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If you have sold or transferred all your securities in China Nuclear Energy Technology 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 ENERGY TECHNOLOGY CORPORATION LIMITED

中國核能科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 611)

CONTINUING CONNECTED TRANSACTIONS

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 6 to 29 of this circular. A letter from the Independent Board Committee is set out on pages 30 to 31 of this circular.

A letter from Proton Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 59 of this circular.

A notice convening the special general meeting 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, 18 December 2015 at 3:00 p.m. is set out on pages SGM-1 to SGM-2 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.

2 December 2015

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DEFINITIONS

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

“2015 Moyu Proposed Cap”	the annual cap for the continuing connected transactions contemplated under the Moyu Phase I Construction Agreement and the Moyu Phase II Construction Agreements for the financial year ending 31 December 2015;
“2015 Qiqihar Proposed Cap”	the annual cap for the continuing connected transactions contemplated under the Qiqihar EPC Agreement for the financial year ending 31 December 2015;
“2016 Moyu Proposed Cap”	the annual cap for the continuing connected transactions contemplated under the Moyu Phase II Construction Agreements for the financial year ending 31 December 2016;
“2016 Qiqihar Proposed Cap”	the annual cap for the continuing connected transactions contemplated under the Qiqihar EPC Agreement for the financial year ending 31 December 2016;
“associates”	has the meaning ascribed thereto in the Listing Rules;
“Board”	the board of Directors;
“China He Investment”	China He Investment (Hong Kong) Company Limited 中核投資(香港)有限公司, a company incorporated in Hong Kong with limited liability;
“CNEGC”	中國核工業建設集團公司 (transliterated as China Nuclear Engineering Group Co.*), a state-owned enterprise established in the PRC and owns 55% of Xinhua Water and Electricity;
“CNI (Nanjing)”	中核(南京)能源發展有限公司 (CNI (Nanjing) Energy Development Company Limited), an indirect non-wholly owned subsidiary of the Company which was established in the PRC;
“CNI Energy”	南京中核能源工程有限公司 (transliterated as Nanjing CNI Energy Engineering Company Limited*), an indirect non-wholly owned subsidiary of the Company established in the PRC;
“Company”	China Nuclear Energy Technology Corporation Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the same meaning ascribed thereto in the Listing Rules;

DEFINITIONS

“Director(s)”	director(s) of the Company;
“EPC”	engineering design, procurement and construction;
“First Moyu Phase II Construction Agreement”	the agreement dated 13 November 2015 entered into between CNI Energy and Xinhua Shengshu in relation to the provision of procurement, construction, installation and related services by CNI Energy to Xinhua Shengshu in respect of the first part of the Moyu Phase II Solar Project;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the independent committee of the Board, comprising all of the Independent Non-executive Directors, formed to advise the Independent Shareholders in respect of the Moyu Phase II CCT, the Moyu Proposed Caps, the Qiqihar CCT and the Qiqihar Proposed Caps;
“Independent Non-executive Directors”	the independent non-executive Directors of the Company;
“Independent Shareholder(s)”	Shareholder(s) other than China He Investment and its associates (if they are Shareholders as at the date of the SGM);
“Latest Practicable Date”	30 November 2015, being the latest practicable date prior to printing of this circular for ascertaining certain information contained herein;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Moyu Phase I CCT”	the continuing connected transactions contemplated under the Moyu Phase I Construction Agreement for the year ending 31 December 2015, details of which were set out in the circular of the Company dated 2 April 2015;
“Moyu Phase I Construction Agreement”	the agreement dated 13 March 2015 entered into between CNI Energy and Xinhua Shengshu in relation to the provision of procurement, construction, installation and related services by CNI Energy to Xinhua Shengshu in respect of the Moyu Phase I Solar Project, details of the agreement and the transactions contemplated were set out in the circular of the Company dated 2 April 2015;

DEFINITIONS

“Moyu Phase I Solar Project”	新疆新華墨玉50MWp光伏發電工程第一期 (transliterated as Xinjiang Xinhua Moyu 50MWp Solar Power Project Phase I*) pursuant to the Moyu Phase I Construction Agreement;
“Moyu Phase II CCT”	the continuing connected transactions contemplated under the Moyu Phase II Construction Agreements for the two years ending 31 December 2016;
“Moyu Phase II Construction Agreements”	the First Moyu Phase II Construction Agreement and the Second Moyu Phase II Construction Agreement;
“Moyu Phase II Solar Project”	新疆新華墨玉130MWp光伏發電工程第二期 (transliterated as Xinjiang Xinhua Moyu 130MWp Solar Power Project Phase II*) pursuant to the Moyu Phase II Construction Agreements;
“Moyu Proposed Caps”	the annual caps for the continuing connected transactions contemplated under (i) the Moyu Phase I Construction Agreement for the year ending 31 December 2015; and (ii) the Moyu Phase II Construction Agreements for the two financial years ending 31 December 2016;
“Moyu Solar Projects”	the Moyu Phase I Solar Project and the Moyu Phase II Solar Project;
“MWp”	Megawatt Peak;
“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;
“Proton Capital” or “Independent Financial Adviser”	Proton Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of (i) the Moyu Phase II Construction Agreements and the transactions contemplated thereunder and the Moyu Proposed Caps; and (ii) the Qiqihar EPC Agreement and the transactions contemplated thereunder and the Qiqihar Proposed Caps;
“Qiqihar CCT”	the continuing connected transactions contemplated under the Qiqihar EPC Agreement for the two financial years ending 31 December 2016;

DEFINITIONS

“Qiqihar EPC Agreement”	the agreement dated 13 November 2015 entered into between CNI Energy and Qiqihar JV in relation to the provision of engineering design, procurement, construction, installation and related services by CNI Energy to Qiqihar JV in respect of the Qiqihar Solar Project;
“Qiqihar JV”	中核齊齊哈爾太陽能發電有限公司 (transliterated as Zhong He Qiqihar Solar Power Generation Company Limited*), a limited liability company established in the PRC;
“Qiqihar Proposed Caps”	the annual caps for the continuing connected transactions contemplated under the Qiqihar EPC Agreement for the two financial years ending 31 December 2016;
“Qiqihar Solar Project”	中核齊齊哈爾分佈式光伏發電項目 (transliterated as Zhong He Qiqihar Distributed Solar Power Generation Project*);
“RMB”	Renminbi, the lawful currency of the PRC;
“Second Moyu Phase II Construction Agreement”	the agreement dated 13 November 2015 entered into between CNI Energy and Xinhua Shengshu in relation to the provision of procurement, construction, installation and related services by CNI Energy to Xinhua Shengshu in respect of the second part of the Moyu Phase II Solar 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 Moyu Phase II CCT, the Moyu Proposed Caps, the Qiqihar CCT and the Qiqihar Proposed Caps;
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong);
“Xinhua Hydropower”	新華水力發電有限公司 (transliterated as Xinhua Hydropower Company Limited*), a limited liability company established in the PRC, which is owned by 新華水利控股集團公司 as to 45% and CNEGC as to 55%;

DEFINITIONS

“Xinhua Shengshu”	新疆新華聖樹光伏發電有限公司 (transliterated as Xinjiang Xinhua Shengshu Solar Photovoltaic Company Limited*), a limited liability company established in the PRC, which is wholly-owned by Xinhua Water and Electricity;
“Xinhua Water and Electricity”	新疆新華水電投資股份有限公司 (transliterated as Xinjiang Xinhua Water and Electricity Investment Company Limited*), a limited liability company established in the PRC, which is owned by Xinhua Water Hydropower as to 98.11%, 新疆水利水電勘測設計研究院 as to 0.6% and 新疆布爾津縣水電公司 as to 1.29%;
“ZOC”	ZOC Investment Co., Ltd. (中核投資有限公司), a limited liability company established in the PRC, which is wholly owned by CNEGC; and
“%”	per cent.

* *for identification purpose only*

For the purposes of illustration only, any amount denominated in RMB in this circular and translated into HK\$ at the rate of RMB1.0 = HK\$1.22. 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.



中国核建

CHINA NUCLEAR ENERGY TECHNOLOGY CORPORATION LIMITED

中國核能科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 611)

Executive Directors:

Mr. Ai Yilun (*Chairman*)
Mr. Chan Shu Kit (*Vice-Chairman*)
Ms. Jian Qing
Mr. Chung Chi Shing
Mr. Gao Yongping
Mr. Fu Zhigang (*Chief Executive Officer*)
Mr. Tang Chuanqing
Mr. Tang Jianhua

Independent Non-executive Directors:

Mr. Chan Ka Ling, Edmond
Mr. Li Baolin
Mr. Wang Jimin
Mr. Tian Aiping

Registered Office:

The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Head Office and Principal

Place of Business:
Room 2801, 28/F
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

2 December 2015

To the Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

Reference is made to the announcement of the Company dated 13 November 2015.

On 13 November 2015, CNI Energy, an indirect non-wholly owned subsidiary of the Company, entered into the Moyu Phase II Construction Agreements with Xinhua Shengshu, pursuant to which Xinhua Shengshu has agreed to engage CNI Energy as its contractor for the provision of procurement, construction, installation and related services in respect of the Moyu Phase II Solar Project. The aggregate contract value of the Moyu Phase II Construction Agreements is approximately RMB91,091,000 (equivalent to approximately HK\$111,131,000).

LETTER FROM THE BOARD

As all applicable percentage ratios in respect of the Moyu Proposed Caps (having been aggregated with the approved annual cap in respect of the Moyu Phase I CCT, details of which are set out in the circular of the Company dated 2 April 2015) are more than 25%, the transactions contemplated under the Moyu Phase II Construction Agreements and the Moyu Proposed Caps are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

On the same date, CNI Energy, an indirect non-wholly owned subsidiary of the Company, entered into the Qiqihar EPC Agreement with Qiqihar JV, pursuant to which Qiqihar JV has agreed to engage CNI Energy as its contractor for the provision of engineering design, procurement, construction, installation and related services in respect of the Qiqihar Solar Project. The total contract value of the Qiqihar EPC Agreement is approximately RMB27,903,000 (equivalent to approximately HK\$34,042,000).

As all applicable percentage ratios in respect of the Qiqihar Proposed Caps are more than 5% and less than 25% but the aggregated annual amounts receivable by the Company for performing the work pursuant to the Qiqihar EPC Agreement for the two financial years ending 31 December 2016 is more than HK\$10,000,000, the transactions contemplated under the Qiqihar EPC Agreement and the Qiqihar Proposed Caps are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among others, information in relation to (i) the Moyu Phase II Construction Agreements, Qiqihar EPC Agreement and the transactions contemplated thereunder; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Moyu Phase II CCT, the Moyu Proposed Caps, the Qiqihar CCT and the Qiqihar Proposed Caps; (iii) the letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in relation to the Moyu Phase II CCT, the Moyu Proposed Caps, the Qiqihar CCT and the Qiqihar Proposed Caps; and (iv) a notice of the SGM.

LETTER FROM THE BOARD

THE MOYU SOLAR PROJECTS

On 13 November 2015, CNI Energy, an indirect non-wholly owned subsidiary of the Company, entered into the First Moyu Phase II Construction Agreement and the Second Moyu Phase II Construction Agreement with Xinhua Shengshu in relation to the engagement of CNI Energy as its contractor for the provision of procurement, construction, installation and related services in respect of the Moyu Phase II Solar Project.

The principal terms of the First Moyu Phase II Construction Agreement and the Second Moyu Phase II Construction Agreement were arrived at after arm's length negotiations between CNI Energy and Xinhua Shengshu. The considerations of First Moyu Phase II Construction Agreement and the Second Moyu Phase II Construction Agreement are approximately RMB34,970,000 and RMB56,120,000 respectively and other principal terms of the First Moyu Phase II Construction Agreement are substantially the same as the principal terms of and the Second Moyu Phase II Construction Agreement.

Details of the principal terms of the Moyu Phase II Construction Agreements are set out below:

Principal terms of the Moyu Phase II Construction Agreements

Date

13 November 2015

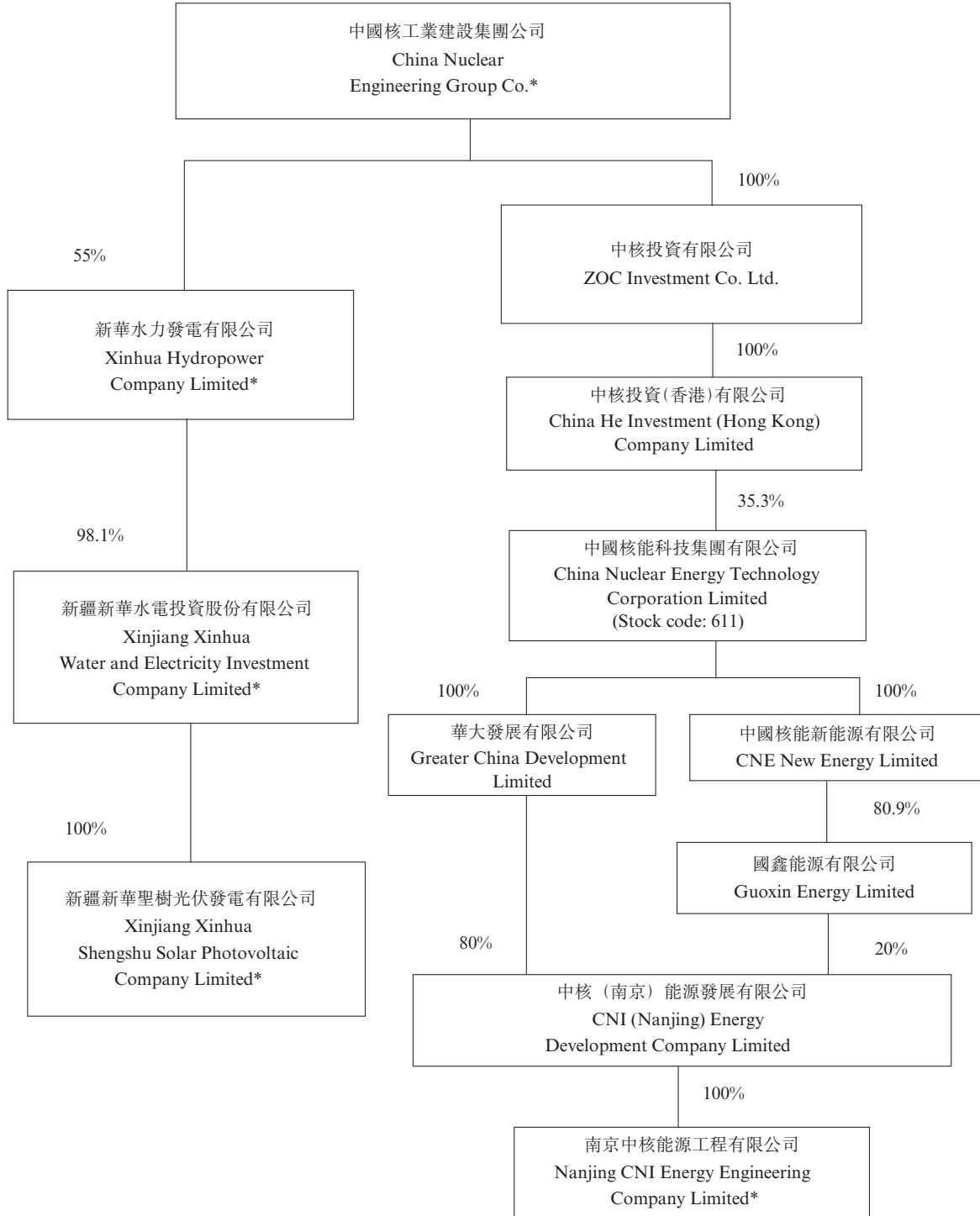
Parties

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

As at the Latest Practicable Date, CNI Energy is an indirect non-wholly owned subsidiary of the Company. The Company is owned as to approximately 35.3% by China He Investment. ZOC holds 100% interests in China He Investment and ZOC is 100% owned by CNEGC. The ultimate beneficial owner of China He Investment is CNEGC. CNEGC holds 55% shareholding interest of Xinhua Hydropower which holds 98.11% shareholding interest of Xinhua Water and Electricity which in turn wholly owns Xinhua Shengshu. Therefore, Xinhua Shengshu is a connected person of the Company within the meaning of the Listing Rules.

