |
| “CNI23” | 中國核工業二三建設有限公司 (transliterated as China Nuclear Industry 23 Construction Company Limited*), a state-owned enterprise established in the PRC |
| “CNI23 HK” | China Nuclear Industry 23 Construction (Hong Kong) Company Limited 中國核工業二三建設(香港)有限公司, a company incorporated in Hong Kong with limited liability |
| “CNI23 Huadong Branch” | 中國核工業二三建設有限公司華東分公司 (transliterated as China Nuclear Industry 23 Construction Company Limited Huadong Branch*), a branch of CNI23 which was established in the PRC |
| “CNI23 (Nanjing)” | 中核二三(南京)能源發展有限公司 (CNI23 (Nanjing) Energy Development Company Limited), an indirect non wholly-owned subsidiary of the Company which was established in the PRC |
| “CNI23 (Nanjing) Framework Agreement” | the framework agreement dated 3 May 2013 entered into between CNI23 (Nanjing) and CNI23 Huadong Branch in relation to the provision of procurement of construction equipment and materials and technical consultancy and project management services |

DEFINITIONS

| | |
|---|---|
| “Company” | China Nuclear Industry 23 International Corporation Limited, a company incorporated in Bermuda with limited liability, the Shares are listed on the Main Board of the Stock Exchange |
| “connected person(s)” | has the meaning ascribed to it in the Listing Rules |
| “Director(s)” | the director(s) of the Company |
| “EPC” | engineering, procurement and construction |
| “Equipment and Materials Procurement Agreement” | the equipment and materials procurement agreement dated 3 May 2013 entered into between CNI23 (Nanjing) and CNI23 Huadong Branch in relation to the procurement of construction equipment and materials and provision of related technical support services for the Solar Projects |
| “Existing Caps” | the annual caps for the continuing connected transactions contemplated under the First Agreements pursuant to the CNI23 (Nanjing) Framework Agreement for the financial year ending 31 December 2013 as announced by the Company on 3 May 2013 |
| “First Agreements” | the Equipment and Materials Procurement Agreement and the Technical Consultancy Agreement |
| “GF Capital” or “Independent Financial Adviser” | GF Capital (Hong Kong) Limited, a licensed corporation registered under the SFO to conduct Type 6 (advising on corporate finance) regulated activity as defined in the SFO, and the independent financial adviser appointed for the purpose of advising the Independent Board Committee and the Independent Shareholders in respect of (i) the Revised Caps; and (ii) the First Agreements and the Second Agreements and the transactions contemplated thereunder |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the People’s Republic of China |
| “Independent Board Committee” | the independent committee of the Board, comprising Mr. Chan Ka Ling, Edmond, Mr. Chang Nan, Dr. Dai Jinping and Mr. Yu Lei, all of whom are independent non-executive Directors, formed to advise the Independent Shareholders in respect of the Revised Caps, the First Agreements and the Second Agreements and the transactions contemplated thereunder |

DEFINITIONS

| | |
|--|--|
| “Independent Shareholder(s)” | Shareholder(s) other than CNI23 HK and China He Investment and their associates |
| “Jinjiang Project” | 晉江市經濟開發區10MWp光伏併網金太陽項目 (transliterated as Golden-sun project for the 10MWp photovoltaic grid-connection in Jinjiang Economic Development Zone*) |
| “Latest Practicable Date” | 31 May 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “PRC” | the People’s Republic of China and for the sole purpose of this circular shall exclude Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Revised Caps” | the revised annual caps for the continuing connected transactions under the CNI23 (Nanjing) Framework Agreement for the financial year ending 31 December 2013, taking into account the First Agreements and the Second Agreements, to be approved by the Independent Shareholders at the SGM |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Second Agreements” | the Second Equipment and Materials Procurement Agreement and the Second Technical Consultancy Agreement |
| “Second Equipment and Materials Procurement Agreement” | the equipment and materials procurement agreement dated 24 May 2013 entered into between CNI23 (Nanjing) and CNI23 Huadong Branch in relation to the procurement of construction equipment and materials and provision of related technical support services for further development of the Baoying Project and the Jinjiang Project |
| “Second Technical Consultancy Agreement” | the technical consultancy agreement dated 24 May 2013 entered into between CNI23 (Nanjing) and CNI23 Huadong Branch in relation to the provision of technical consultancy and project management services for the Jinjiang Project |
| “SFO” | The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “SGM” | the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving the Revised Caps and the Second Agreements and the transactions contemplated thereunder |

DEFINITIONS

| | |
|-----------------------------------|---|
| “Share(s)” | ordinary share(s) of HK\$0.10 each in the share capital of the Company |
| “Shareholder(s)” | holder(s) of the Share(s) |
| “Solar Projects” | 揚州經濟開發區光伏發電示範項目出口加工區2MW子項目 (transliterated as 2MW project of photovoltaic power demonstration projects export processing zones in Yangzhou Economic Development Zone*) and the Baoying project |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary” | has the meaning ascribed thereto under the Companies Ordinance |
| “Technical Consultancy Agreement” | the technical consultancy agreement dated 3 May 2013 entered into between CNI23 (Nanjing) and CNI23 Huadong Branch in relation to the provision of technical consultancy and project management services for the Solar Projects |
| “%” | per cent |

For the purposes of illustration only, any amount denominated in RMB in this circular and translated into HK\$ (unless stated otherwise) was translated at the rate of RMB0.79694 = HK\$1, being the rate at the close of business as published by the People’s Bank of China on 24 May 2013. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

** for identification purpose only*



中国核建

CHINA NUCLEAR INDUSTRY 23 INTERNATIONAL CORPORATION LIMITED

中國核工業二三國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 611)

Non-executive Director:

Mr. Dong Yuchuan (*Chairman*)

Executive Directors:

Mr. Chan Shu Kit (*Vice-chairman*)

Mr. Lei Jian

Mr. Han Naishan

Mr. Guo Shuwei

Mr. Chung Chi Shing

Ms. Jian Qing

Mr. Song Limin (*Chief Executive Officer*)

Independent Non-executive Directors:

Mr. Chan Ka Ling, Edmond

Mr. Chang Nan

Dr. Dai Jinping

Mr. Yu Lei

Registered Office:

Clarendon House

Church Street

Hamilton HM 11

Bermuda

Head Office and

Principal Place of Business:

Room 2801, 28/F

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

3 June 2013

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

Dear Sir or Madam,

**REVISION OF THE EXISTING CAPS FOR
CONTINUING CONNECTED TRANSACTIONS
UNDER CNI23 (NANJING) FRAMEWORK AGREEMENT
AND
ENTERING INTO SECOND EQUIPMENT AND MATERIALS
PROCUREMENT AGREEMENT
AND SECOND TECHNICAL CONSULTANCY AGREEMENT
WITH 中國核工業二三建設有限公司華東分公司
(CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION COMPANY LIMITED
HUADONG BRANCH*)**

LETTER FROM THE BOARD

INTRODUCTION

Reference is made to the announcements of the Company dated 3 May 2013 and 24 May 2013 respectively.

The Company announced on 3 May 2013 that CNI23 (Nanjing), an indirect non wholly-owned subsidiary of the Company, and CNI23 Huadong Branch, a branch of CNI23, entered into the CNI23 (Nanjing) Framework Agreement and the First Agreements in relation to the provision of procurement of construction equipment and materials and technical consultancy and project management services by CNI23 (Nanjing) to CNI23 Huadong Branch for construction projects in the PRC, including the Solar Projects.

The Company further announced on 24 May 2013 that in view of CNI23 Huadong Branch obtaining more solar energy construction projects in the PRC and CNI23 (Nanjing) continuing to provide more procurement of construction equipment and materials and technical consultancy and project management services to CNI23 Huadong Branch, the Board considered that the Existing Caps will no longer be sufficient and therefore the Board has proposed to revise the Existing Caps to cover the estimated additional transaction amount pursuant to the Second Agreements under the CNI23 (Nanjing) Framework Agreement. Pursuant to the CNI23 (Nanjing) Framework Agreement, on 24 May 2013, CNI23 (Nanjing) and CNI23 Huadong Branch entered into the Second Agreements.

The purpose of this circular is to provide you with, among others, information in relation to (i) the Revised Caps, the First Agreements and the Second Agreements and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Revised Caps, the First Agreements and the Second Agreements and the transactions contemplated thereunder; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Revised Caps, the First Agreements and the Second Agreements and the transactions contemplated thereunder; and (iv) a notice of the SGM.

CNI23 (NANJING) FRAMEWORK AGREEMENT AND FIRST AGREEMENTS

CNI23 (Nanjing) Framework Agreement

On 3 May 2013 (after trading hours), CNI23 (Nanjing) and CNI23 Huadong Branch entered into the CNI23 (Nanjing) Framework Agreement, on an exclusive basis, pursuant to which CNI23 (Nanjing) has agreed to procure construction equipment and materials for and provide technical consultancy and project management services to CNI23 Huadong Branch in relation to construction works mainly for the solar energy industry in the PRC during the term of the CNI23 (Nanjing) Framework Agreement. The major terms of the CNI23 (Nanjing) Framework Agreement are set out below:

Date

3 May 2013 (after trading hours)

LETTER FROM THE BOARD

Parties

- (1) CNI23 (Nanjing); and
- (2) CNI23 Huadong Branch

CNI23 HK holds approximately 27.23% shareholding interests of the Company and together with China He Investment, a party acting in concert with it, hold approximately 36.30% shareholding interests of the Company. CNI23 holds 100% shareholding interests of CNI23 HK and therefore is a connected person of the Company within the meaning of the Listing Rules.

