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)

DISCLOSEABLE TRANSACTION IN RESPECT OF THE DISPOSAL OF A WHOLLY-OWNED SUBSIDIARY

On 23 December 2013 (after trading hours on the Stock Exchange), the Purchaser and the Vendor entered into the Agreement, pursuant to which the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the Sale Shares, being the entire issued share capital of the Target Company, an indirect wholly-owned subsidiary of the Company, which holds 25% equity interests in Zhong He Libert, at a cash consideration of HK$132,000,000.

As the applicable percentage ratios as defined under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempted from the Shareholders' approval requirement under the Listing Rules.

THE AGREEMENT

Date

23 December 2013 (after trading hours on the Stock Exchange)

Parties

(1) Vendor: Well Link, a direct wholly-owned subsidiary of the Company
(2) Purchaser: East Resources

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons.

In addition, to the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, there were no previous transactions or business relationship between the Company and the Purchaser and its ultimate beneficial owner(s) and associates which would result in aggregation under Rule 14.22 of the Listing Rules.

Assets to be disposed of

Pursuant to the Agreement, the Vendor has conditionally agreed to dispose of and the Purchaser has conditionally agreed to acquire the Sale Shares, being the entire issued share capital of the Target Company, an indirect wholly-owned subsidiary of the Company, which holds 25% equity interests in Zhong He Libert.

Consideration

The consideration of the Disposal is HK$132,000,000 which will be settled in the following manner:

(i) an initial payment of HK$15,000,000 shall be payable by the Purchaser to the Vendor (or its designated person) upon signing of the Agreement; and

(ii) the remaining balance of HK$117,000,000 (the "**Remaining Consideration**") shall be payable by the Purchaser to the Vendor (or its designated person) by installments or in lump sum on or before 30 June 2014.

Without prejudice to the rights and interests of the Vendor under the Agreement, the Vendor has the absolute discretion (not obligation) to grant an extension of time for payment of the Remaining Consideration by the Purchaser.

Pursuant to the Agreement, the Purchaser has agreed that it will execute the Share Charge in favour of the Vendor and will deposit the relevant title documents to the charged Sale Shares with the Vendor on the date of completion of the Disposal pursuant to which the Purchaser will charge all its beneficially owned rights to and interests in the Sale Shares to the Vendor from the date of the Share Charge until the Purchaser has duly paid to the Vendor the Remaining Consideration so as to guarantee for fulfillment of the payment obligations of the Remaining Consideration by the Purchaser under the Agreement.

The consideration of HK$132,000,000 was determined after arm's length negotiation between the Vendor and the Purchaser. The Directors considered that the consideration is fair and reasonable after taking into account that the consideration represents (i) a premium of 25.1% over the unaudited net asset value of the Target Company of approximately HK$105,480,135 as at 31 October 2013; and (ii) a premium of approximately 6.3% over the fair value of 25% equity interests of Zhong He Libert of RMB98 million (equivalent to approximately HK$124,171,661) as at 31 October 2013 as appraised by an independent valuer under the market approach using the Enterprise Value to Earnings Before Interest Taxation Depreciation and Amortization.

Conditions Precedent

Completion of the Disposal is conditional upon the following conditions being fulfilled or waived (as applicable):

a. the Purchaser being satisfied in its absolute discretion with the results of its due diligence in respect of the Target Company;

b. all matters relating to the Vendor as contemplated under the Agreement having been obtained all relevant approval (if required);

c. all matters relating to the Target Company as contemplated under the Agreement, including but not limited to, the acquisition of the Sale Shares, having obtained the internal approval of the Target Company in accordance with the articles of association or other equivalent constitutional documents of the Target Company;

d. having obtained all necessary approval in the PRC, Hong Kong, the British Virgin Islands and any other places in respect of the Agreement and the transactions contemplated thereunder (if required);

e. no amendment to the laws, particularly in relation to the Disposal, which will result in any material adverse impact on the financial conditions, business, operations, business prospect or asset value of the Target Company;

f. all the representations, warranties and undertakings of the Vendor in the Agreement being true and correct; and

g. all the representations, warranties and undertakings of the Purchaser in the Agreement being true and correct.