LETTER FROM THE BOARD

Set out below is a simplified corporate chart of the Group and Xinhua Shengshu showing the relationship between CNI Energy and Xinhua Shengshu:



LETTER FROM THE BOARD

Term

The Moyu Phase II Construction Agreements shall take effect (and the transactions contemplated thereunder shall only commence) upon obtaining of the Independent Shareholders' approval at the SGM in respect of the Moyu Phase II CCT and the Moyu Proposed Caps until completion of the obligations under the Moyu Phase II Construction Agreements by both parties other than the obligation of CNI Energy in relation to the construction services which shall end within three months from the date of connection of the solar power plant to the electricity grid in the PRC. In addition, the quality assurance period shall be one year from the date of completion of the Moyu Phase II Solar Project as set out in the transfer certificate.

As at the Latest Practicable Date, the tender of CNI Energy for the Moyu Phase II Solar Project has already been granted to and accepted by Xinhua Shengshu, the tenderer.

Nature of Transactions

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

Consideration

The aggregate contract value of the Moyu Phase II Construction Agreements is approximately RMB91,091,000 (equivalent to approximately HK\$111,131,000) which shall be payable by Xinhua Shengshu to CNI Energy in the following manners:

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

LETTER FROM THE BOARD

As at the Latest Practicable Date, the prepayment representing 10% of the total contract value of the Moyu Phase II Construction Agreements has not yet been settled by Xinhua Shengshu. The settlement terms of the contract sum under the Moyu Phase II Construction Agreements, i.e. the prepayment upon provision of the relevant prepayment guarantee; progress payment by reference to the completion status of the relevant work; and the retention money are the same as those in the Moyu Phase I Construction Agreement and they are in line with the settlement terms of the contracts entered into between the Group and independent third parties.

As set out in the circular of the Company dated 2 April 2015, CNI Energy entered into the Moyu Phase I Construction Agreement with Xinhua Shengshu to engage CNI Energy as its contractor for the provision of procurement, construction, installation and related services in respect of the Moyu Phase I Solar Project. The entering into of the Moyu Phase I Construction Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company, details of which are set out in the circular of the Company dated 2 April 2015. The annual cap for the financial year ending 31 December 2015 in the amount of HK\$127,547,000 in respect of the Moyu Phase I CCT has been approved by the Independent Shareholders. As at the Latest Practicable Date, the work under the Moyu Phase I Construction Agreement had been completed.

THE MOYU PROPOSED CAPS

The following table sets out the aggregate annual caps in respect of the continuing connected transactions under the Moyu Phase I Construction Agreement and the Moyu Phase II Construction Agreements for the two financial years ending 31 December 2016.

Continuing connected transactions	Proposed annual cap for the year ending 31 December 2015 (HK\$'000)	Proposed annual cap for the year ending 31 December 2016 (HK\$'000)
<i>Pursuant to the Moyu Phase I Construction Agreement</i>		
— provision of procurement, construction, installation and related services	127,547 <i>(equivalent to approximately RMB101,209,000)</i>	Not applicable
<i>Pursuant to the Moyu Phase II Construction Agreements</i>		
— provision of procurement, construction, installation and related services	24,425 <i>(equivalent to approximately RMB20,020,000)</i>	97,819 <i>(equivalent to approximately RMB80,179,000)</i>
<i>Total:</i>	151,972 <i>(equivalent to approximately RMB121,229,000)</i>	97,819 <i>(equivalent to approximately RMB80,179,000)</i>

LETTER FROM THE BOARD

Set out below is a summary of the major category of services to be provided under the Moyu Phase II Construction Agreements:

Major category of transactions	Major types of products and services	Corresponding contract amount (RMB'000)	Pricing Method	Procedures performed by the Company on price determination
Procurement service	Electrical equipment and transformer facilities (e.g. electricity cables, transformer, Communication system facilities and others (e.g. optical transmission facilities))	29,750	Cost-plus margin-basis with reference to independent third party supplier quotation with minimum mark-up of 2% to 3% on major items depend on the nature and availability of the equipment/facilities to be procured.	<p>In a bid for a tender, the Purchasing Department (物資產值部) of CNI Energy should follow the internal bidding management procedures to obtain price quote from at least two independent third party suppliers and two recent actual transacted price, making reference to the centralized price data system which contains all of the past quotations from independent third party suppliers and the product costs from actual transactions, including raw materials costs and equipment costs. The Purchasing Department then passes the price quotation to the Operation and Planning Department (經營發展部) for assessment. The Operation and Planning Department then assesses the price quotation from independent third party suppliers based on the price level of the quotation, past relationship with the independent third party suppliers, their service quality and associated risks and adds a target profit margin for internal consideration and approval.</p> <p>The final pricing of each product and other major terms of each transaction under a tender shall be considered and approved by each of the project engineer, the chief engineer, the head of the Risk Management Department and the general manager of CNI Energy after taking into consideration the overall profitability of the project, the past transactions and the guideline provided by the tenderer.</p> <p>When bidding for a tender project, CNI Energy would determine the mark-up rate of the procurement services with reference to the target overall profitability of the tender.</p> <p>CNI Energy and the other bidders for the tender project will be assessed by an independent assessor appointed by a tenderer on a scoring system in terms of, among other things, their quality of service, past experiences and the tender price, etc.</p>

LETTER FROM THE BOARD

Major category of transactions	Major types of products and services	Corresponding contract amount (RMB'000)	Pricing Method	Procedures performed by the Company on price determination
Construction and installation services	Equipment rental price (e.g. trucks, crane, digging machine, electricity generator, etc.) and material price (e.g. concrete, cement, stones, steel)	61,341	With reference to government guidance price (usually updated on a yearly basis)	The Operation and Planning Department of CNI Energy would monitor the regular update in the pricing guideline, namely the Recommended Market Prices of Construction Material Industry in Nanjing* (南京市工程建設材料市場指導價格) and Prices Information of Construction Projects in Nanjing* (南京市工程造價管理 — 價格資訊) (together, the “ Nanjing Construction Price Guidelines ”) issued by the Management Office for Construction Prices in Nanjing* (南京市建設工程造價管理處)
	Salary of construction worker		With reference to government guidance price (Prices Information of Construction Projects in Nanjing* (南京市工程造價管理 — 價格資訊) issued by the Management Office for Construction Prices in Nanjing* (南京市建設工程造價管理處))	from time to time. As the construction and installation services are provided by the construction workers of CNI Energy based in Nanjing, the market prices of the relevant equipment rental price, material price and the salary of construction workers as appeared in the Nanjing Construction Price Guidelines are used as reference on price determination.
				In a bid for tender, the pricing of the equipment rental price, material price and the salary of construction workers for construction and installation services in general follow the guidance prices on the Nanjing Construction Price Guidelines.
				91,091
				111,131
				11,113
				122,244 <i>(approximately RMB100,200,000)</i>
				24,425 <i>(approximately RMB20,020,000)</i>
				97,819 <i>(approximately RMB80,179,000)</i>

LETTER FROM THE BOARD

Taking into consideration (i) the internal control procedures of CNI Energy that are in place for setting the price quotation; (ii) the use of the regularly updated government guidance price; and (iii) the tender under the Moyu Solar Projects having gone through a selection process assessed by an independent assessor appointed by Xinhua Shengshu, the Board considers that the pricing methods and procedures as mentioned above can ensure that the prices under the Moyu Phase II Construction Agreements will be no less favourable to the Company than those available to or from independent third parties.

Basis in determining the Moyu Proposed Caps

In determining the Moyu Proposed Caps, the Board has based their estimates on the contract value of (i) the Moyu Phase I Construction Agreement for the year ending 31 December 2015; and (ii) the Moyu Phase II Construction Agreements for the two financial years ending 31 December 2016. Important and objective assumptions and factors, though not exhaustive but were arrived at after due and careful consideration of data currently in hand, are set out as below:

- (i) the quantity of construction equipment and materials to be procured by CNI Energy in relation to the Moyu Solar Projects;
- (ii) the extent of the construction, installation and related services required to be provided by CNI Energy in relation to the Moyu Solar Projects;
- (iii) the expected unit prices of the relevant construction equipment to be rented, the construction equipment and materials to be procured and the construction, installation and related services to be provided; and
- (iv) the expected time required for the completion of different stages of the Moyu Solar Projects as set out in the contemplated construction schedule of the Moyu Solar Projects and the corresponding costs to be incurred during each stage of the project for the determination of the amount of the 2015 Moyu Proposed Cap and the 2016 Moyu Proposed Cap.

The Company has estimated the quantity of equipment and materials to be procured based on the number of each category of the equipment and materials necessary to complete the Moyu Solar Projects in accordance with the required scope of work under the Moyu Phase II Construction Agreements and the Moyu Phase I Construction Agreement respectively. Regarding the extent of construction, installation and related services, the Company has estimated such extent based on (i) the number of man-hour of relevant worker and technical staff; and (ii) the type and number of construction equipment to be rented for performing the work under the Moyu Solar Projects as specified in the Moyu Phase II Construction Agreements and the Moyu Phase I Construction Agreement respectively and the relevant tender. Besides, the Company has estimated the expected unit price of the construction equipment to be rented, the construction equipment and materials to be procured and the service fees by making references to, amongst other things, third party supplier/service provider quotations, guidance prices and general salary level of construction work published regularly by local authorities.

LETTER FROM THE BOARD

When determining the amount and the split of the Moyu Proposed Caps between 2015 and 2016, the Company has taken into consideration the expected time required for the completion of different stages of the Moyu Solar Projects and the corresponding costs to be incurred during each stage of the project. Under normal conditions, the typical milestones of the Moyu Solar Projects are in the order of (i) procurement of equipment, facilities and materials; (ii) commencement of construction work; (iii) connection of the solar power plant to the electricity grid in the PRC; and (iv) acceptance inspection by the tenderer. For the Moyu Phase II Solar Project which has a relatively large scale at 130MWp, it normally takes around three to five months to complete all stages of the solar project upon commencement.

Details of the Moyu Phase I Construction Agreement and the basis in determining the annual cap in respect of the Moyu Phase I CCT are set out in the circular of the Company dated 2 April 2015. The annual cap in respect of the Moyu Phase I CCT has been approved by the Independent Shareholders.

For determination of the Moyu Proposed Caps in respect of the continuing connected transactions contemplated under the Moyu Phase II Construction Agreements, a buffer has been made to cater for the change in quantity/extent of the construction equipment and materials, as the Moyu Phase II Construction Agreements have provided terms which permit the contract value to be adjusted if there is any change in the requirements or conditions of the Moyu Phase II Solar Project. The buffer will also cater for any foreign exchange rate difference in accounts reporting due to the fluctuation in translation rate from RMB to HK\$.

The basis of determination of the buffer is by making reference to 10% of the total contract value of the Moyu Phase II Construction Agreements based on the past experience of the management of the Company which could cater for any possible additional work that are required to be performed by CNI Energy for the counterparty to the Moyu Phase II Construction Agreements estimated by CNI Energy. In addition, since the reporting currency of the Company and the Moyu Proposed Caps are in HK\$ while the contract value of the Moyu Phase II Construction Agreements is denominated in RMB, the Company has taken into consideration the recent fluctuations of the translation rate from RMB to HK\$ in determining the buffer in order to cater for any increase in the transacted amount when converting such amount from RMB to HK\$ if RMB appreciates against HK\$.

The reasons for applying a buffer are that due to the nature of the construction industry, there may be change in quantity or extent of the construction equipment and materials to be provided by CNI Energy for the relevant transactions contemplated under the Moyu Phase II Construction Agreements. There may also be additional work required to be performed by CNI Energy before completion of the projects or change in the requirements by the counterparty to the Moyu Phase II Construction Agreements during the actual construction or installation process. As such, in determining the Moyu Proposed Caps, the Company has to take into account of such factors and the foreign exchange rate difference due to the time involved for such projects. CNI Energy has considered such factors to the extent possible when determining the contract value of the Moyu Phase II Construction Agreements but the Company considers that if the aforesaid unforeseen circumstances shall arise, a buffer would enable CNI Energy to continue carrying on the

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projects without causing any delay to or interruption on the work progress of the counterparty of the Moyu Phase II Construction Agreements provided that such buffer would fall within the ambit of the Moyu Proposed Caps.