Term

The CNI23 (Nanjing) Framework Agreement takes effect from 3 May 2013 until 31 December 2013 (both dates inclusive) or such other dates as agreed between the parties.

Nature of Transactions

Pursuant to the CNI23 (Nanjing) Framework Agreement, CNI23 (Nanjing) has agreed to provide CNI23 Huadong Branch with the following services:

- (1) procurement of construction equipment and materials including photovoltaic component, roof support, electric meter and relevant equipment, materials;
- (2) provision of technical consultancy services including feasibility study and construction drawing design and project management services; and
- (3) such other procurement and technical consultancy services as may be required by CNI23 (Nanjing) from time to time.

The CNI23 (Nanjing) Framework Agreement is a master agreement which sets out the principles of the procurement and technical consultancy and project management services to be provided by CNI23 (Nanjing) to CNI23 Huadong Branch in relation to construction works mainly for the solar energy industry carried out by CNI23 Huadong Branch in the PRC, upon which detailed terms (including the contract value) are to be determined between the parties by way of entering into separate procurement or technical consultancy agreement(s) or such other agreement(s) as CNI23 (Nanjing) may require.

LETTER FROM THE BOARD

FIRST AGREEMENTS

Equipment and Materials Procurement Agreement

On 3 May 2013 (after trading hours) and after the signing of the CNI23 (Nanjing) Framework Agreement, CNI23 (Nanjing) and CNI23 Huadong Branch entered into the Equipment and Materials Procurement Agreement pursuant to which CNI23 (Nanjing) has agreed to procure construction equipment and materials for and provide related technical support services to CNI23 Huadong Branch in relation to the Solar Projects. The major terms of the Equipment and Materials Procurement Agreement are set out below:

Date

3 May 2013 (after trading hours) and after the signing of the CNI23 (Nanjing) Framework Agreement.

Parties

- (1) CNI23 (Nanjing); and
- (2) CNI23 Huadong Branch

Term

The Equipment and Materials Procurement Agreement commenced on 3 May 2013 and, subject to the right of both parties to terminate in accordance with the Equipment and Materials Procurement Agreement, ends on 31 July 2014.

Nature of Transactions

Pursuant to the Equipment and Materials Procurement Agreement, CNI23 (Nanjing) has agreed to procure construction equipment and materials in relation to the Solar Projects such as (i) roof support under the category of roof support; and (ii) inverter and electric cable under the category of electric meter and relevant equipment for and provide related technical support services to CNI23 Huadong Branch.

Consideration

The total contract value for the Equipment and Materials Procurement Agreement is RMB7,000,000 (equivalent to approximately HK\$8,739,600, as announced by the Company on 3 May 2013) and the contract value shall be paid in cash by CNI23 Huadong Branch to CNI23 (Nanjing) in the following manners: (i) 10% of the contract value payable within seven (7) days after the acceptance of the first batch of equipment and materials by CNI23 Huadong Branch; (ii) 70% of the contract value payable within sixty (60) days after the installation of all the equipment and materials for the Solar Projects and delivery of the Solar Projects by CNI23 Huadong Branch to their owner(s); (iii) 10% of the contract value payable within thirty (30) days after all other installation works, testing and commissioning of the Solar Projects have been completed and the same have been accepted by their owner(s) (such installation works, testing, commissioning and acceptance shall be

LETTER FROM THE BOARD

completed by 31 December 2013); and (iv) the remaining 10% payable within thirty (30) days after the expiry of the quality assurance period (such expiry date shall be on 30 June 2014) in accordance with the Equipment and Materials Procurement Agreement.

Technical Consultancy Agreement

On 3 May 2013 (after trading hours) and after the signing of the CNI23 (Nanjing) Framework Agreement, CNI23 (Nanjing) and CNI23 Huadong Branch entered into the Technical Consultancy Agreement pursuant to which CNI23 (Nanjing) has agreed to provide technical consultancy and project management services to CNI23 Huadong Branch in relation to the Solar Projects. The major terms of the Technical Consultancy Agreement are set out below:

Date

3 May 2013 (after trading hours) and after the signing of the CNI23 (Nanjing) Framework Agreement.

Parties

- (1) CNI23 (Nanjing); and
- (2) CNI23 Huadong Branch

Term

The Technical Consultancy Agreement commenced on 3 May 2013 and, subject to the right of both parties to terminate in accordance with the Technical Consultancy Agreement, ends on 31 December 2013.

Nature of Transactions

Pursuant to the Technical Consultancy Agreement, CNI23 (Nanjing) has agreed to provide technical consultancy and project management services in relation to the Solar Projects to CNI23 Huadong Branch.

Consideration

The total contract value for the Technical Consultancy Agreement is RMB200,000 (equivalent to approximately HK\$249,700, as announced by the Company on 3 May 2013) and the contract value shall be paid in cash by CNI23 Huadong Branch to CNI23 (Nanjing) in the following manners: (i) 10% of the contract value payable upon signing of the Technical Consultancy Agreement; (ii) 80% of the contract value payable within thirty (30) days after the Solar Projects have been equipped with electrical power generation capability (the Solar Projects shall be equipped with electrical power generation capability by 30 June 2013); and (iii) the remaining 10% payable by the end of 31 December 2013 in accordance with the Technical Consultancy Agreement.

LETTER FROM THE BOARD

REVISION OF THE EXISTING CAPS FOR CONTINUING CONNECTED TRANSACTIONS UNDER THE CNI23 (NANJING) FRAMEWORK AGREEMENT

In view of CNI23 Huadong Branch obtaining more solar energy construction projects in the PRC and CNI23 (Nanjing) continuing to provide more procurement of construction equipment and materials and technical consultancy and project management services to CNI23 Huadong Branch, the Board considered that the Existing Caps will no longer be sufficient and therefore the Board has proposed to revise the Existing Caps to cover the estimated additional transaction amount pursuant to the Second Agreements under the CNI23 (Nanjing) Framework Agreement.

Existing Caps and Revised Caps for the financial year ending 31 December 2013

The following table sets out the Existing Caps and the Revised Caps for the financial year ending 31 December 2013.

| Continuing connected transactions | Existing Caps for the financial year ending 31 December 2013 <i>(RMB)</i> (a) | Estimated additional transaction amount pursuant to the Second Agreements for the financial year ending 31 December 2013 <i>(RMB)</i> (b) | Total <i>(RMB)</i> (a) + (b) | Revised Caps for the financial year ending 31 December 2013 after taking into account a buffer <i>(RMB)</i> |
|--|---|--|---|---|
| (1) procurement of construction equipment and materials | | | | |
| — roof support | 1,160,000 | 22,783,800 | 23,943,800 | — |
| — electric meter and relevant equipment | 5,840,000 | 42,726,400 | 48,566,400 | — |
| Sub-total: | 7,000,000 | 65,510,200 | 72,510,200 | 79,761,220 |
| (2) provision of technical consultancy and project management services | 200,000 | 100,000 | 300,000 | 330,000 |
| Total: | 7,200,000 <i>(equivalent to approximately HK\$8,989,300 as announced by the Company on 3 May 2013)</i> | 65,610,200 <i>(equivalent to approximately HK\$82,327,700)</i> | 72,810,200 <i>(equivalent to approximately HK\$91,362,200)</i> | 80,091,220 <i>(equivalent to approximately HK\$100,498,400)</i> |

LETTER FROM THE BOARD

Basis in determining the Revised Caps

In determining the Revised Caps for the financial year ending 31 December 2013, the Board has based their estimates on the total contract value of the First Agreements and the Second Agreements. Important and objective assumptions and factors, though not exhaustive but were arrived at after due and careful consideration of data currently in hand.

For determination of the Revised Cap for the procurement of construction equipment and materials:

- (i) the quantity of equipment and materials transacted and/or to be transacted as set out in the Equipment and Materials Procurement Agreement in relation to the Solar Projects;
- (ii) the quantity of equipment and materials to be transacted as set out in the Second Equipment and Materials Procurement Agreement in relation to the further development of the Baoying Project and the Jinjiang Project; and
- (iii) the expected unit prices of relevant construction equipment and materials.

For determination of the Revised Cap for the provision of technical consultancy services:

- (i) the expected man hour, allowance and relevant expenses for the provision of the technical consultancy and project management services, provided and/or required to be provided by CNI23 (Nanjing) pursuant to the Technical Consultancy Agreement in relation to the Solar Projects;
- (ii) the expected man hour, allowance and relevant expenses for the provision of the technical consultancy and project management services, required to be provided by CNI23 (Nanjing) pursuant to the Second Technical Consultancy Agreement in relation to the Jinjiang Project; and
- (iii) the expected unit staff cost, allowance and relevant expenses required for the provision of technical consultancy and project management services.