Except for the conditions (b), (c) and (d) above, the Purchaser has the absolute discretion to waive the conditions (a), (e) and (f) above and the Vendor has the absolute discretion to waive the condition (g) above.

Both the Purchaser and the Vendor shall use their best endeavour to fulfill the conditions above on or before the Long Stop Date. The Purchaser shall notify the Vendor in writing when conditions (a) and (g) above have been fulfilled (or waived in respect of (a)) and the Vendor shall notify the Purchaser in writing when the conditions (b), (c), (d), (e) and (f) have been fulfilled.

If all the above conditions precedent have not been fulfilled (or waived, as the case may be,) by the Purchaser and the Vendor on or before to the Long Stop Date, the Agreement shall cease and determine and none of the parties to the Agreement shall have any obligations and liabilities thereunder save for any antecedent breaches of the terms thereof.

Completion

Completion of the Disposal shall take place on the first Business Day following the date of fulfillment of all the conditions precedent as set out above (or otherwise waived by the Vendor or the Purchaser where applicable) or the Long Stop Date (whichever is earlier), or such other date as the Vendor and the Purchaser may agree in writing.

INFORMATION ON THE VENDOR, THE PURCHASER AND THE TARGET COMPANY

The Vendor

The Vendor, a company incorporated in the British Virgin Islands, is a direct wholly-owned subsidiary of the Company and an investment holding company.

The Purchaser

To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, the Purchaser, a limited liability company incorporated in Hong Kong, is an investment holding company, and the Purchaser and its ultimate beneficial owner(s) are independent to and not connected with the Company or any of its connected persons.

Target Company

The Target Company, which was incorporated in Hong Kong with limited liability on 7 April 2005, is an investment holding company and an indirect wholly-owned subsidiary of the Company. As at the date of this announcement, the Target Company holds 25% equity interests in Zhong He Libert and has no other subsidiary or associated company. The remaining equity interests in Zhong He Libert are owned as to 60% by Shanghai Libaite, as to 10% by CNI23 and as to 5% by Shenzhen Hua Rui respectively. The operation of Zhong He Libert has mainly been managed by Shanghai Libaite and the Group does not have control over the management of Zhong He Libert.

Zhong He Libert is principally engaged in the manufacture and sale of pipes and related equipment for uses by chemical plants in the PRC and overseas, which include production and assembling of modules for chemical plants, special purpose built components, cold chambers, steel tanks/silos, structural steel fabrication, boil pipes, duplex phase stainless tubes, heat exchange tubes, high and low voltage heater tubes, industrial pipes, nuclear power tubes/strips/sheets/coils, corrosion resisting alloy and high temperature resisting alloy tubes. The products are mainly used in petroleum, chemical, natural gas, electric equipment manufacturing and other industries. Zhong He Libert mainly generates its revenue from (i) production of the parts and components of the modules; (ii) assembling the parts and components of the modules according to the customer's specifications or own design; and (iii) developing and designing of the module for its customers.

The financial year end date of the Target Company was changed from 31 March to 31 December to align with the financial year end date of the Company in 2012. Set out below is the key financial information of the Target Company based on the audited financial statements of the Target Company for the twelve months ended 31 March 2012, the nine months ended 31 December 2012 and the unaudited management accounts of the Target Company for the ten months ended 31 October 2013 which were prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the ten months ended 31 October 2013 (unaudited) *(HK$)*	**For the nine months ended 31 December 2012 (audited)** *(HK$)*	**For the twelve months ended 31 March 2012 (audited)** *(HK$)*
Revenue	—	—	—
Share of result of an associate	(676,174)	6,155,308	971,419
Profit/(Loss) before tax	(683,323)	6,143,553	959,779
Profit/(Loss) after tax	(683,323)	6,143,553	959,779
Total assets	105,480,135	102,251,015	96,128,204
Net asset value	105,480,135	102,230,460	96,118,204

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

At the end of 2010, the Group was exploring the business of manufacturing and sales of prefabricated pipes and related equipment through its proposed investment in Well Link which, through the Target Company, is interested in 25% equity interests in Zhong He Libert. As mentioned in the circular of the Company dated 12 August 2011, Zhong He Libert was considered to be an appropriate investment opportunity for the Company as the then Directors believed that Zhong He Libert was one of the few manufacturers in the PRC of pipes and related equipment for chemical plants and the investment was the first step of the Company to participate in such industry in the PRC. In addition, the then Directors were of the view that the PRC government would put more effort in encouraging enterprises in developing clean or renewable energy (such as nuclear and wind energy) which would result in increase in the demand of metal pipes and modules and, thus, the business of Zhong He Libert would be benefited accordingly. Completion of the acquisition of 25% equity interests in Zhong He Libert took place in September 2011.