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

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

PRINCIPAL BUSINESS OF XINHUA SHENGSHU

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

MATERIAL INTEREST OF DIRECTORS IN THE MOYU PHASE II CCT

As at the Latest Practicable Date, Mr. Ai Yilun, who is the chairman and an executive Director, Mr. Gao Yongping, Mr. Fu Zhigang and Mr. Tang Chuanqing who are executive Directors, are materially interested in the Moyu Phase II CCT as each of Mr. Ai Yilun, Mr. Gao Yongping, Mr. Fu Zhigang and Mr. Tang Chuanqing holds senior management position in ZOC which is 100% owned by CNEGC and ZOC holds 100% interests in China He Investment. Furthermore, Mr. Ai Yilun is a director of ZOC. China He Investment holds 400,000,000 Shares, representing approximately 35.3% equity interest of the Company and therefore is the controlling shareholder (as defined in the Listing Rules) of the Company. As such, Mr. Ai Yilun, Mr. Gao Yongping, Mr. Fu Zhigang and Mr. Tang Chuanqing have abstained from voting on the relevant board resolutions in respect of the Moyu Phase II CCT and the Moyu Proposed Caps.

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THE QIQIHAR SOLAR PROJECT

On 13 November 2015, CNI Energy, an indirect non-wholly owned subsidiary of the Company, entered into the Qiqihar EPC Agreement with Qiqihar JV, pursuant to which Qiqihar JV has agreed to engage CNI Energy as its contractor for the provision of engineering design, procurement, construction, installation and related services in respect of the Qiqihar Solar Project. The total contract value of the Qiqihar EPC Agreement is approximately RMB27,903,000 (equivalent to approximately HK\$34,042,000).

Details of the principal terms of the Qiqihar EPC Agreement are set out below:

Principal terms of the Qiqihar EPC Agreement

Date

13 November 2015

Parties

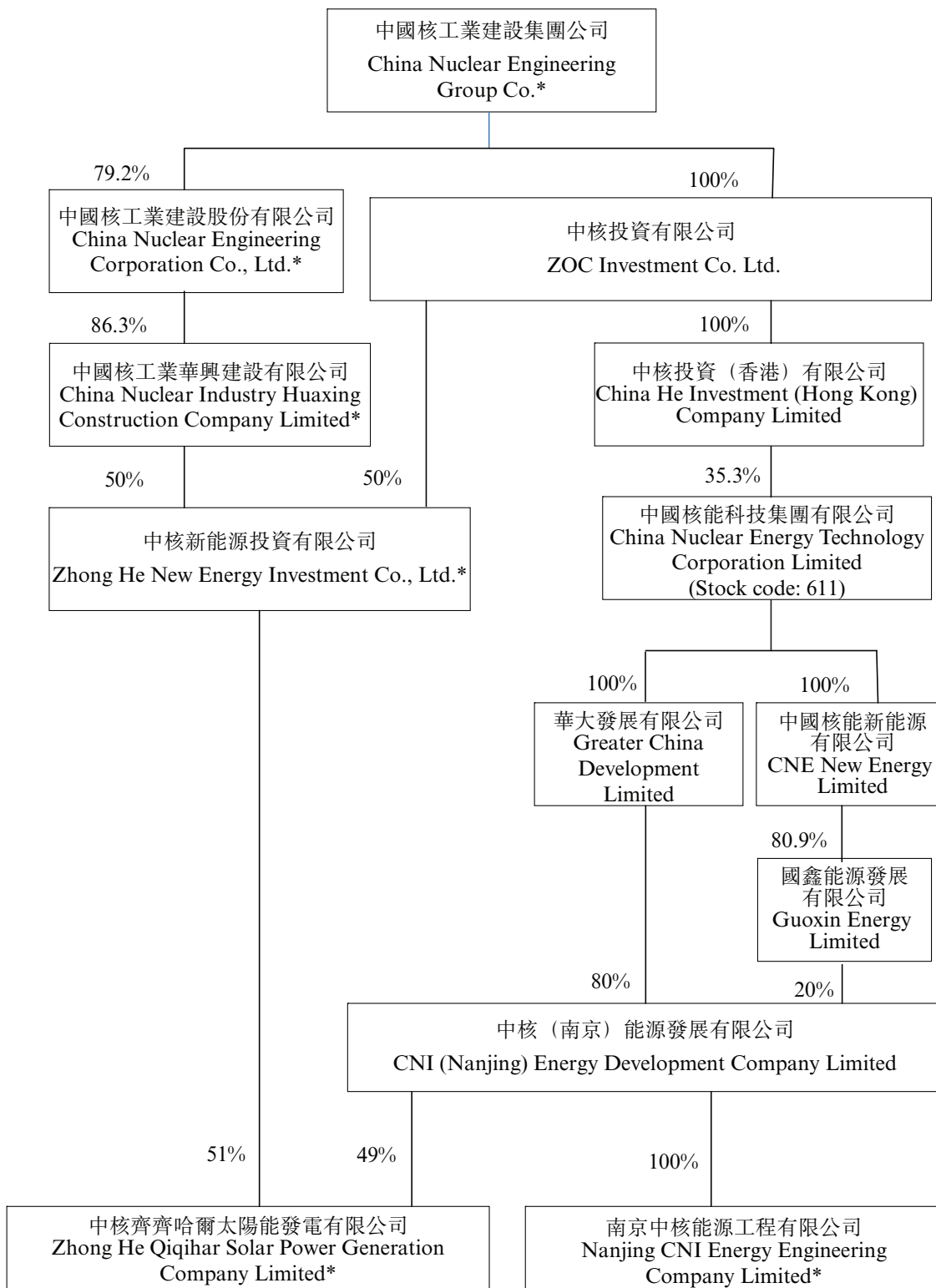
- (1) CNI Energy; and
- (2) Qiqihar JV

As at the Latest Practicable Date, CNI Energy is an indirect non-wholly owned subsidiary of the Company.

Qiqihar JV is an indirect non-wholly owned subsidiary of ZOC, which is the holding company of China He Investment. China He Investment has approximately 35.3% interest in the Company and is a substantial shareholder of the Company. As a result, Qiqihar JV is a connected person of the Company by virtue of it being an associate of the substantial shareholder of the Company.

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Set out below is a simplified corporate chart of the Group and Qiqihar JV showing the relationship between CNI Energy and Qiqihar JV:



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Term

The Qiqihar EPC Agreement shall take effect (and the transactions contemplated thereunder shall only commence) upon obtaining of the Independent Shareholders' approval at the SGM in respect of the Qiqihar CCT and the Qiqihar Proposed Caps until completion of the obligations under the Qiqihar EPC Agreement by both parties other than the obligation of CNI Energy in relation to the construction services which shall end on 28 February 2016. In addition, the quality assurance period shall be being one year from the completion of the Qiqihar Solar Project.

As at the Latest Practicable Date, the tender of CNI Energy for the Qiqihar Solar Project has already been granted to and accepted by Qiqihar JV, as tenderer.

Nature of Transactions

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

Consideration

The contract value of the Qiqihar EPC Agreement is approximately RMB27,903,000 (equivalent to approximately HK\$34,042,000) which shall be payable by Qiqihar JV to CNI Energy in the following manners:

- (i) 30% of the total contract value as prepayment to be settled within 10 days after CNI Energy has provided to Qiqihar JV the relevant prepayment guarantee and acceptance of the same by Qiqihar JV;

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- (ii) (a) 65% of the contract value of the engineering work as progress payment which will be payable by Qiqihar JV to CNI Energy within 10 days from acceptance of the connection work to the power grid; (b) 30% of the contract value of the procurement of equipment will be payable by Qiqihar JV to CNI Energy within 10 days from acceptance of the equipment and another 30% of the contract value of the procurement part will be payable by Qiqihar JV to CNI Energy within 10 days from acceptance of the connection work to the power grid; and (c) 60% of the contract value of the construction work as progress payment which will be payable by Qiqihar JV to CNI Energy within 10 days from acceptance of the connection work to the power grid; and
- (iii) (a) 5% of the aggregate contract value of the engineering work and construction work; and (b) 10% of the contract value of the procurement of equipment, will be retained as retention money to be settled within 28 days after the expiry of the quality assurance period (being one year from the completion of the Qiqihar Solar Project and acceptance of the same by and transfer of the same for operation to Qiqihar JV).

As at the Latest Practicable Date, the prepayment representing 30% of the total contract value has been paid by Qiqihar JV. The settlement terms of the contract sum under the Qiqihar EPC Agreement, i.e. the prepayment upon provision of the relevant prepayment guarantee; progress payment by reference to the completion status of the relevant work; and the retention money are in line with the settlement terms of the contracts entered into between the Group and independent third parties.

QIQIHAR PROPOSED CAPS

The following table sets out the aggregate annual caps in respect of the continuing connected transactions under the Qiqihar EPC Agreement for the two financial years ending 31 December 2016.

Continuing connected transactions	Proposed annual cap for the year ending 31 December 2015 (HK\$'000)	Proposed annual cap for the year ending 31 December 2016 (HK\$'000)
<i>Pursuant to the Qiqihar EPC Agreement</i>		
— provision of engineering design, procurement, construction, installation and related services	26,413 <i>(equivalent to approximately RMB21,650,000)</i>	11,033 <i>(equivalent to approximately RMB9,043,000)</i>

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Set out below is a summary of the major category of services to be provided under the Qiqihar EPC Agreement:

Major category of transactions	Major types of products and services	Corresponding contract amount (RMB'000)	Pricing Method	Procedures performed by the Company on price determination
Engineering design service	Engineering design of the construction and installation work	500	With reference to general salary level of engineering staff in the solar energy industry	In a bid for a tender, the pricing for the design and engineering service follows the general salary level of engineering staff in the solar energy industry.
Procurement service	Electrical equipment and transformer facilities (e.g. electricity cables, transformer, Communication system facilities and others (e.g. optical transmission facilities))	19,765	Cost-plus margin-basis with reference to independent third party supplier quotation with minimum mark-up of 2% to 3% on major items depend on the nature and availability of the equipment/facilities to be procured.	<p>In a bid for a tender, the Purchasing Department (物資產值部) of CNI Energy should follow the internal bidding management procedures to obtain price quote from at least two independent third party suppliers and two recent actual transacted price, making reference to the centralized price data system which contains all of the past quotations from independent third party suppliers and the product costs from actual transactions, including raw materials costs and equipment costs. The Purchasing Department then passes the price quotation to the Operation and Planning Department (經營發展部) for assessment. The Operation and Planning Department then assesses the price quotation from independent third party suppliers based on the price level of the quotation, past relationship with the independent third party suppliers, their service quality and associated risks and adds a target profit margin for internal consideration and approval.</p> <p>The final pricing of each product and other major terms of each transaction under a tender shall be considered and approved by each of the project engineer, the chief engineer, the head of the Risk Management Department and the general manager of CNI Energy after taking into consideration the overall profitability of the project, the past transactions and the guideline provided by the tenderer.</p> <p>When bidding for a tender project, CNI Energy would determine the mark-up rate of the procurement services with reference to the target overall profitability of the tender. CNI Energy and the other bidders for the tender project will be assessed by an independent assessor appointed by a tenderer on a scoring system in terms of, among other things, their quality of service, past experiences and the tender price, etc.</p>

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Major category of transactions	Major types of products and services	Corresponding contract amount (RMB'000)	Pricing Method	Procedures performed by the Company on price determination
Construction and installation services	Equipment rental price (e.g. trucks, crane, digging machine, electricity generator, etc.) and material price (e.g. concrete, cement, stones, steel)	7,638	With reference to government guidance price (usually updated on a yearly basis)	The Operation and Planning Department of CNI Energy would monitor the regular update in the pricing guideline, namely the Recommended Market Prices of Construction Material Industry in Nanjing* (南京市工程建設材料市場指導價格) and Prices Information of Construction Projects in Nanjing* (南京市工程造價管理 — 價格資訊) (together, the “ Nanjing Construction Price Guidelines ”) issued by the Management Office for Construction Prices in Nanjing* (南京市建設工程造價管理處) from time to time. As the construction and installation services are provided by the construction workers of CNI Energy based in Nanjing, the market prices of the relevant equipment rental price, material price and the salary of construction workers as appeared in the Nanjing Construction Price Guidelines are used as reference on price determination.
	Salary of construction worker		With reference to government guidance price (Prices Information of Construction Projects in Nanjing* (南京市工程造價管理 — 價格資訊) issued by the Management Office for Construction Prices in Nanjing* (南京市建設工程造價管理處))	
Total contract value (RMB'000)				27,903
Total contract value (HK\$'000)				34,042
Add: buffer (HK\$'000)				<u>3,404</u>
Aggregate of 2015 Qiqihar Proposed Cap and 2016 Qiqihar Proposed Cap (HK\$'000)				37,446 <i>(approximately</i> <u><u>RMB30,693,000</u></u>)
2015 Qiqihar Proposed Cap (HK\$'000)				26,413 <i>(approximately</i> <u><u>RMB21,650,000</u></u>)
2016 Qiqihar Proposed Cap (HK\$'000)				11,033 <i>(approximately</i> <u><u>RMB9,043,000</u></u>)

Taking into consideration (i) the internal control procedures of CNI Energy that are in place for setting the price quotation; (ii) the use of the regularly updated government guidance price; and (iii) the tender under the Qiqihar Solar Project having gone through a

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selection process assessed by an independent assessor appointed by Qiqihar JV, the Board considers that the pricing methods and procedures as mentioned above can ensure that the prices under the Qiqihar EPC Agreement will be no less favourable to the Company than those available to or from independent third parties.

Basis in determining the Qiqihar Proposed Caps

In determining the Qiqihar Proposed Caps for the Qiqihar CCT involving the provision of engineering design, procurement, construction, installation and related services by CNI Energy to Qiqihar JV, the Board has based their estimates on the contract value of the Qiqihar EPC Agreement for the two financial years ending 31 December 2016. Important and objective assumptions and factors, though not exhaustive but were arrived at after due and careful consideration of data currently in hand, are set out as below:

- (i) the extent of the engineering design services (such as construction plan and relevant design and drawings) provided or required to be provided by CNI Energy in relation to the Qiqihar Solar Project;
- (ii) the expected unit prices of relevant engineering design services;
- (iii) the quantity of construction equipment and materials to be procured by CNI Energy in relation to the Qiqihar Solar Project;
- (iv) the extent of the construction, installation and related services required to be provided by CNI Energy in relation to the Qiqihar Solar Project;
- (v) the expected unit prices of the relevant construction equipment to be rented, the construction equipment and materials to be procured and the construction, installation and related services to be provided; and
- (vi) the expected time required for the completion of different stages of the Qiqihar Solar Project as set out in the contemplated construction schedule of the Qiqihar Solar Project and the corresponding costs to be incurred during each stage of the project for the determination of the amount of the 2015 Qiqihar Proposed Cap and the 2016 Qiqihar Proposed Cap.