For determination of the Revised Caps for all the above continuing connected transactions:

- (i) a buffer to cater for price fluctuations and change in quantity/extent of the construction equipment and materials, and technical consultancy and project management services, inflation and foreign exchange rate difference in accounts reporting due to the appreciation in translation rate from RMB to HK\$.

The pricing policy for the continuing connected transactions under the CNI23 (Nanjing) Framework Agreement has been determined based on normal commercial terms which are no less favourable than the terms which can be obtained by CNI23 (Nanjing) from independent third parties for the similar procurement of construction equipment and

LETTER FROM THE BOARD

materials and technical consultancy and project management services. Pricing has been agreed upon between the parties for each transaction by reference to the aforementioned pricing policy through arm's length negotiations.

For procurement of construction equipment and materials, the Company has obtained one to three quotation(s) (subject to the availability) for construction equipment and materials from independent suppliers regularly to determine the respective unit costs. The unit prices were determined based on such unit costs plus the profit margin taking into account the relevant handling cost and transaction volume.

For provision of technical consultancy services, the Company has enquired the consultancy service company for the general salary level of relevant staff to provide similar services in the solar energy industry to determine the unit staff cost. The services fee were then determined based on such unit staff cost level plus, among other things, the expected amount of allowance required, such as staff accommodation and travelling cost.

SECOND AGREEMENTS

Second Equipment and Materials Procurement Agreement

On 24 May 2013 (after trading hours), CNI23 (Nanjing) and CNI23 Huadong Branch entered into the Second Equipment and Materials Procurement Agreement pursuant to which CNI23 (Nanjing) has agreed to procure construction equipment and materials for and provide related technical support services to CNI23 Huadong Branch. The major terms for the Second Equipment and Materials Procurement Agreement are set out below:

Date

24 May 2013 (after trading hours)

Parties

- (1) CNI23 (Nanjing); and
- (2) CNI23 Huadong Branch

Term

The Second Equipment and Materials Procurement Agreement shall commence upon the passing of the relevant resolution approving the Revised Caps and the Second Agreements and the transactions contemplated thereunder by the Independent Shareholders at the SGM and, subject to the right of both parties to terminate in accordance with the Second Equipment and Materials Procurement Agreement, end on 30 September 2014.

Nature of Transactions

Pursuant to the Second Equipment and Materials Procurement Agreement, CNI23 (Nanjing) has agreed to procure construction equipment and materials such as (i) roof support under the category of roof support; and (ii) inverter and electric cable under the

LETTER FROM THE BOARD

category of electric meter and relevant equipment for and provide related technical support services to CNI23 Huadong Branch in relation to the further development of the Baoying Project and the Jinjiang Project.

Consideration

The total contract value for the Second Equipment and Materials Procurement Agreement is RMB65,510,200 (equivalent to approximately HK\$82,202,200) and the contract value shall be paid in cash by CNI23 Huadong Branch to CNI23 (Nanjing) in the following manners: (i) 10% of the contract value payable within seven (7) days after the acceptance of the first batch of the construction equipment and materials by CNI23 Huadong Branch; (ii) 70% of the contract value payable within sixty (60) days after the installation of all the equipment and materials for the Baoying Project and the Jinjiang Project and delivery of the same by CNI23 Huadong Branch to their owner(s); (iii) 10% of the contract value payable within thirty (30) days after all other installation works, testing and commissioning of the Baoying Project and the Jinjiang Project have been completed and the same have been accepted by their owner(s) (such installation works, testing, commissioning and acceptance shall be completed by 31 December 2013); and (iv) the remaining 10% payable within thirty (30) days after the expiry of the quality assurance period in accordance with the Second Equipment and Materials Procurement Agreement.

Second Technical Consultancy Agreement

On 24 May 2013 (after trading hours), CNI23 (Nanjing) and CNI23 Huadong Branch entered into the Second Technical Consultancy Agreement pursuant to which CNI23 (Nanjing) has agreed to provide technical consultancy and project management services to CNI23 Huadong Branch in relation to the Jinjiang Project. The major terms of the Second Technical Consultancy Agreement are set out below:

Date

24 May 2013 (after trading hours)

Parties

- (1) CNI23 (Nanjing); and
- (2) CNI23 Huadong Branch

Term

The Second Technical Consultancy Agreement shall commence upon the passing of the relevant resolution approving the Revised Caps and the Second Agreements and the transactions contemplated thereunder by the Independent Shareholders at the SGM and, subject to the right of both parties to terminate in accordance with the Second Technical Consultancy Agreement, end on 31 December 2013.

LETTER FROM THE BOARD

Nature of Transactions

Pursuant to the Second Technical Consultancy Agreement, CNI23 (Nanjing) has agreed to provide technical consultancy and project management services in relation to the Jinjiang Project to CNI23 Huadong Branch.

Consideration

The total contract value for the Second Technical Consultancy Agreement is RMB100,000 (equivalent to approximately HK\$125,500) and the contract value shall be paid in cash by CNI23 Huadong Branch to CNI23 (Nanjing) in the following manners: (i) 10% of the contract value payable upon the effective date of the Second Technical Consultancy Agreement; (ii) 80% of the contract value payable within thirty (30) days after the Jinjiang Project has been equipped with electrical power generation capability (the Jinjiang Project shall be equipped with electrical power generation capability by 30 August 2013); and (iii) the remaining 10% payable by the end of 31 December 2013 in accordance with the Second Technical Consultancy Agreement.

BACKGROUND INFORMATION OF THE DEVELOPERS OF THE BAOYING PROJECT AND THE JINJIANG PROJECT

The developer of the Baoying Project

To the best knowledge of the Directors, the developer of the Baoying Project is ultimately wholly-owned by GCL-Poly Energy Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange) and the controlling shareholder of GCL-Poly Energy Holdings Limited, namely Golden Concord Group Limited, wholly owns Fame Raise Limited.

The developer of the Jinjiang Project

The Directors also note that the developer of the Jinjiang Project, Goldpoly (Quanzhou) Science and Technology Industry Co., Ltd., is a subsidiary of Goldpoly New Energy Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange). According to the circular of Goldpoly New Energy Holdings Limited dated 10 May 2013, Goldpoly New Energy Holdings Limited (via its wholly-owned subsidiary), as the purchaser, has entered into a sales and purchase agreement with Ease Soar Limited, China Merchants New Energy Group Limited and other parties, as the vendors, in relation to the acquisition of the interest in a company. Ease Soar Limited is an indirect wholly-owned subsidiary of GCL-Poly Energy Holdings Limited.

As set out in the abovementioned circular, upon completion of such acquisition, both China Merchants New Energy Group Limited and Ease Soar Limited may become the substantial shareholders of Goldpoly New Energy Holdings Limited.

LETTER FROM THE BOARD

As set out in the announcement of the Company dated 15 May 2013, the Company has entered into a non-legally binding framework agreement with China Merchants New Energy Group Limited for the purpose of strategic cooperation for the research and development, investment, construction of photovoltaic power plant(s).

REASONS FOR AND BENEFIT OF THE ENTERING INTO THE CNI23 (NANJING) FRAMEWORK AGREEMENT, THE FIRST AGREEMENTS AND THE SECOND AGREEMENTS

The Group is principally engaged in restaurant and hotel operation and property investments in Hong Kong. In addition, the Group has also been participating in other businesses such as (i) inspection, maintenance, repair, construction, installation and provision of expertise in such work for nuclear power plants and also provision of construction works for non-nuclear power companies; (ii) sub-contracting of overseas construction projects; and (iii) manufacturing and sales of prefabricated pipes and related equipment and production and assembling of modules for uses by chemical plants and energy plants via its associates companies. CNI23 (Nanjing) is wholly-owned by Guoxin Energy Limited, a wholly foreign-owned enterprise established in the PRC, which is owned as to 51% by CNI23 New Energy Limited (a wholly-owned subsidiary of the Company), 29.9% by Fame Raise Limited and 19.1% by Triple Delight Limited. The business scope of CNI23 (Nanjing) includes but not limited to technical advisory and provision of technical services; wholesale of electrical equipment; wholesale of solar power components; procurement, completion of full set and installation of machinery and equipment and commissioning services. Recently, CNI23 (Nanjing) commenced its procurement and provision of relevant services business for solar energy industry via its wholly-owned subsidiary, namely Nanjing CNI23 Energy Engineering Company Limited (hereinafter “CNI23 Energy”).