However, after the occurrence of Tohoku, Japan earthquake in the first quarter of 2011 which triggered powerful tsunami and caused an explosion of Fukishima Daiichi nuclear power plant, the PRC government suspended granting the approval for all new nuclear power projects pending safety reviews. It was since October 2012, the PRC government started to partially resume granting the approval for new nuclear power projects but on a slower pace. As a result, the extension of the business of Zhong He Libert to the nuclear energy industry has been adversely and materially affected. On the other hand, the slowdown in recovery of the economy in the PRC and worldwide has also affected the development of the industrial sector and construction of new production plants (such as petroleum and chemical plants) which in turn dampened the demand for the relevant modules, metal pipes, tubes and etc.. As the products and the relevant technology of Zhong He Libert are specialised for the use in limited type of production plants such as production plants of industrial gas, chemicals and petroleum refined products, it is difficult for Zhong He Libert to attract new customers in other industries. In addition, the over production capacity in the PRC chemical industry has also hindered the growth of demand in product/services provided by Zhong He Libert. Furthermore, the increases in material cost and labour cost have been affecting negatively on the profitability of Zhong He Libert.

Based on the audited financial statement of the Target Company for the nine months ended 31 December 2012, net profit before and after taxation were both approximately HK$6,143,553, representing approximately 16.2% of the net profit before taxation of the Group. However, the Target Company recorded an unaudited loss after taxation of approximately HK$683,323 for the ten months ended 31 October 2013 as a result of the decrease in the investment return on Zhong He Libert due to the abovementioned reasons.

Since the second half of 2012, the Company has been proactively participating in new businesses such as (i) inspection, maintenance, repair, construction, installation and provision of expertise nuclear power plants through its investment in an associated company CNI23 Maintenance; (ii) sub-contracting of overseas engineering and construction projects through its subsidiary CNI23 Overseas; and (iii) provision of EPC services for solar energy plants through a joint venture company Guoxin Energy and its subsidiaries. In May 2013, CNI23 Energy, indirectly wholly-owned by Guoxin Energy, obtained the certificate of Class-B Qualification for Engineering Design in relation to Electricity Industry (Generation of New Energy) (電力行業(新能源發電)專業乙級工程設計資質證書) which allows CNI23 Energy to participate in the provision of main contracting, project management and related technical and management services in the fields specified therein. Although the PRC government has partially resumed the approval procedures for new nuclear power projects, the Company has decided to focus more on other new energy which is safer and more environmental friendly. The Company is of the view that it would be more profitable by repositioning itself as a provider of comprehensive services from engineering design, equipment procurement and installation to construction for new energy plants as compared with merely a manufacturer of equipment (mainly for petroleum and chemical plant). After taking into account that (i) the business of the Zhong He Libert is no longer in line with the business focus of the Group; (ii) the recent unsatisfactory performance of Zhong He Libert; (iii) the Company is merely an investor in minority interests in Zhong He Libert where the Company has no effective control over the business operation; (iv) the consideration of the Disposal represents a premium of approximately 6.3% and 25.1% over the fair value of Zhong He Libert (which accounts for substantially all the assets of the Target Company) as appraised by an independent valuer and the net asset value of the Target Company as at 31 October 2013 respectively; and (v) the Disposal will allow the Company to realise its investment in a loss-making business and to reallocate its resources to other business segments, the Directors are of the view that the terms of the Agreement and the Share Charge are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

Upon completion of the Disposal, the Company will not hold any interest in the Target Company (other than the Share Charge which will be released after fulfilment of all obligations of the Purchaser under the Agreement), which will cease to be a subsidiary of the Company, and the assets and liabilities and profit and loss of the Target Company will not be consolidated into the consolidated financial statement of the Group. Based on (i) the consideration of HK$132,000,000; (ii) the unaudited net asset value of the Target Company of approximately HK$105,480,135 as at 31 October 2013; and (iii) the release of goodwill and exchange reserve of approximately HK$100,938,574 as at 31 October 2013, the Group expects to record a loss on the Disposal of approximately HK$74,418,708. Such expected loss is for illustrative purpose only and the Shareholders and other investors in the Company should note that the actual amount of loss on the Disposal should be calculated on the basis of the relevant figures as at the date of the completion of the Disposal and therefore may or may not be different from the amount set out above.