In respect of the engineering services, the Company has estimated the extent of engineering design services based on (i) the number of man-hour of engineering staff; and (ii) the travelling frequency of engineering staff necessary to perform the work for the Qiqihar Solar Project as specified in the Qiqihar EPC Agreement and the tender. The Company has enquired a consultancy service company for the general salary level of relevant staff to provide similar services in the solar energy industry to determine the unit engineering staff cost. The services fee was then determined based on such unit staff cost level plus, among other things, the expected related expenses, such as staff travelling cost.

In respect of the procurement, construction, installation and related services, the Company has estimated the quantity of equipment and materials to be procured based on the number of each category of the equipment and materials necessary to complete the

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Qiqihar Solar Project in accordance with the required scope of work under the Qiqihar EPC Agreement. Regarding the extent of construction, installation and related services, the Company has estimated such extent based on (i) the number of man-hour of relevant worker and technical staff; and (ii) the type and number of construction equipment to be rented for performing the work under the Qiqihar Solar Project as specified in the Qiqihar EPC Agreement and the relevant tender. Besides, the Company has estimated the expected unit price of the construction equipment to be rented, the construction equipment and materials to be procured and the service fees by making references to, amongst other things, third party supplier/service provider quotations, guidance prices and general salary level of construction work published regularly by local authorities.

When determining the amount and the split of the Qiqihar Proposed Cap between 2015 and 2016, the Company has taken into consideration the expected time required for the completion of different stages of the Qiqihar Solar Project and the corresponding costs to be incurred during each stage of the project. Under normal conditions, the typical milestones of the Qiqihar Solar Project are in the order of (i) engineering design of the project; (ii) procurement of equipment, facilities and materials; (iii) commencement of construction work; (iv) connection of the solar power plant to the electricity grid in the PRC; and (v) acceptance inspection by the tenderer. For the Qiqihar Solar Project which has a relatively small scale at 3MWp, it normally takes around one to two months to complete all stages of the solar project upon commencement.

The Company has also made additional consideration to the amount of the procurement services to be provided by the Group pursuant to the Qiqihar EPC Agreement whereby procurement services represent approximately 70% of the total contract sum. Given the small scale of the Qiqihar Solar Project and the shorter time required to complete the solar project, a relatively more significant amount of the equipment, facilities and materials to be used for a project are required to be procured once a project starts, thus it is necessary for the Group to set the 2015 Qiqihar Proposed Cap at a higher level in order to cater for the procurement needs.

For determination of the Qiqihar Proposed Caps in respect of the continuing connected transactions contemplated under the Qiqihar EPC Agreement, a buffer has been made to cater for the change in quantity/extent of the construction equipment and materials, as the Qiqihar EPC Agreement have provided terms which permit the contract value to be adjusted if there is any change in the requirements or conditions of the Qiqihar Solar Project. The buffer will also cater for any foreign exchange rate difference in accounts reporting due to the fluctuation in translation rate from RMB to HK\$.

The basis of determination of the buffer is by making reference to 10% of the total contract value of the Qiqihar EPC Agreement based on the past experience of the management of the Company which could cater for any possible additional work that are required to be performed by CNI Energy for the counterparty to the Qiqihar EPC Agreement estimated by CNI Energy. In addition, since the reporting currency of the Company and the Qiqihar Proposed Caps are in HK\$ while the contract value of the Qiqihar EPC Agreement is denominated in RMB, the Company has taken into

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consideration the recent fluctuations of the translation rate from RMB to HK\$ in determining the buffer in order to cater for any increase in the transacted amount when converting such amount from RMB to HK\$ if RMB appreciates against HK\$.

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

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

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

PRINCIPAL BUSINESS OF QIQIHAR JV

The scope of business of Qiqihar JV includes, among other things, solar power generation and sales, solar power energy generation technology consultancy services, development of photovoltaic energy technology, construction and engineering of solar power photovoltaic energy systems.

MATERIAL INTEREST OF DIRECTORS IN THE QIQIHAR CCT

As at the Latest Practicable Date, Mr. Ai Yilun, who is the chairman and an executive Director, Mr. Gao Yongping, Mr. Fu Zhigang and Mr. Tang Chuanqing who are executive Directors, are materially interested in the Qiqihar CCT as each of Mr. Ai Yilun, Mr. Gao Yongping, Mr. Fu Zhigang and Mr. Tang Chuanqing holds senior management position in ZOC which is 100% owned by CNEGC and ZOC holds 100% interests in China He Investment. Furthermore, Mr. Ai Yilun is a director of ZOC. China He Investment holds

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400,000,000 Shares, representing approximately 35.3% equity interest of the Company and therefore is the controlling shareholder (as defined in the Listing Rules) of the Company. As such, Mr. Ai Yilun, Mr. Gao Yongping, Mr. Fu Zhigang and Mr. Tang Chuanqing have abstained from voting on the relevant board resolutions in respect of the Qiqihar CCT and the Qiqihar Proposed Caps.

REASONS FOR AND BENEFITS OF THE MOYU PHASE II CCT AND THE QIQIHAR CCT

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

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

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

The Directors (including the Independent Non-executive Directors but except for Messrs. Mr. Ai Yilun, Mr. Gao Yongping, Mr. Fu Zhigang and Mr. Tang Chuanqing (together, the “**Excluded Directors**”) who had abstained from voting at the Board meeting approving, among others, the Moyu Proposed Caps, the Moyu Phase II Construction

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Agreements and the transactions contemplated thereunder, the Qiqihar Proposed Caps, the Qiqihar EPC Agreement and the transactions contemplated thereunder due to the reasons stated in the sections headed “Material Interest of Directors in the Moyu Phase II CCT” and “Material Interest of Directors in the Qiqihar CCT”) consider that the Moyu Phase II CCT and the Qiqihar CCT were entered into in the ordinary course of business of the Group and on normal commercial terms, and the terms and conditions therein (including the Moyu Proposed Caps and the Qiqihar Proposed Caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors (including the Independent Non-executive Directors but except for the Excluded Directors) considers that the Moyu Phase II CCT and the Qiqihar CCT will be carried out in the ordinary and usual course of business of CNI Energy and on normal commercial terms or better from the perspective of CNI Energy, and the terms of the transactions are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Moyu Phase I CCT and the Moyu Phase II CCT

As at the Latest Practicable Date, CNI Energy is an indirect non-wholly owned subsidiary of the Company. The Company is owned as to approximately 35.3% by China He Investment. ZOC holds 100% interests in China He Investment and ZOC is 100% owned by CNEGC. The ultimate beneficial owner of China He Investment is CNEGC. CNEGC holds 55% shareholding interest of Xinhua Hydropower which holds 98.11% shareholding interest of Xinhua Water and Electricity which in turn wholly owns Xinhua Shengshu. Therefore, Xinhua Shengshu is a connected person of the Company within the meaning of the Listing Rules and the entering into of the Moyu Phase II Construction Agreements constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios in respect of the Moyu Proposed Caps (having been aggregated with the approved annual cap in respect of the Moyu Phase I CCT, details of which are set out in the circular of the Company dated 2 April 2015) are more than 25%, the transactions contemplated under the Moyu Phase II Construction Agreements and the Moyu Proposed Caps are subject to the reporting, announcement, annual review and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules. The annual cap in respect of the Moyu Phase I CCT has been approved by the Independent Shareholders.

The Qiqihar CCT

Qiqihar JV is an indirect non-wholly owned subsidiary of ZOC, which is the holding company of China He Investment. China He Investment has approximately 35.3% interest in the Company and is a substantial shareholder of the Company. As a result, Qiqihar JV is a connected person of the Company by virtue of it being an associate of the substantial

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shareholder of the Company. Therefore, the entering into of the Qiqihar EPC Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

As all applicable percentage ratios in respect of the Qiqihar Proposed Caps are more than 5% and less than 25% but the aggregated annual amounts receivable by the Company for performing the work pursuant to the Qiqihar EPC Agreement for the two financial years ending 31 December 2016 is more than HK\$10,000,000, the transactions contemplated under the Qiqihar EPC Agreement and the Qiqihar Proposed Caps are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE SGM

A notice convening the SGM at which ordinary resolutions will be proposed to consider and, if thought fit, to approve (i) the Moyu Phase II Construction Agreements and the transactions contemplated thereunder and the Moyu Proposed Caps; and (ii) the Qiqihar EPC Agreement and the transactions contemplated thereunder and the Qiqihar Proposed Caps to be held at Jade Terrace Restaurant, 2nd Floor, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 18 December 2015 at 3:00 p.m., is set out on pages SGM-1 to SGM-2 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.

In accordance with the requirements of the Listing Rules, the ordinary resolutions to be put forward at the SGM will be voted on by the Independent Shareholders by way of poll. China He Investment, holding 400,000,000 Shares, representing approximately 35.3% equity interest of the Company, and its associates are required to abstain from voting on the resolution to be proposed at the SGM to approve (i) the Moyu Proposed Caps and the Moyu Phase II Construction Agreements and the transactions contemplated thereunder; and (ii) the Qiqihar Proposed Caps and the Qiqihar EPC Agreement and the transactions contemplated thereunder.

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 (i) the Moyu Phase II Construction Agreements and the transactions contemplated thereunder and the Moyu Proposed Caps; and (ii) the Qiqihar EPC Agreement and the transactions contemplated thereunder and the Qiqihar Proposed Caps are in the interests of the

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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 30 to 31 of this circular.

Proton Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the Moyu Phase II Construction Agreements and the transactions contemplated thereunder and the Moyu Proposed Caps; and (ii) the Qiqihar EPC Agreement and the transactions contemplated thereunder and the Qiqihar Proposed Caps 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 Proton Capital is set out on pages 32 to 59 of this circular.

RECOMMENDATION

The Board (including all of the independent non-executive Directors after taking into account the opinion of the Independent Financial Advisor) believes that (i) the Moyu Phase II Construction Agreements and the transactions contemplated thereunder and the Moyu Proposed Caps; and (ii) the Qiqihar EPC Agreement and the transactions contemplated thereunder and the Qiqihar Proposed Caps 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 (including all of the independent non-executive Directors after taking into account the opinion of the Independent Financial Advisor) recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve (i) the Moyu Phase II Construction Agreements and the transactions contemplated thereunder and the Moyu Proposed Caps; and (ii) the Qiqihar EPC Agreement and the transactions contemplated thereunder and the Qiqihar Proposed Caps.

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 Energy Technology Corporation Limited
AI Yilun
Chairman

* *For identification purpose only*



中国核建

CHINA NUCLEAR ENERGY TECHNOLOGY CORPORATION LIMITED

中國核能科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 611)

2 December 2015

To the Independent Shareholders,

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to its Shareholders dated 2 December 2015 (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 as to whether, in our opinion, (i) the Moyu Phase II Construction Agreements and the transactions contemplated thereunder and the Moyu Proposed Caps; and (ii) the Qiqihar EPC Agreement and the transactions contemplated thereunder and the Qiqihar Proposed Caps are fair and reasonable so far as the Independent Shareholders are concerned. Details of (i) the Moyu Phase II Construction Agreements and the transactions contemplated thereunder and the Moyu Proposed Caps; and (ii) the Qiqihar EPC Agreement and the transactions contemplated thereunder and the Qiqihar Proposed Caps, are set out in the letter from the Board contained in the Circular. Proton Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Moyu Phase II Construction Agreements and the transactions contemplated thereunder and the Moyu Proposed Caps; and (ii) the Qiqihar EPC Agreement and the transactions contemplated thereunder and the Qiqihar Proposed Caps. Details of its advice and the principal factors taken into consideration in arriving at its recommendations are set out in the letter from Proton Capital contained in the Circular.

Having considered (i) terms of the Moyu Phase II Construction Agreements, the Qiqihar EPC Agreement and the transactions contemplated thereunder, the Moyu Proposed Caps, the Qiqihar Proposed Caps; and (ii) taking into account the information contained in the Circular and the advice of Proton Capital, we are of the opinion that the Moyu Phase II Construction Agreements, the Qiqihar EPC Agreement and the transactions contemplated thereunder, the Moyu Proposed Caps and the Qiqihar Proposed Caps are on normal

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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 resolutions to be put forward at the SGM to approve the Moyu Phase II Construction Agreements, Qiqihar EPC Agreement and the transactions contemplated thereunder, the Moyu Proposed Caps and the Qiqihar Proposed Caps.

Yours faithfully,

Mr. Chan Ka Ling,
Edmond

Mr. Li Baolin

Mr. Wang Jimin

Mr. Tian Aiping

Independent Non-executive Directors

LETTER FROM PROTON CAPITAL

The following is the full text of a letter of advice from Proton Capital to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in the Circular.



普頓資本有限公司
PROTON CAPITAL LIMITED

Unit 1001, 10/F, Chuang's Tower,
30-32 Connaught Road Central, Hong Kong

2 December 2015

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

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Moyu Phase II Construction Agreements and the transactions contemplated thereunder and the Moyu Proposed Caps; and (ii) the Qiqihar EPC Agreement and the transactions contemplated thereunder and the Qiqihar Proposed Caps, particulars of which are set out in the Board's letter (the "**Board's Letter**") as contained in the circular of the Company to the Shareholders dated 2 December 2015 (the "**Circular**") and in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

As set out in the Board's Letter, on 13 November 2015, CNI Energy, an indirect non-wholly owned subsidiary of the Company, entered into the Moyu Phase II Construction Agreements with Xinhua Shengshu, pursuant to which Xinhua Shengshu has agreed to engage CNI Energy as its contractor for the provision of procurement, construction, installation and related services in respect of the Moyu Phase II Solar Project. The aggregate contract value of the Moyu Phase II Construction Agreements is approximately RMB91,091,000 (equivalent to approximately HK\$111,131,000).