During the year ended 31 December 2012, the Company did not commence any business in respect of the provision of services for solar energy industry. As set out in the announcements of the Company dated 6 January 2013 and 3 May 2013 respectively, the Company intends to diversify its business portfolio to include the solar energy industry in the PRC and the establishment of CNI23 (Nanjing) and CNI23 Energy represents the first step of the Company to enter the relevant field. CNI23 (Nanjing) and CNI23 Energy have been mainly engaging in the procurement part of the EPC business as they did not possess the relevant qualification to undertake the entire EPC business in the PRC until recently. The Revised Caps (being maximum annual transaction amount in relation to the Solar Projects and the Jinjiang Project pursuant to the CNI23 (Nanjing) Framework Agreement for the year ending 31 December 2013), amounting to approximately RMB80,091,220 (equivalent to approximately HK\$100,498,400) would represent approximately 31.79% of the unaudited revenue for the twelve months ended 31 December 2012 (such revenue was based on the unaudited revenue (none of it was attributable to the solar energy business) of the Group for the three months ended 31 March 2012 and the audited revenue for the nine months ended 31 December 2012 due to the change in financial year end date). Shareholders and other investors to the Company should note that the above comparison is for illustrative purpose only as the historical financial performance of the Group during the year ended 31 December 2012 may not be indicative of that for the coming year. Recently,

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CNI23 Energy has obtained the relevant qualification which allows CNI23 Energy to additionally participate in the engineering and construction part of EPC business in the PRC. Therefore, CNI23 Energy is qualified to commence its entire EPC business in the PRC which also helps CNI23 Energy to further expand its business and to diversify its customer base to cover independent third party customers. On the other hand, the Company will also seek opportunity to expand its existing principal businesses.

The Company believes that the entering into the CNI23 (Nanjing) Framework Agreement, the First Agreements and the Second Agreements are mutually beneficial to the Company and CNI23 Huadong Branch due to the following reasons:

- (a) Although CNI23 is one of the largest nuclear power plants installation corporations in the PRC and has been engaged in nuclear power projects, nuclear research projects and non-nuclear projects such as petrochemical and electrical installation projects in the PRC, CNI23 and CNI23 Huadong Branch (which was established on 2 April 2013) currently do not have sufficient relevant expertise, in particular for the procurement of construction equipment and materials and the provision of technical consultancy services for solar energy projects. Meanwhile the Company has established a joint venture company, namely Guoxin Energy Limited with, inter alia, Fame Raise Limited and the controlling shareholder of which is also a controlling shareholder (as defined in the Listing Rules) of GCL-Poly Energy Holdings Limited (one of the leading polysilicon and wafer suppliers in the world). In light of certain core staff of CNI23 (Nanjing) possessing the relevant expertise and experience in construction of solar energy plants which is favourable to CNI23 (Nanjing) for sourcing relevant construction equipment and materials and conducting certain technical consultancy services, such as equipment testing and on-site management for the Solar Projects and the Jinjiang Project, the Company decided to utilise its resources in CNI23 (Nanjing) to create additional revenue stream of the Group and foster the long term business relationship with CNI23 Huadong which may in return create similar business opportunity for the Group in the future.
- (b) As advised by CNI23 Huadong Branch, there are not many procurement agents who can source all equipment and materials according to the required specification and quality. As CNI23 (Nanjing) is able to centralise the procurement for all required materials and perform the on-site testing and other relevant management services, it can facilitate the smooth workflow for the Solar Projects and Jinjiang Project.
- (c) As mentioned in the announcement of the Company dated 6 January 2013, the subsidiary of CNI23 (Nanjing) in the PRC, CNI23 Energy would apply for the requisite qualifications for the purpose of conducting entire EPC business in the photovoltaic power plants in PRC. As disclosed above, CNI23 Energy has recently obtained such relevant qualification. Before CNI23 Energy has fully participated in its entire EPC business, the Company considers that the provision of procurement services and other relevant technical consultancy services (which

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do not require the specific qualification) enables the Company to start establishing its market stand and to gain experience in the PRC solar energy market earlier.

As such, the Directors (including the independent non-executive Directors) considered that it is for the Group's benefit to revise the Existing Caps and enter into the Second Agreements.

Mr. Dong Yuchuan, a non-executive Director and the chairman of the Company, is also the chairman of the board and Director General of CNI23, which wholly owns CNI23 HK; Mr. Lei Jian, an executive Director, is the Chairman of China He Investment, a party acting in concert with CNI23 HK; Mr. Han Naishan, an executive Director and is also the Deputy Director General and Chief Engineer of CNI23; Mr. Guo Shuwei, an executive Director, is a director of CNI23 HK and also the General Manager of the International Department of CNECC and the Deputy Director General of CNI23; and Mr. Song Limin, an executive Director and the Chief Executive Officer of the Company, is the secretary to the Director General of CNI23. Accordingly, Messrs. Dong Yuchuan, Lei Jian, Han Naishan, Guo Shuwei and Song Limin had abstained from voting at the Board meeting approving, among others, the Revised Caps and the Second Agreements and the transactions contemplated thereunder. The Board confirmed that except for Messrs. Dong Yuchuan, Lei Jian, Han Naishan, Guo Shuwei and Song Limin, none of the other Directors had any material interest in the continuing connected transactions contemplated under the CNI23 (Nanjing) Framework Agreement. Accordingly, none of the other Directors, except for the abovementioned Directors, was required to abstain from voting at the Board meeting in relation to the Revised Caps and the Second Agreements and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors and except for Messrs. Dong Yuchuan, Lei Jian, Han Naishan, Guo Shuwei and Song Limin who had abstained from voting at the Board meeting approving, among others, the Revised Caps and the Second Agreements and the transactions contemplated thereunder due to the reasons stated above) considered the continuing connected transactions contemplated under the CNI23 (Nanjing) Framework Agreement were entered into in the ordinary course of business of the Group and on normal commercial terms, and the terms and conditions therein (including the Revised Caps and the Second Agreements) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

To the best knowledge of the Directors, CNI23 Huadong Branch is still identifying and/or in preliminary discussion for further construction works such as solar energy plants in the PRC. However, no concrete detail, such as the scale of potential projects and relevant budget, has been obtained by CNI23 Huadong Branch so far. If there is any additional proposed transaction between CNI23 Huadong Branch and CNI23 (Nanjing) pursuant to the CNI23 (Nanjing) Framework Agreement, the Company will comply with the relevant requirements under the Listing Rules and will make further announcement(s) as and when appropriate.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CNI23 HK holds approximately 27.23% shareholding interests of the Company and together with China He Investment, a party acting in concert with it, hold approximately 36.30% shareholding interests of the Company. CNI23 holds 100% shareholding interests of CNI23 HK and therefore is a connected person of the Company within the meaning of the Listing Rules. CNI23 Huadong Branch is a branch of CNI23 and a connected person of the Company within the meaning of the Listing Rules. Accordingly, the transactions contemplated under the CNI23 (Nanjing) Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The Existing Caps and the First Agreements are subject to reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but exempted from Independent Shareholders' approval requirement. The Company has complied with such disclosure requirement under the Listing Rules, details of which are set out in the announcement of the Company on 3 May 2013.

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

CNI23 HK and China He Investment and their associates are required to abstain from voting on the resolution to be proposed at the SGM to approve the Revised Caps and the Second Agreements and the transactions contemplated thereunder.

THE SGM

A notice convening the SGM at which an ordinary resolution will be proposed to consider and, if thought fit, to approve the Revised Caps and the Second Agreements and the transactions contemplated thereunder to be held at Jade Terrace Restaurant, 2nd Floor, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 21 June 2013 at 3:00 p.m., is set out on pages 45 to 46 of this circular. Whether or not you are able to attend the SGM in person, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting (as the case may be) should you so wish.

LETTER FROM THE BOARD

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

FORMATION OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the Revised Caps and the entering into of the First Agreements and the Second Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned. Your attention is drawn to the letter from the Independent Board Committee containing its advice set out on pages 20 to 21 of this circular.

GF Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Revised Caps, the First Agreements and the Second Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from GF Capital is set out on pages 22 to 37 of this circular.

RECOMMENDATIONS

The Board believes that the Revised Caps and the entering into of the First Agreements and the Second Agreements and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Shareholders are concerned. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Revised Caps and the Second Agreements and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
China Nuclear Industry 23 International Corporation Limited
DONG Yuchuan
Chairman



中国核建

CHINA NUCLEAR INDUSTRY 23 INTERNATIONAL CORPORATION LIMITED

中國核工業二三國際有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 611)

3 June 2013

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

Dear Sir or Madam,

**REVISION OF THE EXISTING CAPS FOR
CONTINUING CONNECTED TRANSACTIONS
UNDER CNI23 (NANJING) FRAMEWORK AGREEMENT
AND
ENTERING INTO SECOND EQUIPMENT AND MATERIALS
PROCUREMENT AGREEMENT
AND SECOND TECHNICAL CONSULTANCY AGREEMENT
WITH 中國核工業二三建設有限公司華東分公司
(CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION COMPANY LIMITED
HUADONG BRANCH*)**

We refer to the circular issued by the Company to its Shareholders dated 3 June 2013 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall bear the same meanings when used herein unless the context requires otherwise.

We have been appointed by the Board as the Independent Board Committee to advise you in connection with the Revised Caps, the First Agreements and the Second Agreements and the transactions contemplated thereunder and to advise you as to whether, in our opinion, the Revised Caps, the terms of the First Agreements and the Second Agreements and the transactions contemplated thereunder are fair and reasonable so far as the Shareholders are concerned. Details of the Revised Caps, the First Agreements and the Second Agreements and the transactions contemplated thereunder are set out in the letter from the Board contained in the Circular. GF Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Caps, the First Agreements and the Second

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Agreements and the transactions contemplated thereunder. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the letter from GF Capital contained in the Circular.