It is expected that the net proceeds from the Disposal in the amount of approximately HK$131.5 million (after deducting all relevant fees and expenses) will be used for the general working capital of the Group and development of new energy business of the Group.

LISTING RULES IMPLICATIONS

As the applicable percentage ratios are defined under Rule 14.07 of the Listing Rules in respect of the Disposal exceed 5% but are less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempted from the Shareholders' approval requirement under the Listing Rules.

DEFINITIONS

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

"Agreement"	the conditional sale and purchase agreement dated 23 December 2013 entered into between the Vendor and the Purchaser in relation to the Disposal
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, a Sunday, a public holiday or a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.), on which banks are generally open for general banking business in Hong Kong
"CNI23"	中國核工業二三建設有限公司, (transliterated as China Nuclear Industry 23 Construction Company Limited*), a state-owned enterprise established in the PRC
"CNI23 Energy"	南京中核二三能源工程有限公司 (transliterated as Nanjing CNI23 Energy Engineering Company Limited*), a company established in the PRC and an indirect wholly-owned subsidiary of Guoxin Energy

"CNI23 Maintenance"	深圳中核二三核電檢修有限公司 (transliterated as Shenzhen CNI23 Nuclear Power Maintenance Co., Ltd.*), a company established in the PRC and owned as to 26.5% by the Company
"CNI23 Overseas"	CNI23 Overseas Development Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
"Company"	China Nuclear Industry 23 International Corporation Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
"Director(s)"	director(s) of the Company
"Disposal"	the proposed disposal of the Sale Shares by the Vendor pursuant to the terms and conditions of the Agreement and the transactions contemplated thereunder
"Group"	the Company and its subsidiaries
"Guoxin Energy"	Guoxin Energy Limited, a limited liability company incorporated in Hong Kong, which is indirectly owned as to 51% by the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	31 December 2013 or such later date as may be agreed in writing between the Vendor and the Purchaser
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange ("GEM"), and for the avoidance of doubt, the Main Board excludes GEM
"percentage ratios"	the percentage ratios as defined under Rule 14.07 of the Listing Rules
"PRC"	the People's Republic of China and for the purpose of this announcement, exclude Hong Kong, Taiwan and Macau Special Administrative Region of the PRC
"Purchaser" or "East Resources"	East Resources Investment Limited, a company incorporated in Hong Kong with limited liability
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	being 10,000 ordinary shares of HK$1.00 each in the capital of the Target Company, being the entire issued share capital of the Target Company
"Shanghai Libaite"	上海利柏特投資有限公司 (transliterated as Shanghai Libaite Investment Co. Ltd*)

"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Share Charge"	the deed of share charge which will be executed by the Purchaser, as chargor, in favour of the Vendor, as chargee, in relation to the charge on the Sale Shares upon the completion of the Disposal
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen Hua Rui"	深圳市華瑞投資有限公司 (transliterated as Shenzhen Hua Rui Investment Co., Ltd.*)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	East King International Enterprises Limited (東僑國際企業有限公司), a company incorporated in Hong Kong with limited liability, whose entire issued share capital is owned by the Vendor
"Vendor" or "Well Link"	Well Link Capital Limited (滙嶺資本有限公司), a company incorporated in the British Virgin Islands whose entire issued share capital is directly owned by the Company
"Zhong He Libert"	江蘇中核利柏特股份有限公司 (Jiangsu China Nuclear Industry Libert INC.*), a joint stock limited company established in the PRC
"%"	per cent.

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

Hong Kong, 23 December 2013

For the purposes of illustration only, any amount denominated in RMB in this announcement and translated into HK$ was translated at the rate of RMB0.78923 = HK$1. Such translation should not be construed as a representation that the amounts in question have been, could have been or could be, converted at any particular rate at all.

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

* *For identification purpose only*