As at the Latest Practicable Date, CNI Energy is an indirect non-wholly owned subsidiary of the Company. The Company is owned as to approximately 35.3% by China He Investment. ZOC holds 100% interests in China He Investment and ZOC is 100% owned by CNEGC. The ultimate beneficial owner of China He Investment is CNEGC. CNEGC holds 55% shareholding interest of Xinhua Hydropower which holds 98.11% of Xinhua Water and Electricity which wholly owns Xinhua Shengshu. Therefore, Xinhua Shengshu is a connected person of the Company within the meaning of the Listing Rules and the entering into of the Moyu Phase II Construction Agreements constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

LETTER FROM PROTON CAPITAL

A simplified corporate chart of the Group and Xinhua Shengshu showing the relationship between CNI Energy and Xinhua Shengshu is contained in the Board's Letter under the subsection headed "Principal terms of the Moyu Phase II Construction Agreements",

As all applicable percentage ratios in respect of the Moyu Proposed Caps (having been aggregated with the approved annual cap in respect of the Moyu Phase I CCT, details of which are set out in the circular of the Company dated 2 April 2015) are more than 25%, the transactions contemplated under the Moyu Phase II Construction Agreements and the Moyu Proposed Caps are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The annual cap in respect of the Moyu Phase I CCT has been approved by the Independent Shareholders.

In addition, on the same date of 13 November 2015, CNI Energy, an indirect non-wholly owned subsidiary of the Company, entered into the Qiqihar EPC Agreement with Qiqihar JV, pursuant to which Qiqihar JV has agreed to engage CNI Energy as its contractor for the provision of engineering design, procurement, construction, installation and related services in respect of the Qiqihar Solar Project. The total contract value of the Qiqihar EPC Agreement is approximately RMB27,903,000 (equivalent to approximately HK\$34,042,000).

Qiqihar JV is an indirect non-wholly owned subsidiary of ZOC, which is the holding company of China He Investment. China He Investment has approximately 35.3% interest in the Company and is a substantial shareholder of the Company. As a result, Qiqihar JV is a connected person of the Company by virtue of it being an associate of the substantial shareholder of the Company. Therefore, the entering into of the Qiqihar EPC Agreement constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. A simplified corporate chart of the Group and Qiqihar JV showing the relationship between CNI Energy and Qiqihar JV is contained in the Board's Letter under the subsection headed "Principal terms of the Qiqihar EPC Agreement".

As all applicable percentage ratios in respect of the Qiqihar Proposed Caps are more than 5% and less than 25% but the aggregated annual amounts receivable by the Company for performing the work pursuant to the Qiqihar EPC Agreement for the two financial years ending 31 December 2016 is more than HK\$10,000,000, the transactions contemplated under the Qiqihar EPC Agreement and the Qiqihar Proposed Caps are subject to the reporting, announcement, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all of the Independent Non-executive Directors, namely Mr. Chan Ka Ling, Edmond, Mr. Li Baolin, Mr. Wang Jimin and Mr. Tian Aiping, has been formed to advise the Independent Shareholders as to whether (i) the Moyu Phase II Construction Agreements and the transactions contemplated thereunder and the Moyu Proposed Caps; and (ii) the Qiqihar EPC Agreement and the transactions contemplated thereunder and the Qiqihar Proposed Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the

LETTER FROM PROTON CAPITAL

Shareholders are concerned. We, Proton Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

We are not connected with the directors, chief executive and substantial shareholders of the Company, the Group or their respective associates and do not have any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group as at the Latest Practicable Date, and are therefore considered suitable to give independent advice to the Independent Board Committee and the Independent Shareholders. During the last two years, we (i) were engaged as independent financial adviser to provide independent opinion to the independent non-executive directors of the Company (the “INEDs”) at late 2014 and late 2015, respectively in respect of the Company’s connected transactions for the INEDs’ internal consideration; and (ii) acted as independent financial adviser in respect of the Moyu Phase I Construction Agreement and the transactions as contemplated thereunder as well as the annual cap for the continuing connected transactions contemplated under the Moyu Phase I Construction Agreement for the year ending 31 December 2015 (collectively, the “**Previous Engagements**”). Apart from normal professional fees payable to us by the Company in connection with the Previous Engagements and this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company or the directors, chief executive and substantial shareholders of the Company or any of their subsidiaries or their respective associates.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the management of the Company (the “**Management**”). We have assumed that all information and representations that have been provided by the Directors and the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the Management, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Group, Xinhua Shengshu, Qiqihar JV and their respective controlling shareholder(s) and associates nor have we carried out any independent verification of the information supplied.

Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments including any material

LETTER FROM PROTON CAPITAL

change in market and economic conditions may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company. Where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Proton Capital is to ensure that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the 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 the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice. This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Moyu Phase II Solar Project and the Qiqihar Solar Project, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Moyu Phase II Solar Project and the Qiqihar Solar Project, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for entering into the Moyu Phase II Construction Agreements and the Qiqihar EPC Agreement

As set out in the Board's Letter, the Group is principally engaged in new energy operations (such as provision of EPC services for solar energy plant developers) in the PRC, restaurants and hotels operation and property investments in Hong Kong. In addition, the Group has been participating in other businesses such as (i) inspection, maintenance, repair, construction, installation and provision of expertise in such works for nuclear power plants; and (ii) sub-contracting of overseas engineering and construction projects via its subsidiaries and associated companies. It is the corporate strategy of the Group to continue to identify investment opportunities with the aim to diversify its business to a section which is less susceptible to global financial markets while at the same time has a steady revenue stream.

CNI (Nanjing), an indirect non-wholly owned subsidiary of the Company established on 1 February 2013, is principally engaged in the development and operation of new energy power plant projects; technical advisory and provision of technical services; wholesale of self developed software and electrical equipment; wholesale of solar power components; procurement, completion of full set and installation of machinery and equipment and commissioning services. CNI Energy is a

wholly owned subsidiary of CNI (Nanjing) established on 14 March 2013 which is principally engaged in the provision of subcontracting services in relation to new energy projects such as procurement and sale of equipment and materials, installation and testing of equipment, design, construction and technical consultancy (import and export business). Through CNI (Nanjing) and CNI Energy, the Group has been participating in various construction projects for solar energy plants with different scales in term of MWp. Besides, CNI Energy also possesses the Certificate of Class-B Qualification for Engineering Design in relation to Electricity Industry (Generation of New Energy) (電力行業(新能源發電)專業乙級工程設計資質證書) which allows CNI Energy to participate in the provision of main contracting, project management and related technical and management services in the fields specified therein.

During the financial years ended 31 December 2013 and 2014, CNI Energy entered into several agreements with connected persons of the Group in relation to the EPC projects in order to further expand its business scope and establish its market position in the new energy industry by utilizing the expertise, qualification and resources of CNI (Nanjing) and CNI Energy as well as to generate additional revenue stream.

Based on the foregoing, we consider that there is a justifiable commercial rationale for the Group and it is in the ordinary course of business of the Group to enter into the Moyu Phase II Construction Agreements and the Qiqihar EPC Agreement.

2. (i) The Moyu Phase II Construction Agreements

We have extracted from the Board's Letter the major terms of the Moyu Phase II Construction Agreements as follows:

Term

The Moyu Phase II Construction Agreements shall take effect (and the transactions contemplated thereunder shall only commence) upon obtaining of the Independent Shareholders' approval at the SGM in respect of the Moyu Phase II CCT and the Moyu Proposed Caps until completion of the obligations under the Moyu Phase II Construction Agreements by both parties other than the obligation of CNI Energy in relation to the construction services which shall end within three months from the date of connection of the solar power plant to the electricity grid in the PRC. In addition, the quality assurance period shall be one year from the date of completion of the Moyu Phase II Solar Project as set out in the transfer certificate.

The tender of CNI Energy for the Moyu Phase II Solar Project has already been granted to and accepted by Xinhua Shengshu, the tenderer.

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Nature of Transactions

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

Consideration

The aggregate contract value of the Moyu Phase II Construction Agreements is approximately RMB91,091,000 (equivalent to approximately HK\$111,131,000).

2. (ii) The Moyu Proposed Caps

The following table sets out the aggregate annual caps in respect of the continuing connected transactions under the Moyu Phase I Construction Agreement and the Moyu Phase II Construction Agreements for the two financial years ending 31 December 2016.

Continuing connected transactions	Proposed annual cap for the year ending 31 December	
	2015 <i>(HK\$'000)</i>	2016 <i>(HK\$'000)</i>
<i>Pursuant to the Moyu Phase I Construction Agreement</i>		
— provision of procurement, construction, installation and related services	127,547 <i>(equivalent to approximately RMB101,209,000)</i>	Not applicable
<i>Pursuant to the Moyu Phase II Construction Agreements</i>		
— provision of procurement, construction, installation and related services	24,425 <i>(equivalent to approximately RMB20,020,000)</i>	97,819 <i>(equivalent to approximately RMB80,179,000)</i>
Total:	151,972 <i>(equivalent to approximately RMB121,229,000)</i>	97,819 <i>(equivalent to approximately RMB80,179,000)</i>

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Set out below is a summary of the major category of services to be provided under the Moyu Phase II Construction Agreements:

Major category of transactions	Major types of products and services	Corresponding contract amount (RMB'000)	Pricing Method	Procedures performed by the Company on price determination
Procurement service	Electrical equipment and transformer facilities (e.g. electricity cables, transformer, Communication system facilities and others (e.g. optical transmission facilities))	29,750	Cost-plus margin-basis with reference to independent third party supplier quotation with minimum mark-up of 2% to 3% on major items depend on the nature and availability of the equipment/facilities to be procured.	<p>In a bid for a tender, the Purchasing Department (物資產值部) of CNI Energy should follow the internal bidding management procedures to obtain price quote from at least two independent third party suppliers and two recent actual transacted price, making reference to the centralized price data system which contains all of the past quotations from independent third party suppliers and the product costs from actual transactions, including raw materials costs and equipment costs. The Purchasing Department then passes the price quotation to the Operation and Planning Department (經營發展部) for assessment. The Operation and Planning Department then assesses the price quotation from independent third party suppliers based on the price level of the quotation, past relationship with the independent third party suppliers, their service quality and associated risks and adds a target profit margin for internal consideration and approval.</p> <p>The final pricing of each product and other major terms of each transaction under a tender shall be considered and approved by each of the project engineer, the chief engineer, the head of the Risk Management Department and the general manager of CNI Energy after taking into consideration the overall profitability of the project, the past transactions and the guideline provided by the tenderer.</p>

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Major category of transactions	Major types of products and services	Corresponding contract amount (RMB'000)	Pricing Method	Procedures performed by the Company on price determination
Construction and installation services	Equipment rental price (e.g. trucks, crane, digging machine, electricity generator, etc.) and material price (e.g. concrete, cement, stones, steel)	61,341	With reference to government guidance price (usually updated on a yearly basis) (Recommended Market Prices of Construction Material Industry in Nanjing* (南京市工程建設材料市場指導價格) from the Management Office for Construction Prices in Nanjing* (南京市建設工程造價管理處))	When bidding for a tender project, CNI Energy would determine the mark-up rate of the procurement services with reference to the target overall profitability of the tender. CNI Energy and the other bidders for the tender project will be assessed by an independent assessor appointed by a tenderer on a scoring system in terms of, among other things, their quality of service, past experiences and the tender price, etc.
	Salary of construction worker		With reference to government guidance price (Prices Information of Construction Projects in Nanjing* (南京市工程造價管理 — 價格資訊) issued by the Management Office for Construction Prices in Nanjing* (南京市建設工程造價管理處))	The Operation and Planning Department of CNI Energy would monitor the regular update in the pricing guideline, namely the Recommended Market Prices of Construction Material Industry in Nanjing* (南京市工程建設材料市場指導價格) and Prices Information of Construction Projects in Nanjing* (南京市工程造價管理-價格資訊) (together, the “Nanjing Construction Price Guidelines”) issued by the Management Office for Construction Prices in Nanjing* (南京市建設工程造價管理處) from time to time. As the construction and installation services are provided by the construction workers of CNI Energy based in Nanjing, the market prices of the relevant equipment rental price, material price and the salary of construction workers as appeared in the Nanjing Construction Price Guidelines are used as reference on price determination.

LETTER FROM PROTON CAPITAL

Major category of transactions	Major types of products and services	Corresponding contract amount <i>(RMB'000)</i>	Pricing Method	Procedures performed by the Company on price determination
				In a bid for tender, the pricing of the equipment rental price, material price and the salary of construction workers for construction and installation services in general follow the guidance prices on the Nanjing Construction Price Guidelines.
	Total contract value in respect of the Moyu Phase II Construction Agreements <i>(RMB'000)</i>	91,091		
	Total contract value in respect of the Moyu Phase II Construction Agreements <i>(HK\$'000)</i>	111,131		
	Add: buffer <i>(HK\$'000)</i>	<u>11,113</u>		
	Aggregate of the annual caps in respect of the Moyu Phase II CCT for the two financial years ending 31 December 2016 <i>(HK\$'000)</i>	122,244 (approximately <u>RMB100,200,000</u>)		
	2015 Moyu Proposed Caps attributable to the Moyu Phase II CCT <i>(HK\$'000)</i>	24,425 (approximately <u>RMB20,020,000</u>)		
	2016 Moyu Proposed Caps attributable to the Moyu Phase II CCT <i>(HK\$'000)</i>	97,819 (approximately <u>RMB80,179,000</u>)		

Taking into consideration (i) the internal control procedures of CNI Energy that are in place for setting the price quotation as detailed above; (ii) the use of the regularly updated government guidance price; and (iii) the tender under the Moyu Phase II Solar Project having gone through a selection process assessed by an independent assessor appointed by Xinhua Shengshu, we concur with the view of the Board that the pricing methods and procedures as mentioned above can ensure that the prices under the Moyu Phase II Construction Agreements will be no less favourable to the Company than those available to or from independent third parties.