Having considered the Revised Caps, the terms of the First Agreements and the Second Agreements and the transactions contemplated thereunder and taking into account the information contained in the Circular and the advice of GF Capital, we are of the opinion that the Revised Caps, the First Agreements and the Second Agreements and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be put forward at the SGM to approve the Revised Caps and the Second Agreements and the transactions contemplated thereunder.

Yours faithfully,

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

LETTER FROM GF CAPITAL

The following is the text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser which has been prepared for inclusion in this circular.



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

3 June 2013

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

**REVISION OF THE EXISTING CAPS FOR
CONTINUING CONNECTED TRANSACTIONS
UNDER CNI23 (NANJING) FRAMEWORK AGREEMENT
AND
ENTERING INTO SECOND EQUIPMENT AND MATERIALS
PROCUREMENT AGREEMENT
AND SECOND TECHNICAL CONSULTANCY AGREEMENT
WITH 中國核工業二三建設有限公司華東分公司
(CHINA NUCLEAR INDUSTRY 23 CONSTRUCTION COMPANY LIMITED
HUADONG BRANCH*)**

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the First Agreements, the Second Agreements and the Revised Caps, particulars of which are set out in the letter from the Board (the “**Letter from the Board**”) of this circular to the Shareholders dated 3 June 2013 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Reference is made to the announcements of the Company dated 3 May 2013 and 24 May 2013 respectively.

The Company announced on 3 May 2013 that CNI23 (Nanjing), an indirect non wholly-owned subsidiary of the Company, and CNI23 Huadong Branch, a branch of CNI23, entered into the CNI23 (Nanjing) Framework Agreement and the First Agreements

LETTER FROM GF CAPITAL

in relation to the provision of procurement of construction equipment and materials and technical consultancy and project management services by CNI23 (Nanjing) to CNI23 Huadong Branch for construction projects in the PRC, including the Solar Projects.

The Company further announced on 24 May 2013 that in view of CNI23 Huadong Branch obtaining more solar energy construction projects in the PRC and CNI23 (Nanjing) continuing to provide more procurement of construction equipment and materials and technical consultancy and project management services to CNI23 Huadong Branch, the Board considered that the Existing Caps will no longer be sufficient and therefore the Board has proposed to revise the Existing Caps to cover the estimated additional transaction amount pursuant to the Second Agreements under the CNI23 (Nanjing) Framework Agreement.

As at the Latest Practicable Date, CNI23 HK holds approximately 27.23% shareholding interests of the Company and together with China He Investment, a party acting in concert with it, hold approximately 36.30% shareholding interests of the Company. CNI23 holds 100% shareholding interests of CNI23 HK and therefore is a connected person of the Company within the meaning of the Listing Rules. CNI23 Huadong Branch is a branch of CNI23 and a connected person of the Company within the meaning of the Listing Rules. Accordingly the transactions contemplated under the CNI23 (Nanjing) Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

The Independent Board Committee comprising, Mr. Chan Ka Ling, Edmond, Mr. Chang Nan, Dr. Dai Jinping and Mr. Yu Lei, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Revised Caps and the First Agreements the Second Agreements and the transactions contemplated thereunder. We, GF Capital (Hong Kong) Limited, have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the Directors and/or management of the Company were true, accurate and complete in all material aspects at the time they were made and continue to be true, accurate and complete in all material aspects as at the date of the Circular. We have also relied on our discussion with the Directors and/

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or the management of the Company regarding the Company and the terms of the First Agreements and the Second Agreements. The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and/or the management of the Company respectively in the Circular were reasonably made after due enquiry.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or management of the Company. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, CNI23 Huadong Branch and their respective associates nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion regarding the terms of the First Agreement and the Second Agreements and the Revised Caps, we have considered the following principal factors and reasons:

1. Background of and reasons for the entering into the CNI23 (Nanjing) Framework Agreement, the First Agreements and the Second Agreements

As set out in the Letter from the Board, the Group is principally engaged in restaurant and hotel operation and property investments in Hong Kong. In addition, the Group has also been participating in other businesses such as (i) inspection, maintenance, repair, construction, installation and provision of expertise in such work for nuclear power plants and also provision of construction works for non-nuclear power companies; (ii) sub-contracting of overseas construction projects; and (iii) manufacturing and sales of prefabricated pipes and related equipment and production and assembling of modules for uses by chemical plants and energy plants via its associates companies.

CNI23 (Nanjing) is wholly-owned by Guoxin Energy Limited, a wholly foreign-owned enterprise established in the PRC, which is owned as to 51% by CNI23 New Energy Limited (a wholly-owned subsidiary of the Company), 29.9% by Fame Raise Limited and 19.1% by Triple Delight Limited. The business scope of CNI23 (Nanjing) includes but not limited to technical advisory and provision of technical services; wholesale of electrical equipment; wholesale of solar power components; procurement, completion of full set and installation of machinery and equipment and commissioning services. Recently, CNI23 (Nanjing) commenced its procurement and provision of relevant services business for solar energy industry via its wholly-owned subsidiary, namely Nanjing CNI23 Energy Engineering Company Limited (hereinafter “CNI23 Energy”).

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Recently, CNI23 Energy has obtained the relevant qualification which allows CNI23 Energy to additionally participate in the engineering and construction part of EPC business in the PRC. Therefore, CNI23 Energy is qualified to commence its entire EPC business in the PRC which also helps CNI23 Energy to further expand its business and to diversify its customer base to cover independent third party customers. On the other hand, the Company will also seek opportunity to expand its existing principal businesses.

The Company believed that the entering into the CNI23 (Nanjing) Framework Agreement, the First Agreements and the Second Agreements are mutually beneficial to the Company and CNI23 Huadong Branch due to the following reasons:

- a) Although CNI23 is one of the largest nuclear power plants installation corporations in the PRC and has been engaged in nuclear power projects, nuclear research projects and non-nuclear projects such as petrochemical and electrical installation projects in the PRC, CNI23 and CNI23 Huadong Branch (which was established on 2 April 2013) currently do not have sufficient relevant expertise, in particular for the procurement of construction equipment and materials and the provision of technical consultancy services for solar energy projects. Meanwhile the Company has established a joint venture company, namely Guoxin Energy Limited with, inter alia, Fame Raise Limited and the controlling shareholder of which is also a controlling shareholder (as defined in the Listing Rules) of GCL-Poly Energy Holdings Limited (one of the leading polysilicon and wafer suppliers in the world). In light of certain core staff of CNI23 (Nanjing) possessing the relevant expertise and experience in construction of solar energy plants which is favourable to CNI23 (Nanjing) for sourcing relevant construction equipment and materials and conducting certain technical consultancy services, such as equipment testing and on-site management for the Solar Projects and the Jinjiang Project, the Company decided to utilise its resources in CNI23 (Nanjing) to foster the long term business relationship with CNI23 Huadong which may in return create similar business opportunity for the Group in the future.
- b) As advised by CNI23 Huadong Branch, there are not many procurement agents who can source all equipment and materials according to the required specification and quality. As CNI23 (Nanjing) is able to centralise the procurement for all required materials and perform the on-site testing and other relevant management services, it can facilitate the smooth workflow for the Solar Projects and Jinjiang Project.
- c) As mentioned in the announcement of the Company dated 6 January 2013, the subsidiary of CNI23 (Nanjing) in the PRC, CNI23 Energy would apply for the requisite qualifications for the purpose of conducting entire EPC business in the photovoltaic power plants in PRC. As disclosed above, CNI23 Energy has recently obtained such relevant qualification. Before CNI23 Energy has fully participated in its entire EPC business, the Company

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considers that the provision of procurement services and other relevant technical consultancy services (which do not require the specific qualification) enables the Company to start establishing its market stand and to gain experience in the PRC solar energy market earlier.

As advised by the Company and according to the annual report of the Company for the nine months ended 31 December 2012 (the “2012 Annual Report”), the revenue of the corporate segment which included the engineering business amounted to approximately HK\$14,917,000, representing approximately 6.4% of the total revenue of the Group for the nine months ended 31 December 2012. It is expected that the procurement of construction equipment and materials and provision of technical consultancy and project management services by the Group to CNI23 Huadong Branch will create an additional revenue stream to the Group.

Further as stated in the 2012 Annual Report, the Group will propel its businesses in a continuous and healthy manner through determined corporate diversification strategy and plans. In the future, the Group will further explore petrochemical, electrical engineering and new energy engineering including its representative solar markets both in China and overseas. As disclosed in the Letter from the Board, the procurement of construction equipment and materials and provision of technical consultancy and project management services by the Group to CNI23 Huadong Branch related to construction works is mainly for the solar energy industry in the PRC. We consider that the entering into of the First Agreements and the Second Agreements is in line with the above development strategies of the Group.

Based on the above, we concur with the Directors’ view that it is for the Group’s benefit to revise the Existing Caps and enter into the Second Agreements and in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the CNI23 (Nanjing) Framework Agreement, the First Agreements and the Second Agreements

CNI23 (Nanjing) Framework Agreement

Date

3 May 2013 (after trading hours)

Parties

- (1) CNI23 (Nanjing); and
- (2) CNI23 Huadong Branch

LETTER FROM GF CAPITAL

Term

The CNI23 (Nanjing) Framework Agreement takes effect from 3 May 2013 until 31 December 2013 (both dates inclusive) or such other dates as agreed between the parties.

Nature of Transactions

Pursuant to the CNI23 (Nanjing) Framework Agreement, CNI23 (Nanjing) has agreed to provide CNI23 Huadong Branch with the following services:

- (1) procurement of construction equipment and materials including photovoltaic component, roof support, electric meter and relevant equipment, materials;
- (2) provision of technical consultancy services including feasibility study and construction drawing design and project management services; and
- (3) such other procurement and technical consultancy services as may be required by CNI23 (Nanjing) from time to time.

The CNI23 (Nanjing) Framework Agreement is a master agreement which sets out the principles of the procurement and technical consultancy and project management services to be provided by CNI23 (Nanjing) to CNI23 Huadong Branch in relation to construction works mainly for the solar energy industry carried out by CNI23 Huadong Branch in the PRC, upon which detailed terms (including the contract value) are to be determined between the parties by way of entering into separate procurement or technical consultancy agreement(s) or such other agreement(s) as CNI23 (Nanjing) may require.

Equipment and Materials Procurement Agreement

Date

3 May 2013 (after trading hours) and after the signing of the CNI23 (Nanjing) Framework Agreement.

Parties

- (1) CNI23 (Nanjing); and
- (2) CNI23 Huadong Branch

Term

The Equipment and Materials Procurement Agreement commenced on 3 May 2013 and, subject to the right of both parties to terminate in accordance with the Equipment and Materials Procurement Agreement, ends on 31 July 2014.

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Nature of Transactions

Pursuant to the Equipment and Materials Procurement Agreement, CNI23 (Nanjing) has agreed to procure construction equipment and materials in relation to the Solar Projects such as roof support under the category of roof support and inverter and electric cable under the category of electric meter and relevant equipment for and provide related technical support services to CNI23 Huadong Branch.

Consideration

The total contract value for the Equipment and Materials Procurement Agreement is RMB7,000,000 (equivalent to approximately HK\$8,739,600, as announced by the Company on 3 May 2013) and the contract value shall be paid in cash by CNI23 Huadong Branch to CNI23 (Nanjing) in the following manners: (i) 10% of the contract value payable within seven (7) days after the acceptance of the first batch of equipment and materials by CNI23 Huadong Branch; (ii) 70% of the contract value payable within sixty (60) days after the installation of all the equipment and materials for the Solar Projects and delivery of the Solar Projects by CNI23 Huadong Branch to their owner(s); (iii) 10% of the contract value payable within thirty (30) days after all other installation works, testing and commissioning of the Solar Projects have been completed and the same have been accepted by their owner(s) (such installation works, testing, commissioning and acceptance shall be completed by 31 December 2013); and (iv) the remaining 10% payable within thirty (30) days after the expiry of the quality assurance period (such expiry date shall be on 30 June 2014) in accordance with the Equipment and Materials Procurement Agreement.

Second Equipment and Materials Procurement Agreement

Date

24 May 2013 (after trading hours)

Parties

- (1) CNI23 (Nanjing); and
- (2) CNI23 Huadong Branch

Term

The Second Equipment and Materials Procurement Agreement shall commence upon the passing of the relevant resolution approving the Revised Caps and the Second Agreements and the transactions contemplated thereunder by the Independent Shareholders at the SGM and, subject to the right of both parties to terminate in accordance with the Second Equipment and Materials Procurement Agreement end on 30 September 2014.

LETTER FROM GF CAPITAL

Nature of Transactions

Pursuant to the Second Equipment and Materials Procurement Agreement, CNI23 (Nanjing) has agreed to procure construction equipment and materials such as (i) roof support under the category of roof support; and (ii) inverter and electric cable under the category of electric meter and relevant equipment for and provide related technical support services to CNI23 Huadong Branch in relation to the further development of the Baoying Project and the Jinjiang Project.

Consideration

The total contract value for the Second Equipment and Materials Procurement Agreement is RMB65,510,200 (equivalent to approximately HK\$82,202,200) and the contract value shall be paid in cash by CNI23 Huadong Branch to CNI23 (Nanjing) in the following manners: (i) 10% of the contract value payable within seven (7) days after the acceptance of the first batch of the construction equipment and materials by CNI23 Huadong Branch; (ii) 70% of the contract value payable within sixty (60) days after the installation of all the equipment and materials for the Baoying Project and the Jinjiang Project and delivery of the same by CNI23 Huadong Branch to their owner(s); (iii) 10% of the contract value payable within thirty (30) days after all other installation works, testing and commissioning of the Baoying Project and the Jinjiang Project have been completed and the same have been accepted by their owner(s) (such installation works, testing, commissioning and acceptance shall be completed by 31 December 2013); and (iv) the remaining 10% payable within thirty (30) days after the expiry of the quality assurance period in accordance with the Second Equipment and Materials Procurement Agreement.

The pricing policy for the continuing connected transactions under the CNI23 (Nanjing) Framework Agreement has been determined based on normal commercial terms which are no less favourable than the terms which can be obtained by CNI23 (Nanjing) from independent third parties for the similar procurement, and as confirmed by the Company, if there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to independent third parties. Pricing has been agreed upon between the parties for each transaction by reference to the aforementioned pricing policy through arm's length negotiations.

As confirmed by the Company, so far the Company has never provided procurement of construction equipment and materials to independent third party. Hence, no invoices between the Company and independent third party are available for our comparison. As set out in the Letter from the Board, for the procurement of construction equipment and materials, the Company has obtained one to three quotation(s) (subject to the availability) for construction equipment and materials from independent suppliers regularly to determine the respective unit costs. The unit prices were determined based on such unit costs plus the profit

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margin taking into account the relevant handling cost and transaction volume. We have reviewed one to three quotations (subject to availability) from independent suppliers for the items listed in the Equipment and Materials Procurement Agreement and the Second Equipment and Materials Procurement Agreement, which we consider to be representative as it represents all available quotations, as advised by the Company, CNI23 Huadong will obtain one to three quotations (subject to availability) from independent suppliers. It is noted the pricing terms and payment terms of the Equipment and Materials Procurement Agreement and the Second Equipment and Materials Procurement Agreement were comparable to that of the independent third parties.

On the basis that (i) the provision of procurement of construction equipment and materials will be conducted in the ordinary and usual course of business of the Group; (ii) the terms of the Equipment and Materials Procurement Agreement and the Second Equipment and Materials Procurement Agreement are determined based on normal commercial terms which are no less favourable than the terms which can be offered by CNI23 (Nanjing) to independent third parties; (iii) the auditors' review of the continuing connected transactions and the obligations of the Directors to comply with the Listing Rules to conduct the continuing connected transactions on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties (as elaborated in the ensuing section headed "Measures to ensure compliance with the Listing Rules"), we are of the view that the terms of the Equipment and Materials Procurement Agreement and the Second Equipment and Materials Procurement Agreement are in the interests of the Company and the Independent Shareholders as a whole, on normal commercial terms and fair and reasonable.

Technical Consultancy Agreement

Date

3 May 2013 (after trading hours) and after the signing of the CNI23 (Nanjing) Framework Agreement.

Parties

- (1) CNI23 (Nanjing); and
- (2) CNI23 Huadong Branch

Term

The Technical Consultancy Agreement commenced on 3 May 2013 and, subject to the right of both parties to terminate in accordance with the Technical Consultancy Agreement, ending on 31 December 2013.

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Nature of Transactions

Pursuant to the Technical Consultancy Agreement, CNI23 (Nanjing) has agreed to provide technical consultancy and project management services in relation to the Solar Projects to CNI23 Huadong Branch.

Consideration

The total contract value for the Technical Consultancy Agreement is RMB200,000 (equivalent to approximately HK\$249,700, as announced by the Company on 3 May 2013) and the contract value shall be paid in cash by CNI23 Huadong Branch to CNI23 (Nanjing) in the following manners: (i) 10% of the contract value payable upon signing of the Technical Consultancy Agreement; (ii) 80% of the contract value payable within thirty (30) days after the Solar Projects equipped with electrical power generation capability (the Solar Projects shall be equipped with electrical power generation capability by 30 June 2013); and (iii) the remaining 10% payable by the end of 31 December 2013 in accordance with the Technical Consultancy Agreement.

Second Technical Consultancy Agreement

Date

24 May 2013 (after trading hours)

Parties

- (1) CNI23 (Nanjing); and
- (2) CNI23 Huadong Branch

Term

The Second Technical Consultancy Agreement shall commence upon the passing of the relevant resolution approving the Revised Caps and the Second Agreements and the transactions contemplated thereunder by the Independent Shareholders at the SGM and, subject to the right of both parties to terminate in accordance with the Second Technical Consultancy Agreement, ending on 31 December 2013.