Basis in determining the Moyu Proposed Caps

We have enquired with and understand from the Directors that in determining the Moyu Proposed Caps, the Board has based their estimates on the contract value of (i) the Moyu Phase I Construction Agreement for the year ending 31 December 2015; and (ii) the Moyu Phase II Construction Agreements

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for the two financial years ending 31 December 2016. Important and objective assumptions and factors, though not exhaustive but were arrived at after due and careful consideration of data currently in hand, are set out as below:

- (i) the quantity of construction equipment and materials to be procured by CNI Energy in relation to the Moyu Solar Projects;
- (ii) the extent of the construction, installation and related services required to be provided by CNI Energy in relation to the Moyu Solar Projects;
- (iii) the expected unit prices of the relevant construction equipment to be rented, the construction equipment and materials to be procured and the construction, installation and related services to be provided; and
- (iv) the expected time required for the completion of different stages of the Moyu Solar Projects as set out in the contemplated construction schedule of the Moyu Solar Projects and the corresponding costs to be incurred during each stage of the project for the determination of the amount of the 2015 Moyu Proposed Caps and the 2016 Moyu Proposed Caps.

We noted that the Company has estimated the quantity of equipment and materials to be procured based on the number of each category of the equipment and materials necessary to complete the Moyu Solar Projects in accordance with the required scope of work under the Moyu Phase II Construction Agreements and the Moyu Phase I Construction Agreement respectively. Regarding the extent of construction, installation and related services, the Company has estimated such extent based on (i) the number of man-hour of relevant worker and technical staff; and (ii) the type and number of construction equipment to be rented for performing the work under the Moyu Solar Projects as specified in the Moyu Phase II Construction Agreements and the Moyu Phase I Construction Agreement respectively and the relevant tender. Besides, the Company has estimated the expected unit price of the construction equipment to be rented, the construction equipment and materials to be procured and the service fees by making references to, amongst other things, third party supplier/service provider quotations, guidance prices and general salary level of construction work published regularly by local authorities.

When determining the amount and the split of the Moyu Proposed Caps between 2015 and 2016, the Company has taken into consideration the expected time required for the completion of different stages of the Moyu Solar Projects and the corresponding costs to be incurred during each stage of the project. Under normal conditions, the typical milestones of the Moyu Solar Projects are in the order of (i) procurement of equipment, facilities and materials; (ii) commencement of construction work; (iii) connection of the solar power plant to the electricity grid in the PRC; and (iv) acceptance inspection by the tenderer. For the Moyu

LETTER FROM PROTON CAPITAL

Phase II Solar Project which has a relatively large scale at 130MWp, it normally takes around three to five months to complete all stages of the solar project upon commencement.

Basis for the contract sum of the Moyu Phase II Construction Agreements

As regard to the assumptions/factors that the Board has taken into account when determining the contract sum of the Moyu Phase II Construction Agreements, we have obtained from the Company a list of equipment and materials to be procured for the Moyu Phase II Solar Project (the “**Moyu Phase II Procurement List**”). In assessing the reasonableness of the number of equipment and materials to be procured, we have enquired and have been reaffirmed by the Management that it is entirely necessary to deploy such number of each category of equipment and materials (with designated usage and specification) in order to adequately cover the list of equipment and materials to be procured for the Moyu Phase II Solar Project under the standard as set out in both the Moyu Phase II Construction Agreements and the same tender accepted by Xinhua Shengshu.

We have also obtained and reviewed the fee breakdown of the construction, installation and related services for the Moyu Phase II Solar Project. We have discussed with the Management on the reasonableness of the fee breakdown and we have reviewed arithmetic multiplication of the fee breakdown. We have enquired and have been reaffirmed by the Management that it is entirely necessary to rent the designated machines with the specified quantities and deploy such grades of construction worker (with designated skills) and such number of man-hour in order to adequately cover the work to be done for the Moyu Solar Projects under both the Moyu Phase II Construction Agreements and the same tender accepted by Xinhua Shengshu.

Pricing

As disclosed in the Board’s Letter, the services under the Moyu Phase II Construction Agreements can be classified into following categories:

1. Construction and installation services; and
2. Procurement service.

Regarding pricing of the continuing connected transactions under the Moyu Phase II Construction Agreements, we understand from the Company that the Company has estimated the expected unit price of the construction equipment to be rented, the construction equipment and materials to be procured and the service fees by making references to, amongst other things, third party supplier/ service provider quotations, guidance prices and general salary level of construction work published regularly by local authorities.

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(a) Construction and installation services

Construction and installation services mainly involve equipment rental price, material price and salary of workers in construction industry. As advised by the Management, the Operation and Planning Department of CNI Energy is responsible for monitoring the pricing guideline issued by the relevant government authority from time to time. To assess the reasonableness of the pricing of the continuing connected transactions under the Moyu Phase II Construction Agreements, we have compared and noted that the expected unit rental prices of relevant rental equipment and the expected unit prices of construction materials to be procured under the Moyu Phase II Construction Agreements in general follow the market prices as set out in the Recommended Market Prices of Construction Material Industry in Nanjing* (南京市工程建設材料市場指導價格) from the Management Office for Construction Prices in Nanjing* (南京市建設工程造價管理處), which is a government authority responsible for conducting systematic collection of market data on prices of construction materials in Nanjing. As advised by the Management, the construction and installation services are provided by the construction workers of CNI Energy based in Nanjing. As such, we consider that it is fair and reasonable for CNI Energy to refer to the market prices of the relevant equipment rental price, material price and the salary of construction workers as appeared in the Nanjing Construction Price Guidelines on price determination.

We have further compared and noted that prices of construction workers under the Moyu Phase II Construction Agreements in general follow the salary levels of workers in the construction industry at Nanjing as set out in the Prices Information of Construction Projects in Nanjing* (南京市工程造價管理-價格資訊) from the Management Office for Construction Prices in Nanjing* (南京市建設工程造價管理處).

(b) Procurement service

The procurement service under Moyu Phase II Construction Agreements involves procurement of electrical equipment, transformer facilities, communication system facilities and others (the “**Moyu Phase II Procurement Service**”).

Regarding the unit prices of equipment and materials to be procured under the Moyu Phase II Procurement Service, we have compared and noted that these are determined after taking into account of the quotations offered from independent third party suppliers of equipment as shortlisted by CNI Energy.

We understand that in a bid for a tender, the Purchasing Department (物資產值部) of CNI Energy should follow the internal bidding management procedures to obtain price quote from at least two independent third party suppliers and two recent actual transacted price, making reference to the

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centralized price data system which contains all of the past quotations from independent third party suppliers and the product costs from actual transactions, including raw materials costs and equipment costs. The Purchasing Department then passes the price quotation to the Operation and Planning Department (經營發展部) for assessment. The Operation and Planning Department then assess the price quotation from independent third party suppliers based on the price level the quotation, past relationship with the independent third party suppliers, their service quality and associated risks and add a target profit margin for internal consideration and approval. The final pricing of each product and other major terms of each transaction under a tender shall be considered and approved by each of the project engineer, the chief engineer, the head of the Risk Management Department and the general manager of CNI Energy after taking into consideration the overall profitability of the project, the past transactions and the guideline provided by the tender.

For our due diligence purpose, we have obtained and reviewed the internal control procedure manuals of CNI Energy for the selection of independent suppliers and its internal bidding management procedures. We have also obtained certain quotations from independent third parties for the Moyu Phase II Procurement Service for random checking and review purpose and therefore, we consider that these are representative sample. We noted that the quotations would normally set out the products to be supplied with specification, unit prices and quantities. Upon comparison, we note that the expected unit prices of CNI Energy in the Moyu Phase II Procurement List are in general determined on a cost-plus-margin basis on top of the quotations offered from independent third party suppliers of construction equipment as shortlisted by CNI Energy with minimum mark-up of 2% to 3% on major items depend on the nature and availability of the equipment/facilities to be procured.

We have enquired with and understand from the Management that the Group had since mid-2015 provided EPC services to a few independent third parties. As part of our due diligence exercise, we have obtained reviewed these agreements and enquired with the costs and revenue of these projects (“**Comparables**”). We noted that the profit margins of the Moyu Phase II Construction Agreements are higher than the profit margins of those Comparables and thus the Moyu Phase II CCT is favourable to the Group.

Buffer

As set out in the Board’s Letter, for determination of the Moyu Proposed Caps in respect of the continuing connected transactions contemplated under the Moyu Phase II Construction Agreements, a buffer has been made to cater for the change in quantity/extent of the construction equipment and materials, as the Moyu Phase II Construction Agreements has provided terms which permit the contract value to be adjusted if there is any change in the requirements or

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conditions of the Moyu Phase II Solar Project. The buffer will also cater for any foreign exchange rate difference in accounts reporting due to the fluctuation in translation rate from RMB to HK\$.

As disclosed in the Board's Letter, the basis of determination of the buffer is by making reference to 10% of the total contract value of the Moyu Phase II Construction Agreements based on the past experience of the Management which could cater for any possible additional work that are required to be performed by CNI Energy for the counterparty to the Moyu Phase II Construction Agreements estimated by CNI Energy. In addition, since the reporting currency of the Company and the Moyu Proposed Caps are in HK\$ while the contract value of the Moyu Phase II Construction Agreements is denominated in RMB, the Company has taken into consideration the recent fluctuations of the translation rate from RMB to HK\$ in determining the buffer in order to cater for any increase in the transacted amount when converting such amount from RMB to HK\$ if RMB appreciates against HK\$. On the basis that CNI Energy would be required to conduct any additional work if required by the counterparty under the Moyu Phase II Construction Agreements and the contract sum of the Moyu Phase II Construction Agreements is denominated in RMB whereas the reporting currency of the Company and the Moyu Proposed Caps are in HK\$, a buffer is necessary in view of the volatility of the exchange rate between RMB and HK\$, we consider that the Company's basis for determining the buffer is reasonable.

We have enquired with and understand from the Management that the reasons for applying a buffer are that due to the nature of the construction industry, there may be change in quantity or extent of the construction equipment and materials to be provided by CNI Energy for the relevant transactions contemplated under the Moyu Phase II Construction Agreements. There may also be additional work required before completion of the projects or change in the requirements by the counterparty to the Moyu Phase II Construction Agreements during the actual construction or installation process. As such, in determining the Moyu Proposed Caps, the Company has taken into account of the aforesaid factors and the foreign exchange rate difference due to the time involved for such projects.

As disclosed in the Board's Letter, CNI Energy has considered such factors to the extent possible when determining the contract value of the Moyu Phase II Construction Agreements but the Company considers that if the aforesaid unforeseen circumstances shall arise, a buffer would enable CNI Energy to continue carrying on the projects without causing any delay to or interruption on the work progress of the counterparty of the Moyu Phase II Construction Agreements provided that such buffer would fall within the ambit of the Moyu Proposed Caps.

Based on the reasons provided by the Directors and after taking into account that a buffer would enable CNI Energy to continue carrying on the Moyu Solar Projects without causing any delay to or interruption on the work progress in case

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any additional work is required to be performed, any adjustment on the contract sum of the Moyu Phase II Construction Agreements will be made pursuant to the provisions of the Moyu Phase II Construction Agreements and the volatility of the exchange rate between RMB and HK\$ in the past one year, we consider that it is fair and reasonable to include a buffer in the Moyu Proposed Caps.

2. (iii) Settlement term of the Moyu Phase II Construction Agreements

Set out below is a summary of the settlement term of the contract sum under the Moyu Phase II Construction Agreements:

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

According to the Board's Letter, as at the Latest Practicable Date, the prepayment representing 10% of the total contract value of the Moyu Phase II Construction Agreements has not yet been settled by Xinhua Shengshu. We noted that the settlement terms of the contract sum under the Moyu Phase II Construction Agreements, i.e. the prepayment upon provision of the relevant prepayment guarantee; progress payment by reference to the completion status of the relevant work; and the retention money are same as those in the Moyu Phase I Construction Agreement and, based on our review of the Comparables, are in line with the settlement terms of the contracts entered into between the Group and independent third parties.

3. (i) Qiqihar EPC Agreement

We have extracted from the Board's Letter the major terms of the Qiqihar EPC Agreement as follows:

Term

The Qiqihar EPC Agreement shall take effect (and the transactions contemplated thereunder shall only commence) upon obtaining of the Independent Shareholders' approval at the SGM in respect of the Qiqihar CCT and the Qiqihar Proposed Caps until completion of the obligations under the Qiqihar EPC Agreement by both parties other than the obligation of CNI Energy in relation to the construction services which shall end on 28 February 2016. In

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addition, the quality assurance period shall be being one year from the completion of the Qiqihar Solar Project. The tender of CNI Energy for the Qiqihar Solar Project has already been granted to and accepted by Qiqihar JV, as tenderer.

Nature of Transactions

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

Consideration

The contract value of the Qiqihar EPC Agreement is approximately RMB27,903,000 (equivalent to approximately HK\$34,042,000).

3. (ii) The Qiqihar Proposed Caps

The following table sets out the aggregate annual caps in respect of the continuing connected transactions under the Qiqihar EPC Agreement for the two financial years ending 31 December 2016.

Continuing connected transactions	Proposed annual cap for the year ending 31 December	
	2015 <i>(HK\$'000)</i>	2016 <i>(HK\$'000)</i>
<i>Pursuant to the Qiqihar EPC Agreement</i>		
— provision of engineering design, procurement, construction, installation and related services	26,413 <i>(equivalent to approximately RMB21,650,000)</i>	11,033 <i>(equivalent to approximately RMB9,043,000)</i>

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Set out below is a summary of the major category of services to be provided under the Qiqihar EPC Agreement:

Major category of transactions	Major types of products and services	Corresponding contract amount (RMB'000)	Pricing Method	Procedures performed by the Company on price determination
Engineering design service	Engineering design of the construction and installation work	500	With reference to general salary level of engineering staff in the solar energy industry	In a bid for a tender, the pricing for the design and engineering service follows the general salary level of engineering staff in the solar energy industry
Procurement service	Electrical equipment and transformer facilities (e.g. electricity cables, transformer) Communication system facilities and others (e.g. optical transmission facilities)	19,765	Cost-plus margin-basis with reference to independent third party supplier quotation with minimum mark-up of 2% to 3% on major items depend on the nature and availability of the equipment/facilities to be procured.	In a bid for a tender, the Purchasing Department (物資產值部) of CNI Energy should follow the internal bidding management procedures to obtain price quote from at least two independent third party suppliers and two recent actual transacted price, making reference to the centralized price data system which contains all of the past quotations from independent third party suppliers and the product costs from actual transactions, including raw materials costs and equipment costs. The Purchasing Department then passes the price quotation to the Operation and Planning Department (經營發展部) for assessment. The Operation and Planning Department then assesses the price quotation from independent third party suppliers based on the price level of the quotation, past relationship with the independent third party suppliers, their service quality and associated risks and adds a target profit margin for internal consideration and approval. The final pricing of each product and other major terms of each transaction under a tender shall be considered and approved by each of the project engineer, the chief engineer, the head of the Risk Management Department and the general manager of CNI Energy after taking into consideration the overall profitability of the project, the past transactions and the guideline provided by the tenderer.