Nature of Transactions

Pursuant to the Second Technical Consultancy Agreement, CNI23 (Nanjing) has agreed to provide technical consultancy and project management services in relation to the Jinjiang Project to CNI23 Huadong Branch.

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Consideration

The total contract value for the Second Technical Consultancy Agreement is RMB100,000 (equivalent to approximately HK\$125,500) and the contract value shall be paid in cash by CNI23 Huadong Branch to CNI23 (Nanjing) in the following manners: (i) 10% of the contract value payable upon the effective date of the the Second Technical Consultancy Agreement; (ii) 80% of the contract value payable within thirty (30) days after the Jinjiang Project has been equipped with electrical power generation capability (the Jinjiang Project shall be equipped with electrical power generation capability by 30 August 2013); and (iii) the remaining 10% payable by the end of 31 December 2013 in accordance with the Second Technical Consultancy Agreement.

The pricing policy for the continuing connected transactions under the CNI23 (Nanjing) Framework Agreement has been determined based on normal commercial terms which are no less favourable than the terms which can be obtained by CNI23 (Nanjing) from independent third parties for the similar technical consultancy and project management services, and as confirmed by the Company, if there are insufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to independent third parties. Pricing has been agreed upon between the parties for each transaction by reference to the aforementioned pricing policy through arm's length negotiations.

As confirmed by the Company, so far the Company has never provided technical consultancy and project management services to independent third party. Hence, no invoices between the Company and independent third party are available for our comparison. As set out in the Letter from the Board, for the provision of technical consultancy services, the Company has enquired the consultancy service company for the general salary level of relevant staff to provide similar services in solar energy industry to determine the unit staff cost. The services fee were then determined based on such unit staff cost level plus the expected amount of allowance required, such as staff accommodation and travelling cost.

On the basis that (i) the provision of technical consultancy services will be conducted in the ordinary and usual course of business of the Group; (ii) the terms of the Technical Consultancy Agreement and the Second Technical Consultancy Agreement are determined based on normal commercial terms which are no less favourable than the terms which can be offered by CNI23 (Nanjing) to independent third parties; (iii) the auditors' review of the continuing connected transactions and the obligations of the Directors to comply with the Listing Rules to conduct the continuing connected transactions on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties (as elaborated in the ensuing section headed "Measures to ensure compliance with the Listing Rules"), we are of the view that the terms of

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the Technical Consultancy Agreement and the Second Technical Consultancy Agreement are in the interests of the Company and the Independent Shareholders as a whole, on normal commercial terms and fair and reasonable.

3. Existing Caps and Revised Caps

The following table sets out the Existing Caps and the Revised Caps for the financial year ending 31 December 2013.

| Continuing connected transactions | Existing Caps for the financial year ending 31 December 2013 (RMB) (a) | Estimated additional transaction amount pursuant to the Second Agreements for the financial year ending 31 December 2013 (RMB) (b) | Total (RMB) (a) + (b) | Revised Caps for the financial year ending 31 December 2013 after taking into account a buffer (RMB) |
|--|--|---|---|---|
| (1) procurement of construction equipment and materials | | | | |
| — roof support | 1,160,000 | 22,783,800 | 23,943,800 | — |
| — electric meter and relevant equipment | 5,840,000 | 42,726,400 | 48,566,400 | — |
| Sub-total: | 7,000,000 | 65,510,200 | 72,510,200 | 79,761,220 |
| (2) provision of technical consultancy and project management services | 200,000 | 100,000 | 300,000 | 330,000 |
| Total: | 7,200,000 | 65,610,200 | 72,810,200 | 80,091,220 |
| | <i>(equivalent to approximately HK\$8,989,300 as announced by the Company on 3 May 2013)</i> | <i>(equivalent to approximately HK\$82,327,700)</i> | <i>(equivalent to approximately HK\$91,362,200)</i> | <i>(equivalent to approximately HK\$100,498,400)</i> |

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As set out in the Letter from the Board, in determining the Revised Caps for the financial year ending 31 December 2013, the Board has based their estimates on the total contract value of the First Agreements and the Second Agreements. Important and objective assumptions and factors, though not exhaustive but were arrived at after due and careful consideration of data currently in hand:

For the determination of Revised Cap for the procurement of construction equipment and materials:

- (i) the quantity of equipment and materials transacted and/or to be transacted as set out in the Equipment and Materials Procurement Agreement in relation to the Solar Projects;
- (ii) the quantity of equipment and materials to be transacted as set out in the Second Equipment and Materials Procurement Agreement in relation to the further development of the Baoying Project and the Jinjiang Project;
- (iii) the expected unit prices of relevant construction equipment and materials.

For the determination of Revised Cap for the provision of technical consultancy services:

- (i) the expected man hour, allowance and relevant expenses for the provision of the technical consultancy and project management services, provided and/or required to be provided by CNI23 (Nanjing) pursuant to the Technical Consultancy Agreement to the Solar Projects;
- (ii) the expected man hour, allowance and relevant expenses for the provision of the technical consultancy and project management services, required to be provided by CNI23 (Nanjing) pursuant to the Second Technical Consultancy Agreement in relation to the Jinjiang Project; and
- (iii) the expected unit staff cost, allowance and relevant expenses required for the provision of technical consultancy and project management services.

For the determination of Revised Caps for all above continuing connected transactions:

- (i) a buffer to cater for price fluctuations and change in quantity/extent of the construction equipment and materials, and technical consultancy and project management services, inflation and foreign exchange difference in accounts reporting due to the appreciation in translation rate from RMB to HK\$.

We understand from the Company that the annual cap for the procurement of equipment and materials is derived by the multiplication of the quantity of equipment and materials and the expected unit prices of relevant construction equipment and materials. Regarding the quantity of equipment and materials transacted and/or to be transacted in relation to the Solar Projects and Jinjiang Project under the Equipment

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and Materials Procurement Agreement and the Second Equipment and Materials Procurement Agreement, we have reviewed the Equipment and Materials Procurement Agreement and the Second Equipment and Materials Procurement Agreement and noted that the amount of equipment and materials transacted and/or to be transacted was stipulated clearly in the Equipment and Materials Procurement Agreement and the Second Equipment and Materials Procurement Agreement. We understand from the Company that the amount of equipment and materials ordered/to be ordered by CNI23 Huadong is based on the demand for the equipment and materials in relation to the Solar Projects and Jinjiang Project. We have also reviewed one to three quotations (subject to availability) from independent suppliers for the items listed in the Equipment and Materials Procurement Agreement and the Second Equipment and Materials Procurement Agreement, which we consider to be representative as it represents all available quotations, as advised by the Company, CNI23 Huadong will obtain one to three quotations (subject to availability) from independent suppliers. It is noted that the expected unit prices of relevant construction equipment and materials were generally comparable to those prevailing levels offered by other independent third parties to CNI23 Huadong Branch.

As advised by the Company, the annual cap for the provision of technical consultancy services is derived by the multiplication of the estimated number of working hours of the staff and the expected unit staff cost plus allowance and relevant expenses. We have reviewed the estimates on the number of working hours of the staff as required by CNI23 Huadong Branch provided by the Company, which is based on the workload in relation to the Solar Projects and Jinjiang Project. As stated in the Letter from the Board, the expected unit cost of the staff is based on unit staff cost as enquired from consultancy service company for the provision of similar services in solar energy industry. Regarding the expected unit cost of the staff for the provision of similar services in solar energy industry, we have searched in 光伏英才網, a PRC job posting website and noted that the expected unit cost of the staff charged by the Company is comparable to the prevailing rate.

We noted that a buffer of approximately 10% to cater for price fluctuations and change in quantity/extent of the construction equipment and materials, and technical consultancy and project management services, inflation and foreign exchange difference in accounts reporting due to the appreciation in translation rate from RMB to HK\$ is adopted in determining the annual caps. Former premier Wen Jiabao in the National People's Congress held in March 2013 announced several important economic targets for 2013, including the inflation target of around 3.5%. According to Bloomberg, the exchange rate of RMB1 was HK\$1.2174 as at 1 June 2012 and the exchange rate of RMB1 was HK\$1.2656 as at 31 May 2013, RMB has appreciated against HK\$ by approximately 4.0% during the period. As the transaction amounts would change with the inflation rate and foreign exchange rate, it is appropriate for the Company to take into account inflation and foreign exchange rate in setting the annual caps.

Based on the above, we are of the view that the bases of the Revised Caps are fair and reasonable so far as the Independent Shareholders are concerned.

4. Measures to ensure compliance with the Listing Rules

In compliance with the annual review requirements under the Listing Rules, the Company will comply with the following during the term of the First Agreements and the Second Agreements:

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

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- (iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (i) and/or (ii) above respectively.

Having considered, in particular, (i) the restriction of the value of the continuing connected transaction by way of the annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company of the terms of the continuing connected transaction and the annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the continuing connected transaction and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors above, we consider that the entering into of the First Agreements and the Second Agreements is in the ordinary and usual course of business of the Company and in the interests of the Company and the Shareholders as a whole, the terms of the First Agreements and the Second Agreements are of normal commercial terms, together with the Revised Caps, are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we also advise, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Second Agreements and the Revised Caps.

Yours faithfully,

For and on behalf of

GF Capital (Hong Kong) Limited

Leo Ye

Harry Yu

Managing Director and Head of Corporate Finance *Director*

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 giving information with regard to the Company. The Directors having made all reasonable enquires, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

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

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Long position in the Shares:

| Name of Director | Nature of interests | Number of Shares held | Approximate percentage [†] of the issued share capital of the Company (%) |
|----------------------------|--------------------------------------|-----------------------|--|
| Mr. Chan Shu Kit (Note) | Interest of a controlled corporation | 114,240,000 | 10.36 |

Note: Such Shares are held by Hoylake Holdings Limited, a company incorporated in the British Virgin Islands wholly-owned by Mr. Chan Shu Kit, an executive Director.

[†] The percentage represents the number of ordinary Shares interested divided by the number of the Company's issued Shares as at the Latest Practicable Date

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions

7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under the Listing Rules.

(b) Interests of substantial shareholders of the Company

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person had, or was deemed to have, interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

(a) Long position in the Shares:

| Name | Nature of interests | Number of Shares held | Approximate percentage [†] of the issued share capital of the Company (%) |
|---|--------------------------------------|--------------------------|---|
| CNEGC (Note 1) | Interest of controlled corporations | 400,000,000 | 36.30 |
| CNECC (Note 1) | Interest of controlled corporations | 300,000,000 | 27.23 |
| CNI23 (Note 1) | Interest of a controlled corporation | 300,000,000 | 27.23 |
| CNI23 HK (Note 1) | Directly beneficially owned | 300,000,000 | 27.23 |
| Zhong He Investment Company Limited (Note 1) | Interest of a controlled corporation | 100,000,000 | 9.07 |

| Name | Nature of interests | Number of Shares held | Approximate percentage [†] of the issued share capital of the Company (%) |
|--|--------------------------------------|-----------------------|--|
| China He Investment (Note 1) | Directly beneficially owned | 100,000,000 | 9.07 |
| Hoylake Holdings Limited (Note 2) | Directly beneficially owned | 114,240,000 | 10.36 |
| Zhao Xu Guang (Note 3) | Interest of controlled corporations | 84,676,000 | 7.68 |
| Prosper Alliance Investments Limited (Note 3) | Directly beneficially owned | 60,000,000 | 5.44 |
| Cheung Mui (Note 4) | Interest of a controlled corporation | 60,000,000 | 5.44 |
| Grand Honest Limited (Note 4) | Directly beneficially owned | 60,000,000 | 5.44 |
| Jiang Hailing (Note 5) | Interest of a controlled corporation | 100,000,000 | 9.07 |
| Shining Rejoice Limited (Note 5) | Directly beneficially owned | 100,000,000 | 9.07 |

Notes:

1. CNEGC indirectly holds interests in 100,000,000 Shares by virtue of its interests in 中核投資有限公司 (Zhong He Investment Company Limited.*) (“Zhong He”) which in turn holds 100% interests in China He Investment. CNEGC and Zhong He are deemed to be interested in these Shares.

Further, CNEGC is deemed to be interested in 300,000,000 Shares by virtue of its approximately 79.2% interests in CNECC, which in turns holds 80% interests in CNI23. CNI23 in turns holds 100% interest in CNI23 HK. CNECC and CNI23 are also deemed to be interested in these Shares.

2. Hoylake Holdings Limited is a company incorporated in the British Virgin Islands wholly-owned by Mr. Chan Shu Kit, an executive Director.
3. Prosper Alliance Investments Limited is wholly-owned by Mr. Zhao Xu Guang. Mr Zhao is the sole member of Rui Tong Investments Limited which holds 24,676,000 Shares.
4. Grand Honest Limited is wholly-owned by Cheung Mui.
5. Such 100,000,000 Shares include 60,000,000 underlying Shares which are issuable pursuant to the exercise of the conversion rights attaching to the zero coupon rate unsecured redeemable convertible bonds due 2014 in the principal amount of HK\$72,000,000, which are unlisted and physically settled. Ms. Jiang Hailing is deemed to be interested in such 100,000,000 Shares by virtue of her 100% interests in Shining Rejoice Limited.

- † The percentage represents the number of ordinary Shares interested divided by the number of the Company’s issued Shares as at the Latest Practicable Date.

(b) Long positions in underlying Shares of the Company:

| Name | Capacity and nature of interest | Number of underlying shares held | Approximate percentage [†] of the issued share capital of the Company (%) |
|-----------------------------------|--------------------------------------|----------------------------------|--|
| Jiang Hailing (Note) | Interest of a controlled corporation | 60,000,000 | 5.44 |
| Shining Rejoice Limited (Note) | Directly beneficially owned | 60,000,000 | 5.44 |

Note:

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

[†] The percentage represents the number of underlying Shares interested divided by the number of the Company’s issued Shares as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors, whose interests are set out in the section headed “Interests of Directors and chief executive of the Company” above, had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date:

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

5. EXPERT'S CONSENT AND QUALIFICATION

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

| Name | Qualification |
|-------------|---|
| GF Capital | a licensed corporation under the SFO to carry out Type 6 (advising on corporate finance) regulated activity under the SFO |

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

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

6. COMPETING INTERESTS

None of the Directors and his associates is interested directly or indirectly in a business, apart from his interest in the Company, which competes or is likely to compete with the business of the Group.

7. MATERIAL ADVERSE CHANGE

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

8. DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) the letter of recommendation from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this circular;
- (b) the letter from GF Capital, the text of which is set out on pages 22 to 37 of this circular;
- (c) the written consent from GF Capital referred to in the paragraph under the heading “Expert’s Consent and Qualification” in this appendix;
- (d) the CNI23 (Nanjing) Framework Agreement;
- (e) the First Agreements (the Equipment and Materials Procurement Agreement and the Technical Consultancy Agreement); and
- (f) the Second Agreements (the Second Equipment and Materials Procurement Agreement and the Second Technical Consultancy Agreement).



中国核建

CHINA NUCLEAR INDUSTRY 23 INTERNATIONAL CORPORATION LIMITED

中國核工業二三國際有限公司

(Incorporated in the Bermuda with limited liability)

(Stock Code: 611)

NOTICE IS HEREBY GIVEN that special general meeting of China Nuclear Industry 23 International Corporation Limited (the “**Company**”) will be held at Jade Terrace Restaurant, 2nd Floor, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 21 June 2013 at 3:00 p.m., for the purposes of considering and, if thought fit, passing, with or without modification, the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT** the equipment and materials procurement agreement and the technical consultancy agreement (the “**Second Agreements**”) dated 24 May 2013 and entered into between CNI23 (Nanjing) Energy Development Company Limited, an indirect non wholly-owned subsidiary of the Company, and 中國核工業二三建設有限公司華東分公司 (transliterated as China Nuclear Industry 23 Construction Company Limited Huadong Branch*), a branch of 中國核工業二三建設有限公司 (transliterated as China Nuclear Industry 23 Construction Company Limited*), (a copy of which have been produced to the meeting and marked “**A**” and initialed by the chairman of the meeting for the purpose of identification) pursuant to the framework agreement dated 3 May 2013 and entered into between the parties (the “**CNI23 (Nanjing) Framework Agreement**”) (a copy of which has been produced to the meeting and marked “**B**” and initialed by the chairman of the meeting for the purpose of identification) in respect of the provision of procurement of construction equipment and materials and related technical support services, and technical consultancy and project management services and the transactions contemplated thereunder, and the revised annual caps for the continuing connected transactions contemplated under the CNI23 (Nanjing) Framework Agreement for the financial year ending 31 December 2013 (the “**Revised Caps**”) be and are hereby approved, confirmed and ratified, and any one director of the Company be and is hereby authorised to exercise all the powers of the Company and take all other steps and execute all such documents which he/she/they consider(s) necessary, desirable or expedient for the implementation of and giving effect to the Revised Caps and the Second Agreements and the transactions contemplated thereunder and generally to exercise all the powers of the Company as they deem desirable or necessary in connection with the forgoing.”

By order of the Board

China Nuclear Industry 23 International Corporation Limited

DONG Yuchuan

Chairman

Hong Kong, 3 June 2013

NOTICE OF THE SGM

Registered Office:

Clarendon House
Church Street
Hamilton HM 11
Bermuda

Principal place of business in Hong Kong:

Room 2801
28/F China Resources Building
26 Harbour Road
Wanchai
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the meeting may appoint one or more than one proxies to attend and to vote on a poll in his stead. On a poll, votes may be given either personally (or in the case of a shareholder being a corporation, by its duly authorized representative) or by proxy. A proxy need not be a shareholder of the Company.
2. Where there are joint registered holders of any share, any one of such persons may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders are present at the meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
3. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed thereon together with the power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof must be delivered to the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the meeting if shareholders so wish.
5. The ordinary resolution set out in this notice of special general meeting will be put to Shareholders to vote taken by way of a poll.