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Major category of transactions	Major types of products and services	Corresponding contract amount (RMB'000)	Pricing Method	Procedures performed by the Company on price determination
Construction and installation services	Equipment rental price (e.g. trucks, crane, digging machine, electricity generator, etc.) and material price (e.g. concrete, cement, stones, steel)	7,638	With reference to government guidance price (usually updated on a yearly basis) (Recommended Market Prices of Construction Material Industry in Nanjing* (南京市工程建設 材料市場指導價格) from the Management Office for Construction Prices in Nanjing* (南京市建設工程 造價管理處))	<p>When bidding for a tender project, CNI Energy would determine the mark-up rate of the procurement services with reference to the target overall profitability of the tender.</p> <p>CNI Energy and the other bidders for the tender project will be assessed by an independent assessor appointed by a tenderer on a scoring system in terms of, among other things, their quality of service, past experiences and the tender price, etc.</p>
	Salary of construction worker		With reference to government guidance price (Prices Information of Construction Projects in Nanjing* (南京市工程造價管理 — 價格資訊) issued by the Management Office for Construction Prices in Nanjing* (南京市建設工程 造價管理處))	<p>The Operation and Planning Department of CNI Energy would monitor the regular update in the Nanjing Construction Price Guidelines issued by the Management Office for Construction Prices in Nanjing* (南京市建設工程造價管理處) from time to time. As the construction and installation services are provided by the construction workers of CNI Energy based in Nanjing, the market prices of the relevant equipment rental price, material price and the salary of construction workers as appeared in the Nanjing Construction Price Guidelines are used as reference on price determination.</p> <p>In a bid for tender, the pricing of the equipment rental price, material price and the salary of construction workers for construction and installation services in general follow the guidance prices on the Nanjing Construction Price Guidelines.</p>

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Total contract value (<i>RMB'000</i>)	27,903
Total contract value (<i>HK\$'000</i>)	34,042
Add: buffer (<i>HK\$'000</i>)	<u>3,404</u>
Aggregate of 2015 Qiqihar Proposed Cap and 2016 Qiqihar Proposed Cap (<i>HK\$'000</i>)	37,446 (approximately <u>RMB30,693,000</u>)
2015 Qiqihar Proposed Cap (<i>HK\$'000</i>)	26,413 (approximately <u>RMB21,650,000</u>)
2016 Qiqihar Proposed Cap (<i>HK\$'000</i>)	11,033 (approximately <u>RMB9,043,000</u>)

We have discussed with the Management and were advised that when determining the splitting of the Qiqihar Proposed Cap between 2015 and 2016, additional consideration had been made to the amount of the procurement services to be provided by the Group pursuant to the Qiqihar EPC Agreement whereby procurement services represent approximately 70% of the total contract sum. Since significant amount of the equipment, facilities and materials to be used for a project are required to be procured once a project starts, it is necessary for the Group to set the 2015 Qiqihar Proposed Cap at a higher level in order to cater for the procurement needs.

Taking into consideration (i) the internal control procedures of CNI Energy that are in place for setting the price quotation as detailed above; (ii) the use of the regularly updated government guidance price; and (iii) the tender under the Qiqihar Solar Project having gone through a selection process assessed by an independent assessor appointed by Qiqihar JV, we concur with the view of the Board that the pricing methods and procedures as mentioned above can ensure that the prices under the Qiqihar EPC Agreement will be no less favourable to the Company than those available to or from independent third parties.

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Basis in determining the Qiqihar Proposed Caps

We have enquired with and understand from the Directors that in determining the Qiqihar Proposed Caps for the Qiqihar CCT involving the provision of engineering design, procurement, construction, installation and related services by CNI Energy to Qiqihar JV, the Board has based their estimates on the contract value of the Qiqihar EPC Agreement for the two financial years ending 31 December 2016. Important and objective assumptions and factors, though not exhaustive but were arrived at after due and careful consideration of data currently in hand, are set out as below:

- (i) the extent of the engineering design services (such as construction plan and relevant design and drawings) required to be provided by CNI Energy in relation to the Qiqihar Solar Project;
- (ii) the expected unit prices of relevant engineering design services;
- (iii) the quantity of construction equipment and materials to be procured by CNI Energy in relation to the Qiqihar Solar Project;
- (iv) the extent of the construction, installation and related services required to be provided by CNI Energy in relation to the Qiqihar Solar Project;
- (v) the expected unit prices of the relevant construction equipment to be rented, the construction equipment and materials to be procured and the construction, installation and related services to be provided; and
- (vi) the expected time required for the completion of different stages of the Qiqihar Solar Project as set out in the contemplated construction schedule of the Qiqihar Solar Project and the corresponding costs to be incurred during each stage of the project for the determination of the amount of the 2015 Qiqihar Proposed Cap and the 2016 Qiqihar Proposed Cap.

We noted that in respect of the engineering services, the Company has estimated the extent of engineering design services based on (i) the number of man-hour of engineering staff; and (ii) the travelling frequency of engineering staff necessary to perform the work for the Qiqihar Solar Project as specified in the Qiqihar EPC Agreement and the tender. The Company has enquired a consultancy service company for the general salary level of relevant staff to provide similar services in the solar energy industry to determine the unit engineering staff cost. The services fee was then determined based on such unit staff cost level plus, among other things, the expected related expenses, such as staff travelling cost. In respect of the procurement, construction, installation and related services, the Company has estimated the quantity of equipment and materials to be procured based on the number of each category of the equipment and materials necessary to complete the Qiqihar Solar Project in accordance with the required scope of work under the Qiqihar EPC Agreement. Regarding the

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extent of construction, installation and related services, the Company has estimated such extent based on (i) the number of man-hour of relevant worker and technical staff; and (ii) the type and number of construction equipment to be rented for performing the work under the Qiqihar Solar Project as specified in the Qiqihar EPC Agreement and the relevant tender. Besides, the Company has estimated the expected unit price of the construction equipment to be rented, the construction equipment and materials to be procured and the service fees by making references to, amongst other things, third party supplier/service provider quotations, guidance prices and general salary level of construction work published regularly by local authorities.

When determining the amount and the split of the Qiqihar Proposed Cap between 2015 and 2016, the Company has taken into consideration the expected time required for the completion of different stages of the Qiqihar Solar Project and the corresponding costs to be incurred during each stage of the project. Under normal conditions, the typical milestones of the Qiqihar Solar Project are in the order of (i) engineering design of the project; (ii) procurement of equipment, facilities and materials; (iii) commencement of construction work; (iv) connection of the solar power plant to the electricity grid in the PRC; and (v) acceptance inspection by the tenderer. For the Qiqihar Solar Project which has a relatively small scale at 3MWp, it normally takes around one to two months to complete all stages of the solar project upon commencement.

The Company has also made additional consideration to the amount of the procurement services to be provided by the Group pursuant to the Qiqihar EPC Agreement whereby procurement services represent approximately 70% of the total contract sum. Given the small scale of the Qiqihar Solar Project and the shorter time required to complete the solar project, a relatively more significant amount of the equipment, facilities and materials to be used for a project are required to be procured once a project starts, thus it is necessary for the Group to set the 2015 Qiqihar Proposed Cap at a higher level in order to cater for the procurement needs.

Basis for the contract sum of the Qiqihar EPC Agreement

As regard to the assumptions/factors that the Board has taken into account when determining the contract sum of the Qiqihar EPC Agreement, we have obtained from the Company a list of equipment and materials to be procured for the Qiqihar Solar Project (the “**Qiqihar Procurement List**”). In assessing the reasonableness of the number of equipment and materials to be procured, we have enquired and have been reaffirmed by the Management that it is entirely necessary to deploy such number of each category of equipment and materials (with designated usage and specification) in order to adequately cover the list of equipment and materials to be procured for the Qiqihar Solar Project under the standard as set out in both the Qiqihar EPC Agreement and the same tender accepted by the Qiqihar JV.

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We have also obtained and reviewed the fee breakdown of the construction, installation and related services for the Qiqihar Solar Project. We have discussed with the Management on the reasonableness of the fee breakdown and we have reviewed arithmetic multiplication of the fee breakdown. We have enquired and have been reaffirmed by the Management that it is entirely necessary to rent the designated machines with the specified quantities and deploy such grades of construction worker (with designated skills) and such number of man-hour in order to adequately cover the work to be done for the Qiqihar Solar Project under both the Qiqihar EPC Agreement and the same tender accepted by the Qiqihar JV.

Pricing

As disclosed in the Board's Letter, the services under the Qiqihar EPC Agreement can be classified into following categories:

1. Engineering design service;
2. Construction and installation services; and
3. Procurement service.

Regarding pricing of the continuing connected transactions under the Qiqihar EPC Agreement, we understand from the Company that the Company has estimated the expected unit price of the construction equipment to be rented, the construction equipment and materials to be procured and the service fees by making references to, amongst other things, third party supplier/service provider quotations, guidance prices and general salary level of construction work published regularly by local authorities. It also estimated the engineering design services based on the general salary level of relevant staff to provide similar services in the solar energy industry as advised by a consultancy service company.

(a) Engineering design service

The Company has estimated the extent of engineering design services based on (i) the number of man-hour of engineering staff; and (ii) the travelling frequency of engineering staff necessary to perform the work for the Qiqihar Solar Project as specified in the Qiqihar EPC Agreement and the tender. To assess the reasonableness of the pricing of the engineering services, we have reviewed the general salary level of relevant staff to provide similar services in the solar energy industry as provide by the consultancy service company and discussed with the Management that the extent of engineering services and number of man-hour required in order to adequately cover the work to be done for the Qiqihar Solar Project under both the Qiqihar EPC Agreement and the same tender accepted by the Qiqihar JV.

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(b) Construction and installation services

Construction and installation services mainly involve equipment rental price, material price and salary of construction workers. As advised by the Management, the Operation and Planning Department of CNI Energy is responsible for monitoring the pricing guideline issued by the relevant government authority from time to time. To assess the reasonableness of the pricing of the continuing connected transactions under the Qiqihar EPC Agreement, we have compared and noted that the expected unit rental prices of relevant rental equipment and the expected unit prices of construction materials to be procured under the Qiqihar EPC Agreement are in general follow the market prices as set out in the Recommended Market Prices of Construction Material Industry in Nanjing* (南京市工程建設材料市場指導價格) from the Management Office for Construction Prices in Nanjing* (南京市建設工程造價管理處), which is a government authority responsible for conducting systematic collection of market data on prices of construction materials in Nanjing. As advised by the Management, the construction and installation services are provided by the construction workers of CNI Energy based in Nanjing. As such, we consider that it is fair and reasonable for CNI Energy to refer to the market prices of the relevant equipment rental price, material price and the salary of construction workers as appeared in the Nanjing Construction Price Guidelines on price determination.

We have further compared and noted that prices of construction workers under the Qiqihar EPC Agreement are in general follow the salary levels of construction workers in Nanjing as set out in the Prices Information of Construction Projects in Nanjing* (南京市工程造價管理-價格資訊) from the Management Office for Construction Prices in Nanjing* (南京市建設工程造價管理處).

(c) Procurement service

The procurement service under Qiqihar EPC Agreement involves procurement of electrical equipment, transformer facilities, communication system facilities and others (the “**Qiqihar Procurement Service**”).

Regarding the unit prices of equipment and materials to be procured under the Qiqihar Procurement Service, we have compared and noted that these are determined after taking into account of the quotations offered from several independent third party suppliers of construction equipment as shortlisted by CNI Energy.

We understand that in a bid for a tender, the Purchasing Department (物資產值部) of CNI Energy should follow the internal bidding management procedures to obtain price quote from at least two independent third party suppliers and two recent actual transacted price, making reference to the centralized price data system which contains all of the past quotations from independent third party suppliers and the product costs from actual transactions, including raw materials

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costs and equipment costs. The Purchasing Department then passes the price quotation to the Operation and Planning Department (經營發展部) for assessment. The Operation and Planning Department then assess the price quotation from independent third party suppliers based on the price level the quotation, past relationship with the independent third party suppliers, their service quality and associated risks and add a target profit margin for internal consideration and approval. The final pricing of each product and other major terms of each transaction under a tender shall be considered and approved by each of the project engineer, the chief engineer, the head of the Risk Management Department and the general manager of CNI Energy after taking into consideration the overall profitability of the project, the past transactions and the guideline provided by the tender.

For our due diligence purpose, we have obtained and reviewed the internal control procedure manuals of CNI Energy for the selection of independent suppliers and its internal bidding management procedures. We have also obtained certain quotations from independent third parties for the Procurement Service for random checking and review purpose and therefore, we consider that these are representative sample. We noted that the quotations would normally set out the products to be supplied with specification, unit prices and quantities. Upon comparison, we note that the expected unit prices of CNI Energy in the Qiqihar Procurement List are in general determined on a cost-plus-margin basis on top of the quotations offered from independent third party suppliers of construction equipment as shortlisted by CNI Energy with minimum mark-up of 2% to 3% on major items depend on the nature and availability of the equipment/facilities to be acquired.

We have compared the profit margin of the Qiqihar EPC Agreement with the Comparables and noted that the profit margin of the Qiqihar EPC Agreement is higher than the profit margins of those Comparables and thus the Qiqihar CCT is favourable to the Group

Buffer

As set out in the Board's Letter, for determination of the Qiqihar Proposed Caps in respect of the continuing connected transactions contemplated under the Qiqihar EPC Agreement, a buffer has been made to cater for the change in quantity/extent of the construction equipment and materials, as the Qiqihar EPC Agreement has provided terms which permit the contract value to be adjusted if there is any change in the requirements or conditions of the Qiqihar Solar Project. The buffer will also cater for any foreign exchange rate difference in accounts reporting due to the fluctuation in translation rate from RMB to HK\$.

As disclosed in the Board's Letter, the basis of determination of the buffer is by making reference to 10% of the total contract value of the Qiqihar EPC Agreement based on the past experience of the Management which could cater for any possible additional work that are required to be performed by CNI Energy for

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the counterparty to the Qiqihar Agreement estimated by CNI Energy. In addition, since the reporting currency of the Company and the Qiqihar Proposed Caps are in HK\$ while the contract value of the Qiqihar EPC Agreement is denominated in RMB, the Company has taken into consideration the recent fluctuations of the translation rate from RMB to HK\$ in determining the buffer in order to cater for any increase in the transacted amount when converting such amount from RMB to HK\$ if RMB appreciates against HK\$. On the basis that CNI Energy would be required to conduct any additional work if required by the counterparty under the Qiqihar EPC Agreement and the contract sum of the Qiqihar EPC Agreement is denominated in RMB whereas the reporting currency of the Company and the Qiqihar Proposed Caps are in HK\$, a buffer is necessary in view of the volatility of the exchange rate between RMB and HK\$, we consider that the Company's basis for determining the buffer is reasonable.

We have enquired with and understand from the Management that the reasons for applying a buffer are that due to the nature of the construction industry, there may be change in quantity or extent of the construction equipment and materials to be provided by CNI Energy for the relevant transactions contemplated under the Qiqihar EPC Agreement. There may also be additional work required before completion of the projects or change in the requirements by the counterparty to the Qiqihar EPC Agreement during the actual construction or installation process. As such, in determining the Qiqihar Proposed Caps, the Company has taken into account of the aforesaid factors and the foreign exchange rate difference due to the time involved for such projects.

As disclosed in the Board's Letter, CNI Energy has considered such factors to the extent possible when determining the contract value of the Qiqihar EPC Agreement but the Company considers that if the aforesaid unforeseen circumstances shall arise, a buffer would enable CNI Energy to continue carrying on the projects without causing any delay to or interruption on the work progress of the counterparty of the Qiqihar EPC Agreement provided that such buffer would fall within the ambit of the Qiqihar Proposed Caps.

Based on the reasons provided by the Directors and after taking into account that a buffer would enable CNI Energy to continue carrying on the Qiqihar Solar Project without causing any delay to or interruption on the work progress in case any additional work is required to be performed, any adjustment on the contract sum of the Qiqihar EPC Agreement will be made in pursuant to the provisions of the Qiqihar EPC Agreement and the volatility of the exchange rate between RMB and HK\$ in the past one year, we consider that it is fair and reasonable to include a buffer in the Qiqihar Proposed Caps.

3. (iii) Settlement term of the Qiqihar EPC Agreement

Set out below is a summary of the settlement term of the contract sum under the Qiqihar EPC Agreement:

- (i) 30% of the total contract value as prepayment to be settled within 10 days after CNI Energy has provided to Qiqihar JV the relevant prepayment guarantee and acceptance of the same by Qiqihar JV;
- (ii) (a) 65% of the contract value of the engineering design work as progress payment which will be payable by Qiqihar JV to CNI Energy within 10 days from acceptance of the connection work to the power grid; (b) 30% of the contract value of the procurement of equipment will be payable by Qiqihar JV to CNI Energy within 10 days from acceptance of the equipment and another 30% of the contract value of the procurement part will be payable by Qiqihar JV to CNI Energy within 10 days from acceptance of the connection work to the power grid; and (c) 60% of the contract value of the construction work as progress payment which will be payable by Qiqihar JV to CNI Energy within 10 days from acceptance of the connection work to the power grid; and
- (iii) (a) 5% of the aggregate contract value of the engineering work and construction work; and (b) 10% of the contract value of the procurement of equipment, will be retained as retention money to be settled within 28 days after the expiry of the quality assurance period (being one year from the completion of the Qiqihar Solar Project and acceptance of the same by and transfer of the same for operation to Qiqihar JV).

According to the Board's Letter, as at the Latest Practicable Date, the prepayment representing 30% of the total contract value has been paid by Qiqihar JV. Based on our review of the Comparables, we noted that the settlement terms of the total contract value under the Qiqihar EPC Agreement, i.e. the prepayment upon provision of the relevant prepayment guarantee; progress payment by reference to the completion status of the relevant work; and the retention money are in line with the settlement terms of the contracts entered into between the Group and independent third parties.

4. Measures to ensure compliance with the Listing Rules

In compliance with the annual review requirements under the Listing Rules, the Directors have advised that the Company will comply with the following during the term of the non-exempted continuing connected transactions:

- (i) each year the INEDs must review the continuing connected transactions and confirm in the Company's annual report whether the continuing connected transactions have been entered into:
 - in the ordinary and usual course of business of the Group;

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- 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 Group than terms available to or from (as appropriate) independent third parties; and
 - according to 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 whether anything has come to their attention that causes them to believe that the continuing connected transactions:
- have not been approved by the Board;
 - are not, in all material respects, in accordance with the pricing policies of the Company if the continuing connected transactions involve provision of goods or services by the Company; have been entered into in accordance with the relevant agreements governing the continuing connected transactions; and
 - have 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 transactions for the purpose of reporting on the continuing connected transactions. The Directors must state in the annual report whether its auditors have confirmed the matters stated in paragraph (ii) above; and
- (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 INEDs 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 transactions by way of the annual caps; and (ii) the ongoing review by the INEDs and the auditors of the Company of the terms of the continuing connected transactions and the annual caps not being exceeded, we are of the view that there are appropriate measures in place to govern the conduct of the continuing connected transactions and safeguard the interests of the Independent Shareholders.

LETTER FROM PROTON CAPITAL

RECOMMENDATION

Having considered the principal factors above, we are of the opinion that (i) the continuing connected transactions under the Moyu Phase II Construction Agreements and the Qiqihar EPC Agreement are in the ordinary and usual course of business of the Group; and (ii) the terms of the continuing connected transactions under the Moyu Phase II Construction Agreements, the Moyu Proposed Caps, the Qiqihar EPC Agreement and the Qiqihar Proposed Caps are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders, and we advise the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the SGM for approving the continuing connected transactions under the Moyu Phase II Construction Agreements and the Qiqihar EPC Agreement as well as the Moyu Proposed Caps and the Qiqihar Proposed Caps.

Yours faithfully,
For and on behalf of
Proton Capital Limited
Josephine Lau
Director — Corporate Finance

* *For identification purpose only*

Note: Ms. Josephine Lau has been a responsible officer of Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since 2012 and 2007, respectively. Ms. Lau has more than 14 years of experience in corporate finance and investment banking and has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable 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 Directors	Nature of interests	Number of Shares held	Approximate percentage† of the issued share capital of the Company (%)
Mr. Chan Shu Kit (<i>Note</i>)	Interest of a controlled corporation	114,240,000	10.08

Notes: Such Shares were 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 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:

Long position in the Shares:

Name	Nature of interests	Number of Shares held	Approximate percentage† of the issued share capital of the Company (%)
CNEGC (<i>Note 1</i>)	Interest of controlled corporations	400,000,000	35.30
ZOC (<i>Note 1</i>)	Interest of controlled corporations	400,000,000	35.30
China He Investment (<i>Note 1</i>)	Beneficial owner	400,000,000	35.30
Hoylake Holdings Limited (<i>Note 2</i>)	Beneficial owner	114,240,000	10.08
Zhao Xu Guang (<i>Note 3</i>)	Interest of controlled corporations	84,676,000	7.47
Prosper Alliance Investments Limited (<i>Note 3</i>)	Beneficial owner	60,000,000	5.30
Cheung Mui (<i>Note 4</i>)	Interest of a controlled corporation	60,000,000	5.30
Grand Honest Limited (<i>Note 4</i>)	Beneficial owner	60,000,000	5.30

Notes:

1. ZOC was deemed to be interested in 400,000,000 shares of the Company held by China He Investment, its wholly owned subsidiary. GNEGC was deemed to be interested in these 400,000,000 shares by virtue of its holding 100% interests in ZOC.
 2. Hoylake Holdings Limited was wholly owned by Chan Shu Kit, a director of the Company.
 3. Zhao Xu Guang was deemed to be interested in 84,676,000 shares of the Company of which 60,000,000 shares and 24,676,000 shares were held by Prosper Alliance Investments Limited and Rui Tong Investments Limited respectively. Prosper Alliance Investments Limited and Rui Tong Investments Limited were wholly owned by Mr. Zhao.
 4. Grand Honest Limited was wholly owned by Cheung Mui and she was deemed to be interested in its holding of 60,000,000 shares of the Company.
- † *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, no person had registered an interest or short position in the Shares or underlying Shares 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 2014, 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) save as disclosed in (i) the announcements of the Company dated 2 January 2015 and 6 January 2015 in relation to the continuing connected transactions contemplated under the agreement dated 2 January 2015 entered into between CNI Energy and China Nuclear Industry 23 Construction Company Limited Huadong Branch* (the “**Huadong Technical Consultancy Agreement**”) (please refer to the section headed “Material Interest of Directors in the Huadong CCT” for details); (ii) the announcements of the Company dated 7 November 2014, 18 November 2104 and 13 February 2015 (together, the “**GCL Solar Projects Announcements**”) in relation to the continuing connected transactions contemplated under the GCL Solar Projects Agreements (as defined in the GCL

Solar Projects Announcements) (please refer to the section headed “Disclosure of Material Interests” for details); (iii) the announcement of the Company dated 14 August 2015 in relation to the connected transaction contemplated under the joint venture agreement (the “**JV Agreement**”) dated 14 August 2015 entered into between CNI (Nanjing) and 中核新能源投資有限公司 (transliterated as Zhong He New Energy Investment Company Limited*) (please refer to the section headed “Material Interest of Directors in the Formation of the Joint Venture Company” for details); and (iv) the announcement of the Company dated 13 November 2015 in relation to the connected transaction contemplated under the loan agreement (the “**Loan Agreement**”) dated 13 November 2015 entered into between CNE Holdings Company Limited (中國核能控股有限公司) and China He Investment (please refer to the section headed “Listing Rules Implications” for details), 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 professional adviser who has given opinion or advice which is contained in this circular:

Name	Qualification
Proton Capital	a licensed corporation under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

Proton 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, Proton 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

As at the Latest Practicable Date, none of the Directors and his or her associates was interested directly or indirectly in a business, apart from his or her 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 2014, 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 30 to 31 of this circular;
- (b) the letter of advice from Proton Capital, the text of which is set out on pages 32 to 59 of this circular;
- (c) the written consent from Proton Capital referred to in the paragraph under the heading “Expert’s Consent and Qualification” in this appendix;
- (d) the Moyu Phase I Construction Agreement;
- (e) the Moyu Phase II Construction Agreements;
- (f) the Qiqihar EPC Agreement; and
- (g) the Huadong Technical Consultancy Agreement, the GCL Solar Projects Agreements, the JV Agreement and the Loan Agreement referred to in the paragraph under the heading “Other interests of the Directors” in this appendix.

* *For identification purpose only*



中国核建

CHINA NUCLEAR ENERGY TECHNOLOGY CORPORATION LIMITED

中國核能科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 611)

NOTICE IS HEREBY GIVEN that a special general meeting of China Nuclear Energy Technology 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, Hong Kong on Friday, 18 December 2015 at 3:00 p.m., for the purposes of considering and, if thought fit, passing, with or without modification, the following resolutions of the Company:

ORDINARY RESOLUTION

1. **“THAT**

- (a) the two agreements in relation to the provision of procurement, construction, installation and related services by 南京中核能源工程有限公司 (transliterated as Nanjing CNI Energy Engineering Company Limited*) (“**CNI Energy**”) to 新疆新華聖樹光伏發電有限公司 (transliterated as Xinjiang Xinhua Shengshu Solar Photovoltaic Company Limited*) (“**Xinhua Shengshu**”) dated 13 November 2015 (the “**Moyu Phase II Construction Agreements**”) in respect of the 新疆新華墨玉130MWp光伏發電工程 (transliterated as Xinjiang Xinhua Moyu 130MWp Solar Power Project Phase II*) and the transactions contemplated thereunder pursuant to the Moyu Phase II Construction Agreements (a copy of the Moyu Phase II Construction Agreements has been produced to the meeting and marked “**A**” and initialed by the chairman of the meeting for the purpose of identification) and the annual caps for the continuing connected transactions contemplated under (i) the agreement dated 13 March 2015 entered into between CNI Energy and Xinhua Shengshu in respect of the 新疆新華墨玉50MWp光伏發電工程第一期 (transliterated as Xinjiang Xinhua Moyu 50MWp Solar Power Project Phase I*) for the year ending 31 December 2015 (details of which are set out in the circular of the Company dated 2 April 2015); and (ii) the Moyu Phase II Construction Agreements for the two financial years ending 31 December 2016 (the “**Moyu Proposed Caps**”) be and are hereby approved, ratified and confirmed;

NOTICE OF THE SGM

- (b) the agreement in relation to the provision of engineering design, procurement, construction, installation and related services by CNI Energy to 中核齊齊哈爾太陽能發電有限公司 (transliterated as Zhong He Qiqihar Solar Power Generation Company Limited*) dated 13 November 2015 (the “**Qiqihar EPC Agreement**”) in respect of the 中核齊齊哈爾分佈式光伏發電項目 (transliterated as Zhong He Qiqihar Distributed Solar Power Generation Project*) and the transactions contemplated thereunder pursuant to the Qiqihar EPC Agreement (a copy of the Qiqihar EPC Agreement has been produced to the meeting and marked “**B**” and initialed by the chairman of the meeting for the purpose of identification) and the annual caps for the continuing connected transactions contemplated under the Qiqihar EPC Agreement for the two financial years ending 31 December 2016 (the “**Qiqihar Proposed Caps**”) be and are hereby approved, ratified and confirmed; and
- (c) any one of the directors of the Company (“**Directors**”) 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 (i) the Moyu Proposed Caps and the Moyu Phase II Construction Agreements and the transactions contemplated thereunder; and (ii) the Qiqihar Proposed Caps and the Qiqihar EPC Agreement and the transactions contemplated thereunder and generally to exercise all the powers of the Company as he/she/they deem(s) desirable or necessary in connection with the forgoing.”

By order of the Board
China Nuclear Energy Technology Corporation Limited
Ai Yilun
Chairman

Hong Kong, 2 December 2015

Registered Office:

The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Principal place of business in Hong Kong:

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

NOTICE OF THE SGM

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/her/its 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/she 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 resolutions set out in this notice will be put to shareholders to vote by way of a poll.

* *For identification purpose only*